

Reaching the Poor: Microcredit Experience in Bangladesh

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Abstract

Bangladesh is encountered with the acute problem of poverty. Poverty is correlated to various problems such as unemployment, deprivation of basic needs, i.e., food, health, education, shelter etc. Poverty-focused programmes undertaken by the government during the past could not make significant headway in alleviating poverty in Bangladesh. In the backdrop of the negligible success of the government sponsored poverty-focused programmes to alleviate poverty, the microcredit organizations (MCOs) have taken a key role in poverty alleviation efforts. By reaching the poor, we mean not only an improved access to microcredit, but also its favorable impact on the poor. The question now arises as to whether microcredit initiative has been able to contribute positively to the well-being of the poor people in Bangladesh. This paper is an attempt to document the contribution of microcredit programmes towards the alleviation of poverty of the landless poor people in Bangladesh. For this study, three major microcredit organizations (MCOs), i.e., Grameen Bank, BRAC and ASA have been selected.

Key Words: Micro Credit and Poverty Alleviation

Introduction

Bangladesh, with a population of more than 140 million, is one of the most densely populated countries (1061 persons per square kilometer) in the world. Poverty is pervasive. Almost half of the total population is still living below the poverty line - earning less than \$1 a day. Per capita Gross Domestic Product (GDP) in 2004 was estimated at just \$470. The various dimensions of the country's poverty are manifested in terms of inequality in income distribution (in favor of urban areas), wage differentials between the formal and informal sectors, dramatic increases in the cost of living, less than adequate calorie intake by the vast majority of the population, unemployment and internal migration. The United Nations Human Development Program's (UNDP) Human Development Index for Bangladesh has been just 0.543 in its 2007 report, resulting in an extremely low international ranking of 146th out of 182 countries. However, progress on a range of social indicators in Bangladesh over the last fifteen years has been striking in certain areas, and these have been accredited substantially to the mix of public and private service provision, including the pioneering approach of microcredit organizations (MCOs).¹

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Rationale of the Study

Bangladesh is a developing country having a very poor financial market. The poor people do not get access to formal financial institutions because of lack of physical collateral. The informal moneylenders, on the other hand, charge an exorbitant rate of interest, thereby inhibiting poor households from investing in productive income increasing activities. Bangladesh does not have a proper substructure of small banks operating at local level.ⁱⁱ Against the backdrop of a relatively undeveloped formal financial system, the introduction of the microcredit was a financial innovation. In Bangladesh, microcredit was introduced in the late seventies. Microcredit is the provision of small loans provided to the asset less poor households, who were earlier considered 'non-bankable' under the traditional collateral-based financial practices, for the income generating self-employment activities. The microcredit organizations (MCOs) have been attempting to reach the poor with collateral-free loans at affordable costs and can thus help the poor become self-employed. The main objective of the microcredit is to reduce the poverty via promoting self-employment among the poor and ensure stability in the income of the poor people. The question now arises as to whether microcredit initiative has been able to contribute positively to the well-being of the poor people in Bangladesh. The question is of great significance for analyzing the performance of microcredit organizations (MCOs) in Bangladesh. So it is of great interest and worthy of research in this area and predict a scenario regarding the poverty status of the country.

Research Aim and Objective

This research seeks to examine as to what extent the microcredit programmes are able to bring 'changes' in the lives of the poor households in Bangladesh.

The main objective of this research is to prove that microcredit programmes are able to bring favorable changes in the lives of the poor households in Bangladesh. Microcredit programmes provide poor households with the minimum collateral-free capital to improve their employment status. Through improving employment status poor households increase their income, consumption and thus, improve the fulfillment of basic needs (education, health, shelter, clothing and the food availability). Gradually, these households move from below to above the poverty line, i.e. poverty of the borrowing households alleviates.

Within this main objective, three secondary objectives also have been examined:

- (a) Microcredit programme improves the employment status of the poor households and increase their income.
- (b) Microcredit programme improves the consumption pattern of the poor households.
- (c) Microcredit programme improves the fulfillment of basic needs (education, health, shelter, clothing and the food availability) of poor households.

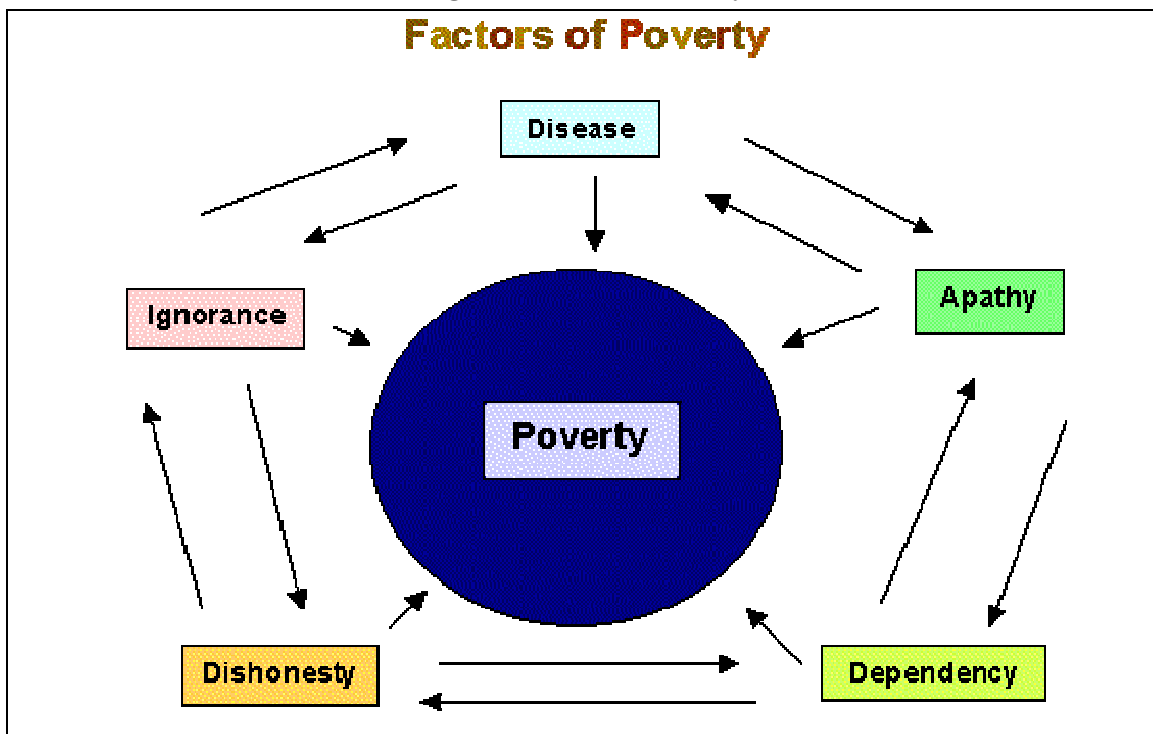
Multidimensional Factors of Poverty

Poverty can be defined as the state of having little or no money goods, or means of support; condition of being poor; being indigent. In other words, poverty is the deficiency of necessary or desirable ingredients, qualities, etc.

ⁱⁱⁱWe have all felt a shortage of cash at times. That is an individual experience. It is not the same as the social problem of poverty. While money is a measure of wealth, lack of cash can be a measure of lack of wealth, but it is not the social problem of poverty.

Poverty as a social problem is a deeply embedded wound that permeates every dimension of culture and society. It includes sustained low levels of income for members of a community. It includes a lack of access to services like education, markets, health care, lack of decision making ability, and lack of communal facilities like water, sanitation, roads, transportation, and communications. Furthermore, it is a "poverty of spirit," that allows members of that community to believe in and share despair, hopelessness, apathy, and timidity. Poverty, especially the factors that contribute to it, is a social problem, and its solution is social. That solution is the clear, conscious and deliberate removal of the big five factors of poverty. The big five, in turn, contribute to secondary factors such as lack of markets, poor infrastructure, poor leadership, bad governance, under-employment, lack of skills, absenteeism, lack of capital, and others.

Figure 1: Factors of Poverty



^{iv}Source: Bartle, P. (2007)

Let us look briefly at each of the big five in turn.

Ignorance

Ignorance means having a lack of information, or lack of knowledge. It is important to determine what the information is that is missing. Many planners and good minded persons, who want to help a community become stronger, think that the solution is education. But education means many things. Some information is not important to the situation. It will not help a farmer to know that Romeo and Juliet both died in Shakespeare's play, but it would be more useful to know which kind of seed would survive in the local soil, and which would not.

Disease

When a community has a high disease rate, absenteeism is high, productivity is low, and less wealth is created. Apart from the misery, discomfort and death that results from disease, it is also a major factor in poverty in a community. Being well (well-being) not only helps the individuals who are healthy, it contributes to the eradication of poverty in the community.

Apathy

Apathy is when people do not care, or when they feel so powerless that they do not try to change things, to right a wrong, to fix a mistake, or to improve conditions.

Sometimes, some people feel so unable to achieve something, they are jealous of their family relatives or fellow members of their community who attempt to do so. Then they seek to bring the attempting achiever down to their own level of poverty. Apathy breeds apathy.

Dishonesty

When resources that are intended to be used for community services or facilities, are diverted into the private pockets of someone in a position of power, there is more than morality at stake here. In this training series, we are not making a value judgment that it is good or bad. We are pointing out, however, that it is a major cause of poverty. Dishonesty among persons of position and power contribute to poverty. The amount stolen from the public, that is received and enjoyed by the individual, is far less than the decrease in wealth that was intended for the public.

Dependency

Dependency results from being on the receiving end of charity. In the short run, as after a disaster, that charity may be essential for survival. In the long run, that charity can contribute to the possible demise of the recipient, and certainly to ongoing poverty.

It is an attitude, a belief, that one is so poor, so helpless, that one cannot help one's self, that a group cannot help itself, and that it must depend on assistance from outside. The attitude, and shared belief is the biggest self justifying factor in perpetuating the condition where the self or group must depend on outside help.

These five factors are not independent of one another. Disease contributes to ignorance and apathy. Dishonesty contributes to disease and dependency. And so on. Each of them contribute to others.

^vThe measurement of poverty has often been criticized for relying solely on measures of financial deprivation. Poverty being a multidimensional state, related to health, schooling, living environment, psychological state as well as social ties, care should be taken to integrate these various components to have a proper picture of poverty. This is especially true for the rich countries where poor financial conditions are often alleviated by social policies like minimum income, unemployment or housing benefits. Social exclusion and poor health can therefore dominate the poverty feeling.

^{vi}Researchers at the Oxford Poverty and Human Development Initiative at the University of Oxford have created a new way of measuring poverty, which takes into account more factors than income. Called the “Multidimensional Poverty Index”, it includes factors such as:

- Does a family have a dirt or dung floor?
- Do they have a decent toilet/latrine?
- Must family members travel more than 30 minutes on foot to get clean water?
- Do they live without electricity?
- Is a family member malnourished?
- Are all school aged children enrolled in school?

Literature Review

The literature review broadly supports that access to microcredit contributes to benefit the poor households in Bangladesh although the evidence is not entirely clear-cut.^{vii} . For instance, data collected by the World Bank in 2002 have been used to show widely varying results depending on the methodology chosen to assess impact. Khandker estimates that for every 100 taka lent to a female member of Bangladesh Rural Advancement Committee (BRAC), household consumption increases by 18 taka. For men this figure is 11 taka.^{viii} These results indicate that poverty decreases as the borrowed amount (possibly in different installments) increases. Further, the study shows that the poverty rate of BRAC-members falls by around 15% for moderate poor and by 25% for ultra-poor, when they have a loan for up to three years. Similar results are found for Grameen Bank members.

Recently, there are finding of Khandker’s study on the contribution of microcredit on poverty reduction, and his review of previous studies therein. Referring to a joint World Bank-Bangladesh Institute of Development Studies (BIDS) research project in the late 1990s, ^{ix}Khandker finds strong evidence that the programmes help the poor through consumption smoothing and asset building. Further, based on the analysis of panel data spanning the 1990s, Khandker reports that microcredit raises per capita household consumption for the poor borrowers, increasing the probability that poor programme participants will escape poverty. From 1991/2, the average return to borrower’s cumulative borrowing was 18%, and by 1998/9 this had risen to 21%; this resulted in an annual decline of the poverty rate among poor programme participants of five percentage points in 1991/2, and two percentage points in 1998/9. The lower rate in 1998/9, is

due both to diminishing returns to borrowing as well as to overall better economic conditions, as microcredit also has village-level ‘spill over’ effect, reducing the poverty of poor programme participants. Poverty declined by greater than 20 percent for programme participants who had been members since 1991/92. Microcredit accounts for more than half of the overall observed annual poverty reduction of three percentage points among programme participants, and up to 40% of the overall village-level annual poverty reduction of one percentage point.

The World Bank study by Khandker (2003) shows that micro-credit programmes operating in Bangladesh over a long period have produced a greater impact on extreme poverty than on moderate poverty. The result of this study strongly supports the view that microcredit not only affects the welfare of participants and non-participants, but also the aggregate welfare at village level.

^xHossain shows that the poor borrowers have been benefitted from the microcredit activities of Grameen Bank and BRAC in several ways. His study finds that (a) income has increased for 97.93% of the borrowers; (b) quality and quantity of food intake have improved for 88.59% of the borrowers; (c) clothing improvement has been reported by 87.85% of borrowers; (d) housing conditions have been improved for 75.26% borrowers; (e) children education has been improved for 75.41% of borrowers; (f) sanitation condition has been improved for 68.74% of borrowers; and (g) overall quality of life improvement has been reported by 94.96% of the borrowers.

Access to microcredit enables the poor to increase the size of their existing income generating activities (IGAs), undertake new IGAs and rent-in land for farming which create increased opportunities for the employment of the family. The land-poor microcredit borrower households have been found to be better able to ensure employment on own farms due to their better access to the land rental market.^{xi}

A study of Zohir in 2002 also shows that in case of income-earning assets, such as, poultry and livestock, positive impact of microcredit is quite evident. The findings of the study also clearly reveal that a higher percentage of microcredit borrowers among the eligible households' own poultry, goat/sheep and cows, when compared with the non-participants. Ownership of such assets as bicycles, hand tube well and rickshaw/van is more prevalent in microcredit programme villages, compared with the control villages. He showed that the microcredit borrowers have greater access to the land rental market, and thereby better ensure employment (on rented-in farm) and food security from their own production. The study also estimates about 26% of rice consumption by the land-poor households is met out of their own production (after sale).

The research of ^{xii}Pitt and Khandker based on BIDS-World Bank survey data in Bangladesh provides a strong indication that the microcredit programmes help the poor by levelling off consumption and by building assets and net worth. The findings also lend support to the claim that microcredit programmes promote investment in human capital (such as schooling) and contribute to increasing awareness to reproductive health (such as the use of contraceptives) among poor families. ^{xiii}Khandker conducted a study on Grameen Bank and Bangladesh Rural Advancement Committee (BRAC) programme participants in Bangladesh and found positive impact of microcredit on expenditure, consumption, net-worth of participants' households and

also on children's schooling, children's nutrition and health.^{xiv} Halder and Husain show that the participants of BRAC owned higher assets (151% higher), savings (502% higher) and net worth (151% higher) than the control group non-participants. But the asset accumulation of the BRAC borrower households is negatively correlated with the depth of programme participation or with the membership length (i.e., the higher the amount of loan for household brings the greater possibility of owning comparatively less asset). The World Bank study, based on the 1991/1992 household survey, indicates that less than 5 percent of poor borrowers lift themselves out of poverty each year by borrowing from a microcredit programme.

The microcredit programme of Association for Social Advancement (ASA) on its poor participants showed positive results indicating an annual income growth of 5-7% compared with the control group, increase in food consumption, improvement in health and child education, and higher increase in assets.^{xv}

^{xvi}Chowdhury and Khandker found that 77% targeted people in rural areas of BRAC and Grameen Bank microcredit programme meet a minimum calorie requirement, while 59% 'hard core' poor meet only 80% of calorie requirement. The calorie intake of boys and girls were higher in both the Grameen Bank and BRAC programme villages.

Another BIDS (Bangladesh Institute of Development Studies) and non-BIDS studies also indicate the beneficial aspects of microcredit operation in Bangladesh.^{xvii} These studies show the positive correlation between microcredit programmes and their accrued benefits to poor households.

^{xviii}Chowdhury & Khandaker state that the participation in microcredit programme reduces poverty by 8.5% points over a period of seven years. This means microcredit helps 1.22.percent borrowers to graduate from below to above the poverty line on a yearly basis.

By using income and consumption as dependent variables for the measurement of the impact of microcredit programmes, most authors conclude that microcredit institutions can have a positive impact on combating poverty. Chowdhury & Khandker (1996) examines the impact of Grameen Bank and Bangladesh Rural Advancement Committee (BRAC), the two major microcredit institutions in Bangladesh. They find that the programmes of Grameen Bank and BRAC help to smooth the consumption pattern of poor households. They find for both institutions that a greater number of loans mean a lower incidence of poverty for all programme participants. In the Grameen Bank villages, for instance, 76% of participants who have taken no loans or only one loan are below the poverty line, compared to only 57% of those who have taken five or more loans.

^{xix}Mustafa shows that members, involved in BRAC microcredit programme, have gained a greater control over their incomes and have been able to gain control on expenditures. A study by ^{xx}Rahman on the impact of Grameen Bank microcredit programme provides evidence that the poor borrowers enjoyed a better standard of living for themselves (in terms of food intake and possession of clothing) and the variety of food items consumed was better.

The World Bank study based on the 1998 household survey indicates that only about 5% of the borrowers can lift themselves out of the poverty each year by borrowing from a microcredit programme, even if the estimated impacts on consumption are sustained over time.

^{xxi}Hossain found that 80% borrower households of the Grameen Bank accumulated non-

agricultural capital asset by participation in the microcredit programme. The share of equity in total investment is increased by 28% for borrowers who had taken loan four times or more. This effect is higher for long term borrowers than the newer ones.^{xxii} Hossain, based on his study on Grameen Bank, indicates that per capita income and household income as well as consumption are positively associated with the amount of credit obtained from Grameen Bank.

^{xxiii}In 2011 CGAP (Consultative Group to Assist the Poor) has recently released a statement from Tilman Ehrbeck, CGAP CEO, and Vijay Mahajan, Chair of CGAP's board, on the efforts to remove Nobel Prize winner Muhammad Yunus as Managing Director of Grameen Bank. In the statement, they mentioned that over the past thirty years together Muhammad Yunus and Grameen Bank have been a powerful force and symbol for the microcredit movement and for progress for poor people who were previously excluded from formal financial services. Professor Yunus has been a pioneer in the field, and his substantial contributions to advancing the cause of poor unbanked women should be celebrated by Bangladesh, and the international community. The microcredit movement made a critical contribution in proving that it is possible to deliver financial services to poor people at scale, and in a sustainable way. They also stated that the current situation is damaging not just to Grameen Bank and poor clients in Bangladesh, but also to the wider micro finance industry. At last they hoped that a compromise can be reached that allows Grameen Bank to operate effectively, and for micro finance in Bangladesh to continue to thrive and contribute to the social and economic development in the country.

^{xxiv}In a paper on Cross-border Funding of Microfinance (2011), Mayada, Barbara and Kate Lauer stated that as of December 2009, cross-border funders reported commitments to microfinance of US\$21.3 billion, reflecting a 17% increase (US\$3 billion) over 2008 commitments. Although this rate of increase is lower than the previous year's 30% growth rate, cross-border funding is expected to continue growing. Of cross-border funders, public funders provide a larger share of commitments, but private funders are increasing their commitments at a higher rate, with 2009 commitments one-third higher than 2008 commitments. In some markets, cross-border funding represents the lion's share of microfinance institutions' funding base. Yet, where institutions can mobilize deposits and where local capital markets exist, cross-border flows is likely to represent a small part of the picture. Funders' commitments represent all active investments and projects supporting microfinance. As the typical project length is around three to five years, commitments include funds already disbursed as well as funds not yet disbursed. While commitments do not tell us how much funding reaches the microfinance sector within a given year, it is currently the most reliable indicator available for analyzing overall trends in microfinance funding.

^{xxv}Hashemi and Montesquiou found that successful efforts to reach extremely poor people often have combined access to financial services with a variety of nonfinancial services, such as livelihoods training. In CGAP's search for models to fight extreme poverty, they were particularly inspired by the innovative and holistic approach developed by the Bangladesh Rural Advancement Committee (BRAC) over the past three decades. They have written about the model and have extensively advocated for it as an important pathway for many of the poorest to escape extreme poverty.

Research Method

Secondary data have been used for the study. Necessary and relevant data as well as information have been collected mainly from three key players in the field of microcredit in Bangladesh, namely Grameen Bank, Bangladesh Rural Advancement Committee (BRAC) and Association for Social Advancement (ASA), who provide credit to about 80 percent (11.45 million) of the 14.3 million poor borrowers.^{xxvi}

Both published and unpublished data have been used to document the contribution of the microcredit programmes towards the alleviation of poverty in Bangladesh. A considerable amount of information has been gathered through literature survey, books, Credit and Development Forum (CDF) 2005,^{xxvii} Bangladesh Bank Report (2005),^{xxviii} Human Development Report (2009),^{xxix} Bangladesh Bureau of Statistics (BBS) microcredit periodicals (2004), Bangladesh Institute of Development Studies (BIDS), 1996 survey reports and journals in order to strengthen the analysis of issues addressed by the study.

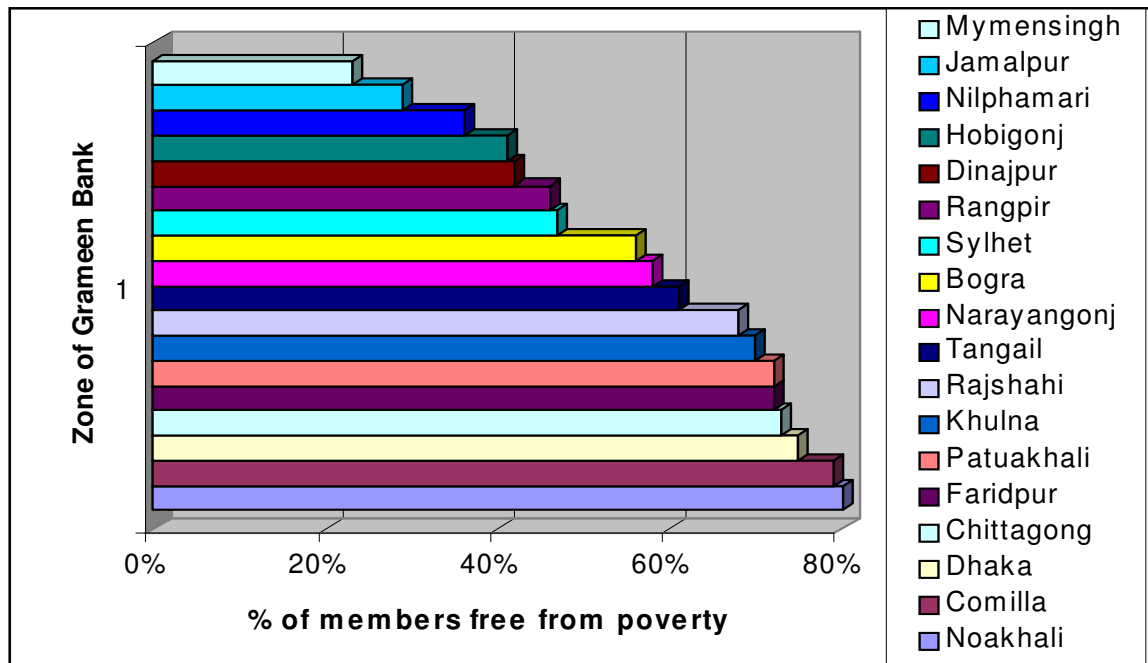
Various indicators of the living standard of the poor borrowers such as income, consumption, nutritional status, education, and health before and after joining in the microcredit programmes, of three main key organizations, as mentioned earlier, have been examined to assess the improvement in their livelihood and changes in their living standards. The improvement of the living standards of the participating borrowers involved in the microcredit programmes compared to non-participating people has been examined. Employment status of the borrowers during the pre-and post-Grameen Bank, BRAC and ASA era has also been observed to examine whether it could make a significant headway in removing their unemployment problem. The fulfillment of basic needs of the borrowers has also been examined to assess the contribution of microcredit programmes on the satisfaction of their basic needs. Parameters like creation of job, and ownership of assets have been used to substantiate the findings related to the alleviation of poverty of the borrowers.

Case Study: Grameen Bank, Brac and ASA

In this research work, few indicators have been taken as yardstick of measuring the poverty line such as income levels, household consumption, nutrition, food intake, asset accumulation, job creation and also education for the children. From the case study of the mentioned NGOs, it has been found that these indicators have been positively affected by the induction of micro-credit programmes. This section has been developed to demonstrate the impact of micro-credit programmes of three NGOs on poverty alleviation on the basis of the factors identified.

Poverty alleviation and membership to NGOs

The poverty alleviation survey on the Grameen Bank members (see figure 2 below) has indicated that up to the year 2004, 80 percent of the members of Noakhali zone have been free from poverty which is followed by Comilla zone (79 percent).

Figure 2: Poverty Alleviation survey on Grameen Bank members

Source: Grameen Bank Annual Report, 2004

Mymensingh zone does not make satisfactory result where only 22 percent of the members have been free from poverty.^{xxx}

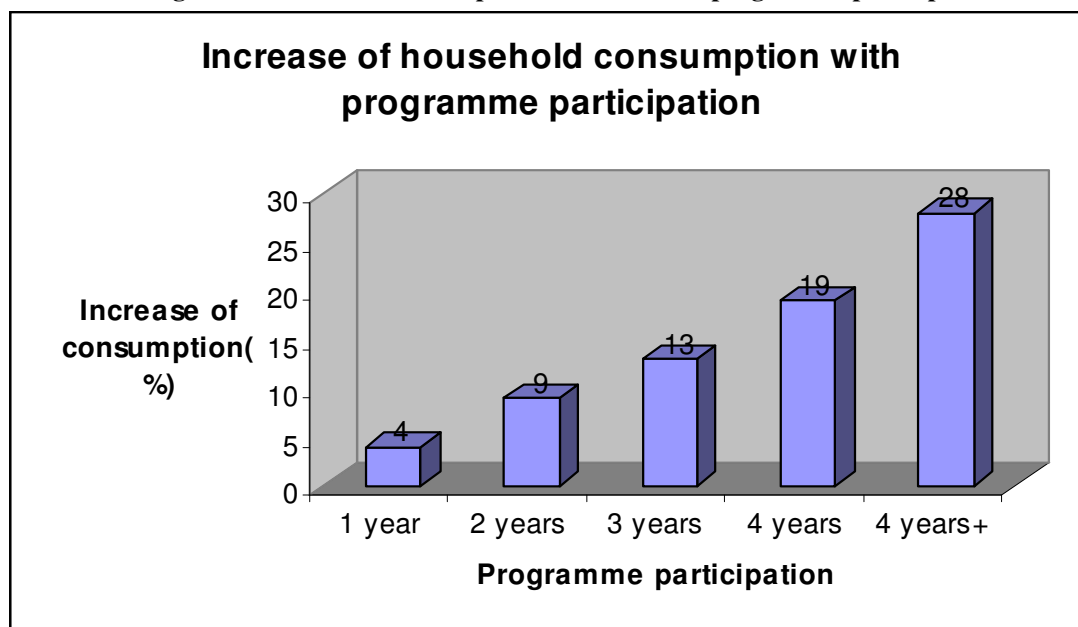
In addition, an internal survey of Grameen Bank based on ten indicators (increased income, improved nutrition, better food intake, and consumption on clothing, better housing, lower child mortality and birth rate, higher adoption of family-planning practices, better healthcare, and better access to education for the children) shows that 58 percent of Grameen borrowers' families have crossed the poverty line. The remaining families are moving steadily towards the poverty line from below.

Furthermore, the internal research by ^{xxxi}Grameen Bank Research Division in the year 2004 has asserted that the microcredit programmes of Grameen bank have facilitated to increase in household consumption. The research has found that for every BDT 100 (the unit of currency in Bangladesh) lent to a female borrower, household consumption rises by BDT 18. The research has also found that income smoothing, which is the result of lessened vulnerability, also leads to consumption smoothing. The research also suggests that 21% of the members of the Grameen Bank (GB) microcredit programme lift themselves from poverty within four years of joining the programme. About 5% of the Grameen Bank's members rise from poverty each year. More than half of Grameen borrowers in Bangladesh (about 5 million) have risen out of acute poverty solely based on their loans, as measured by such standards as having all children of school age in

school, all household members eating three meals a day, a sanitary toilet, a rainproof house, clean drinking water and the ability to repay a BDT 300 -a-week (US\$ 4.5) loan.

The research data from ^{xxxii}Research and Evaluation Division (RED) of BRAC indicated that there is a positive correlation between membership length and consumption pattern. The figure 3 shows that the greater the membership length, the higher is the increase in the consumption pattern.

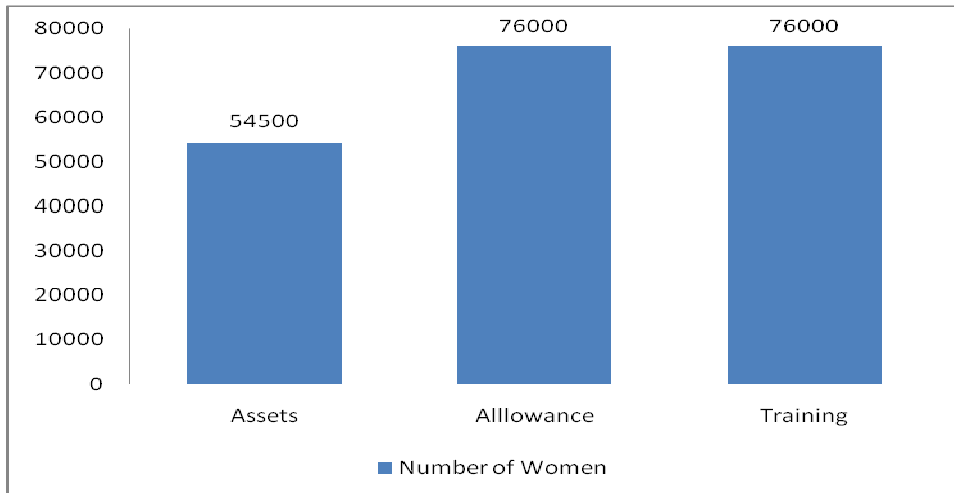
Figure 3: Household consumption v. Microcredit programme participation



Source: BRAC Research and Evaluation Division, 2006

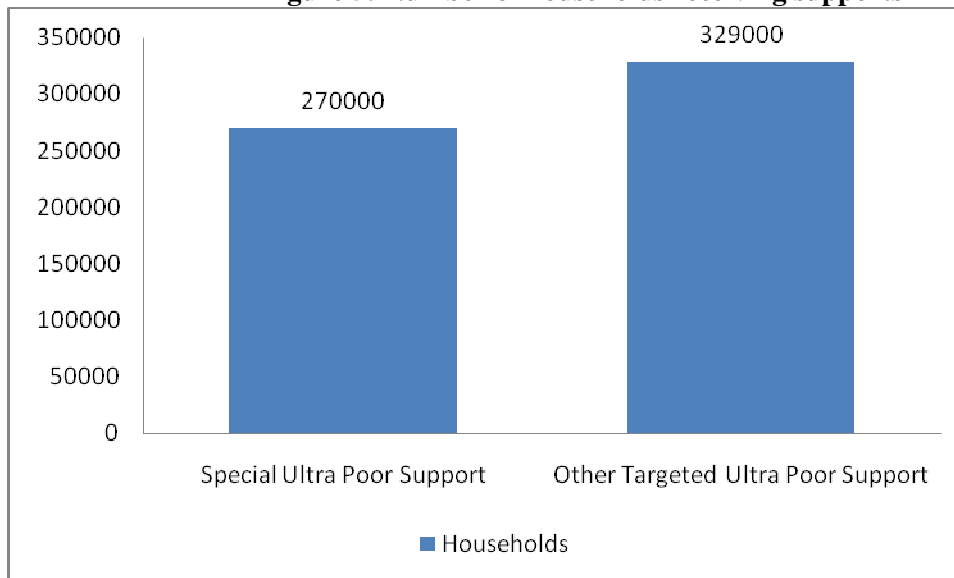
Those who have participated in the microcredit programme of BRAC for more than four years have seen a rise in their household consumption by 28 percent. It implies that after being involved in the BRAC microcredit programme, the more the involvement with the programme, the more is the increase in consumption. After being involved in the credit programme for longer periods, the poor households are able to get more credit. Thus, they can expand their business activities or involve in additional business with new credit, which in turn increase their income and facilitates them to consume more food.

^{xxxiii}BRAC Annual Report 2010 reveals that Targeting the Ultra-Poor (TUP) program works closely with individuals and families to begin the process of livelihood strengthening, asset building and income generating activities, to create a pathway out of extreme poverty. They plan to reach 300,000 households and 1,500,000 people through their Ultra-Poor program by 2016. The following figure (4) shows that 54,500 women are given with assets while 76,000 women received subsistence allowances and 76,000 women were given skill development training.

Figure 4: Assets, Allowance & Training facilities given to women

Source: BRAC Annual Report 2010

Figure 5 is showing that in 2010, BRAC gave Special Ultra Poor Support (STUP) to 270,000 households and Other Targeted Ultra Poor Support (OTPS) to 329,000 households.

Figure 5: Number of households receiving supports

Source: BRAC Annual Report 2010

Job Creation and membership to NGOs

Table 1 indicates that more than 90% of the Grameen Bank participants are getting more man days of work after joining Grameen Bank microcredit programmes than before. The same percentage of respondents belonging to Grameen Bank express their view that just by joining Grameen Bank programmes they find it easier to get jobs.

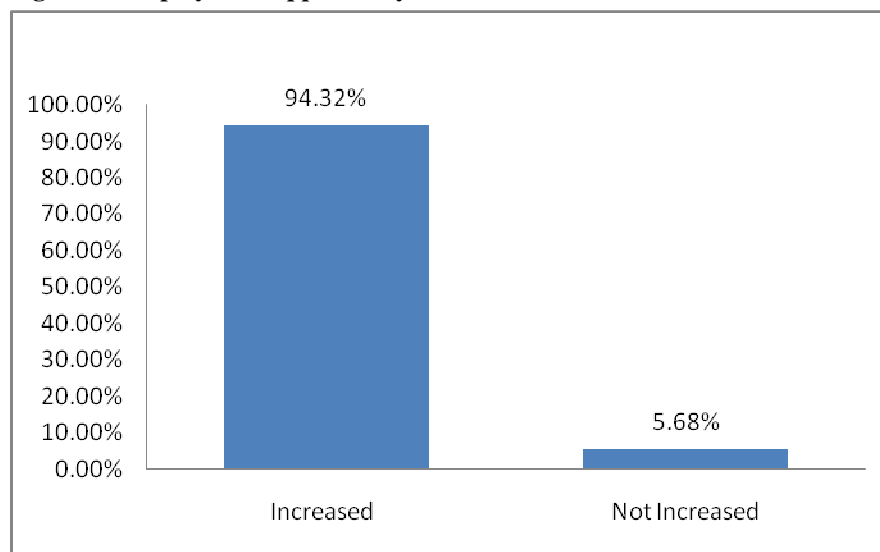
Table 1: Job Creation Performance by the Grameen Bank

Programs	No of Employment Seekers (Small Peasants and Agricultural Wage Laborers)	Getting More Man-days of Work After Joining the Program	Getting Work Easily After Joining the Program
Grameen Bank	10,000	9387(93.87)	9387(93.87)

Note: Figures in parentheses represent percentages of employment in the program concerned.

Source: Grameen Bank Research Division, 2006

Figure 6: Employment opportunity of ASA members



Source: ASA Annual Report, 2009

^{xxxiv}The above graph (figure 6) indicates that among the total ASA respondents, 3,622 (94.32%) have said that they have created employment opportunities for others at their projects. But a number of 218 (5.68%) respondents have said that they could not create employment opportunities in their projects.

Food Intake and membership to NGOs

Table 2 shows that the Grameen Bank microcredit member consumed on an average 857 grams of food intake per day in 2004 which is higher than the non-members' food intake which is around 789 grams per day in the same year. This data indicated that members' foods indicate actually increased after becoming the member of the NGOs.

Table2: Food intake (gram/person/day) by Grameen Bank and Non-Grameen Bank Members

Food groups	Grameen Bank Members		Non-Grameen Bank Members	
	Intake 2004	% of Total Intake	Intake 2004	% of Total Intake
CEREAL:	501	58	476	60
Rice	418	48	417	53
Wheat	83	10	59	7
Pulse	25	3	15	2
ROOTS AND TUBERS:	8	10	99	13
VEGETABLES:	157	18	135	17
Leafy	20	2	24	3
Non-leafy	137	16	111	14
MEAT AND EGGS:	10	1	3	-
FISH AND DRY FISH:	19	2	20	3
MILK:	20	2	16	2
All	857	100	789	100

Source: Grameen Bank Research Division, 2006

The data also indicated that, the poor borrowers of Grameen Bank are involved in diversified business activities, thus their income has been increased which enable them to consume more food intake. While for an average non-Grameen Bank member in 2004, the consumption of cereal constituted 60% of total food intake, for the Grameen Bank members of 2004, it was 58%.

Working alongside the Government BRAC is trying to help Bangladesh achieve self-sufficiency in food production to ensure food security and reduce hunger and malnutrition, through increased environmentally sustainable agricultural production.

Education and Membership to NGOs

The research of the Research and Evaluation Division (RED) of BRAC of the year 2004 shows that children aged between 11-14 of the household who receive microcredit from BRAC, basic competency in reading, writing, and arithmetic has increased from 12% to 24%.

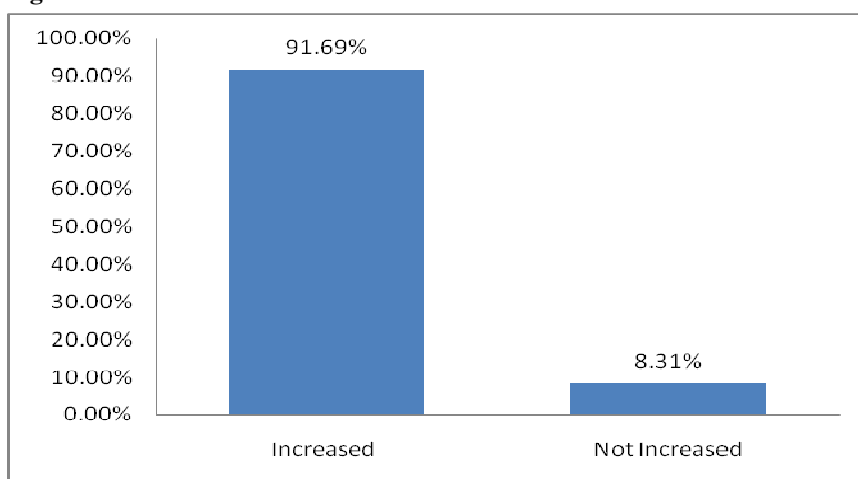
Microcredit has a great deal of impact on the education of the people and children in communities. This can be reflected in an interesting fact that 100% micro-financed household girls have some sort of education while this figure is 60% in non-micro financed households. In contrast, 81% of micro-financed household boys had some sort of education compared to only 54% in non-financed families.

Currently BRAC offers non-formal schools with flexible timings and make room for students of varied age whilst operating on a low cost but effective model. Free educational materials are given to students with a more hands-on approach to teaching, focusing on student participation. In 1998, the Government in fact handed over 44 community schools to BRAC authority to help improve the quality of education being provided – there are currently 7,940 students, around 54% of them girls and 231 teachers, around 97% of them female across these schools.

In 2010, 11,765 pre-primary schools were opened with 329,184 students, 61% of them girls, including 13,654 children with special needs. 4.66 million boys and girls have graduated from BRAC schools and 1,298,516 students have enrolled to date in both pre-primary and primary schools last year. A total of 31,670 BRAC schools, including 2,308 urban and 1,950 ethnic schools, are currently in operation across Bangladesh.

About 3,521 (91.69%) of the ASA clients have agreed that the rate of literacy has increased among the members of their families. But 319 (8.31%) of the responding clients have opined that the rate of literacy did not increase in their families.

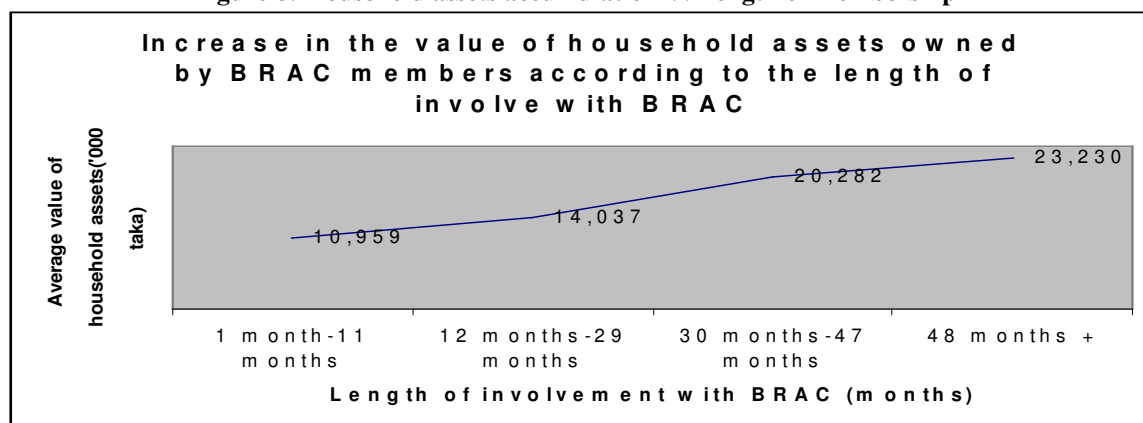
Figure 7: Education of ASA members



Source: ASA Annual Report, 2009

Asset accumulation and Membership to NGOs

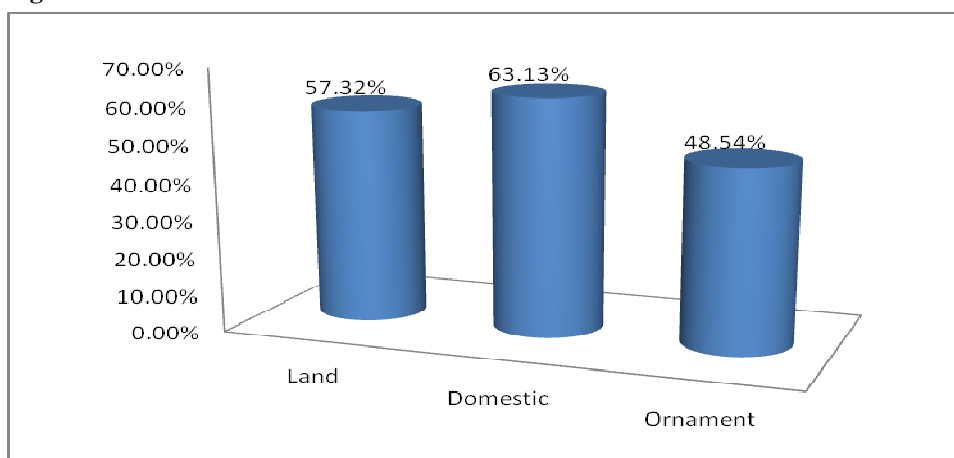
The data collected from Research and Evaluation Division (RED) of BRAC, depicted below in figure 8 shows that asset accumulation of poor households and their membership length with NGOs are positively correlated.

Figure 8: Household assets accumulation V. Length of membership

Source: BRAC Research and Evaluation Division, 2006

The above figure shows that the higher the length of involvement with BRAC, the higher is the increase in the asset accumulation.

The ASA clients were asked whether their family assets have increased or not. About 57.32% reported that they could increase their landed property; about 63.13% said that the number of their domestic animals increased and 48.54% said that they could increase their ornaments.

Figure 9: Increase of Asset of ASA members

Source: ASA Annual Report, 2009

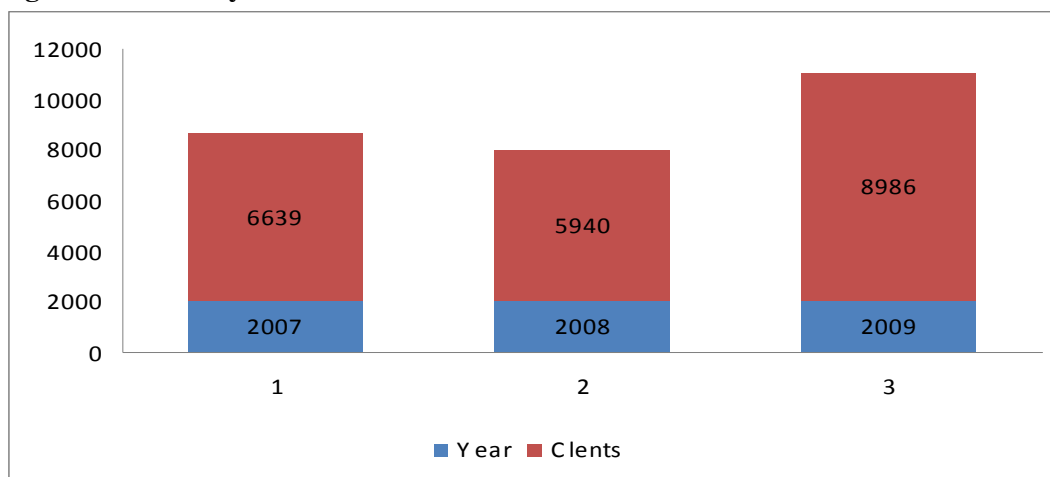
According to ASA Annual Report 2009, the responding clients have informed that the condition of their dwelling houses improved considerably. Data shows that percentages of the dwellers in the building and in the tin shed building were 17.14% and 23.72% respectively in 2007. In 2008, their percentages became 21.69% and 29.11%. In 2009, the percentages further increased and

stood at 26.93% and 31.59% respectively. On the other hand, the percentages of thatched house, during those years, decreased gradually. They became 59.14%, 49.19% and 41.48% in 2007, 2008 and 2009 respectively.

Income level and Microcredit Programmes of NGOs

ASA clients use their loans in various income generating activities (IGAs) and have been successful in increasing their income during 2009. The findings of the assessment revealed that about 3,670 (95.57%) out of 3,840 clients have agreed that their income has increased. Only 170 (4.43%) said that their income did not increase. The assessment finding (2007) has shown that their monthly income on average was Tk.6, 639. However, the amount declined to Tk.5, 940 due to the natural disaster in the year 2008. In the next year, the amount of income further jumped to Tk. 8, 986. It can be shown in the following graph.

Figure 10: Monthly Income of the ASA clients

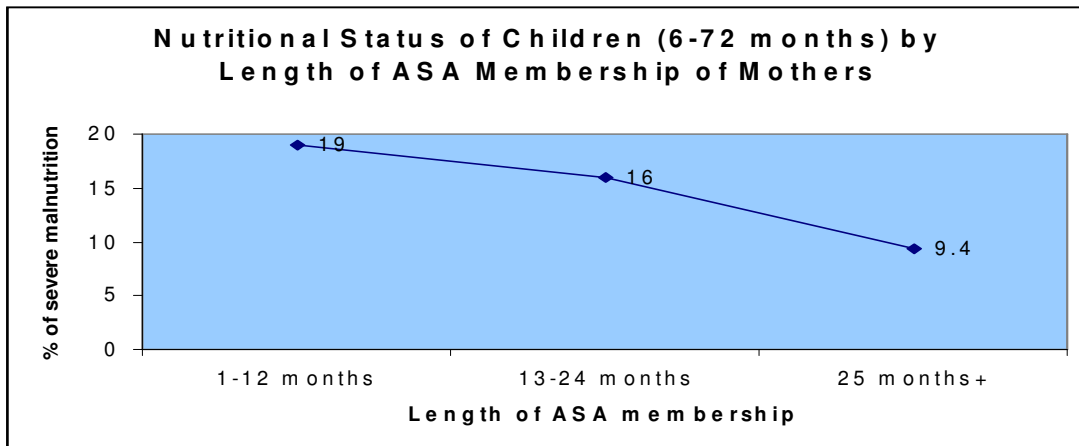


Source: ASA Annual Report, 2009

Nutrition level and membership to NGOs

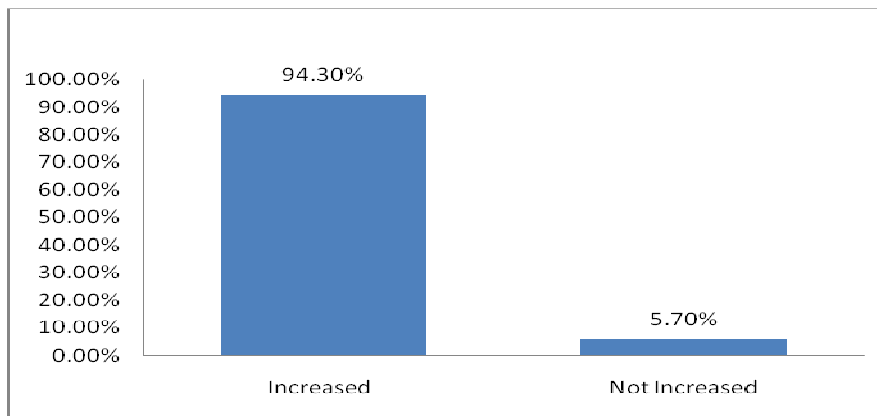
The research collected from the research division of ASA, (figure 11) shows that there is a significant decrease in severe malnutrition of the children of the borrowers which is closely associated with the length of ASA membership. It has been found that there is a negative correlation between length of ASA membership and the percentage of severe malnutrition of the children of the borrowers.

The graph below confirms that the higher the membership length of mothers, the lower is the severe malnutrition of their children.

Figure 11: Nutritional status Vs Membership to NGOs

Source: ASA Research Section, 2006

In addition, quality of food intake has been improved. Annual report of ASA 2009 revealed that (figure 12) a total of 3,621 (94.30%) respondents said about the improvement of the quality of food intake in their families. This has been possible due to the increase in income through proper uses of loans in IGAs. About 219 (5.70%) respondents have said that they could not improve the quality of food in their families.

Figure 12: Food Quality of ASA members

Source: ASA Annual Report 2009

Research Findings

The findings of this research work of microcredit programme can be related to how far the standard of living of the programme participants has been changed due to intervention of microcredit. Employment generation through the intervention of the microcredit programme is

the key factor for increasing income. Our analysis has reflected that the poor households that are eligible for participation in the microcredit programme have a higher probability of being self-employed than the non-participating households.

Our study on BRAC microcredit clients found that fewer members suffered from severe malnutrition than non-clients and the extent of severe malnutrition declined significantly while the clients stayed with BRAC.

Average per capita calorie consumption and total food and non-food expenditure are significantly higher for BRAC member households. Ratio of non-food to total expenditure is also higher for BRAC, which mainly increases with increase in the household income. BRAC members are found significantly better off than the comparison households in term of value of their dwelling places and per capita floor space utilization. Level of education, adult literacy and primary school enrolment of the group members has significantly improved after joining BRAC.

Our research has also found out that there is a positive correlation between membership length and consumption pattern of the borrowing households. The greater the membership length, the higher is the increase in the consumption pattern. Also, the asset accumulation of poor households has found to be positively correlated with the membership length. The performance of poor households involved in BRAC microcredit programme in terms of asset accumulation is positively linked. It can also be asserted that there is a significant decrease in severe malnutrition of the children of the borrowers, which is closely associated with the length of ASA membership. The analysis of this research work also argues that microcredit has contributed to non-income dimensions of poverty such as children's education and nutritional status both through the impact of increased incomes.

In particular, microcredit programmes matter a lot to the poor in raising per capita consumption, mainly on non-food, as well as household non-land asset. This increases the probability that the programme participants may be able to lift themselves out of poverty.

The additional family income generated by microcredit programme may be small, but it often makes the difference between survival and destitution. Microcredit can help the poor families to break out of the poverty cycle through accumulation of assets and improvement of human capital.

Recommendation

Bangladesh has experienced a tremendous growth of microcredit organizations (MCOs) during the last two decades creating positive impacts on poverty alleviation. However, a closer look at the contribution of microcredit on the alleviation of poverty and the various programme approaches indicate that to make better contribution, a flexibility in the credit programme needs to be introduced. To exhibit a stronger impact on poverty reduction, microcredit should perhaps go beyond the provision of financial services. To effectively cover the poor households, special programmes incorporating an element of support to provide food security, help in capacity building and creation of an asset base need to be undertaken. Again, to maximize impact and for

greater sustainability of programmes, the maximalist approach may be followed by adding appropriate skill training, necessary input and marketing services and also social development programmes along with the credit programme. BRAC has already followed this approach. An element of external support would be necessary for the social development programmes and for providing initial food security to the poor households while financial service programmes will have to be self-sustaining.

Thus, to effectively cover different groups of the poor a flexible microcredit policy needs to be evolved. Credit ceiling may be extended for those who have proven ability to absorb higher amount of credit. To cover the most disadvantaged poor households, food security is to be ensured through a support programme. Skill training and other asset building programmes are to be incorporated and alternative sources of income created for them before they are involved in the normal microcredit programme.

The microcredit sector has become a job of professionalism and now it is the appropriate time for microcredit non-government organizations (MC-NGOs) to be prepared for handling the mechanism completely. The expansion process should be maintained in accordance with the quality of services, funding situation and other capacities. Indeed, potential microcredit client is the basic pillar of successful operation of the programme.

From our analysis and investigation of information and data of various microcredit organizations (MCOs), we can also say that the credit size of more enterprising members is not adequate for productive investment, which leads them to seek fund from non-institutional sources as they are capable of investing larger amount of money than received from the microcredit organizations (MCOs). However, our analysis has suggested that for creating more employment opportunities, the credit ceiling issue should be considered carefully in the light of loan absorption capacity and risk management ability of the clients. The potential and skilled clients may be brought under special programme to use their fullest capacity in generating income and employment.

Conclusion

Before seventies Bangladesh was suffering from the curse of poverty. People were not conscious about the education and health. After the liberation war when the microcredit was introduced by some non-government organizations (NGOs) then the poverty level was reduced successfully. The Grameen Bank was in the leading role. Following the path of Grameen Bank some of the NGOs started to provide microcredit. Microcredit offers the opportunity to generate self-employment, which then can be the most reliable vehicle for the poor to get out of the poverty. Credit offers poor persons the opportunity to convert their energy and creativity into income generating activities, and thus pull themselves out of poverty. In Bangladesh, the programmes are able to bring favorable changes in the living standard of the borrowing households through employment generation, increased income, consumption and fulfillment of the basic needs. Microcredit is still fighting against poverty. Though there is no single intervention against poverty.

Direction for Future Research

Like all researches, this research has also some limitations. The key information and data used in this research have been gathered mainly from three major players in the field of microcredit in Bangladesh, namely, Grameen Bank, BRAC, ASA, that cover about 80 percent of the poor borrowers of Bangladesh whereas, there are about 300 microcredit organizations (MCOs) in Bangladesh. Time constraint is another important factor for which they could not be included in this study.

An extension of this research should include government agencies, gender dimensions of programme participation, empowerment of women, rate of interest in the microcredit sector, challenges faced by the microcredit organization of Bangladesh, the trade-off between sustainability of microcredit programme and poverty outreach. These inclusions will assist to evaluate the contribution of microcredit programme to the alleviation of poverty in Bangladesh to a greater extent. But one should not dismiss the value gained from this research even with the key information and data that have been gathered mainly from three major players in the field of microcredit in Bangladesh. Based on the findings of this research, the people and organizations involved in this sector can better evaluate their performance in relation to the eradication of poverty in Bangladesh.

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