

**Efficiency and Effectiveness of Microcredit
Management in Bangladesh: A Comparative Analysis
on Public and Private Sectors**

A Dissertation
Submitted to the University of Dhaka
for the award of the Degree of
Doctor of Philosophy
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By
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Declaration

I do hereby declare that the dissertation entitled “**Efficiency and Effectiveness of Microcredit Management in Bangladesh: A Comparative Analysis on Public and Private Sectors**” submitted to the Department of Banking and Insurance, University of Dhaka, Bangladesh for the degree of Doctor of Philosophy is an original work of mine. No part of it, in any form, has been submitted to any university or institute for any degree, diploma or for other similar purpose.

Mohd. Sher Ali

CERTIFICATE

The dissertation titled **Efficiency and Effectiveness of Microcredit Management in Bangladesh: A Comparative Analysis on Public and Private Sectors** by Mohd. Sher Ali submitted to the Department of Banking and Insurance, University of Dhaka, Bangladesh for fulfillment of the requirement for the degree of Doctor of Philosophy. The dissertation is original and written by the researcher. The dissertation is prepared under our supervision and guidance. It is the candidate's own achievement. It is not conjoint work.

We also certify that we have gone through the draft and final version of the dissertation and approve it for submission.

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ABSTRACT

Bangladesh is the birthplace of microcredit. Different countries are adopting Bangladeshi model to reduce poverty. To evaluate the achievements of microcredit a huge number of studies have been conducted. But it is necessary to discuss the comparative performance of private sector and public sector in which dimension shows the best performance in microcredit management. The broad objective of the study is to evaluate the management systems of microcredit in Bangladesh. The objectives are specified as (1) to investigate into the various microcredit management systems in Bangladesh; (2) to compare public and private sectors' interest rates; (3) to evaluate the training provided by the microcredit providers; (4) to evaluate the collateral systems both private and public sectors; (5) to evaluate the use of microcredit both the sectors; (6) to compare the income change of microcredit recipients of public and private sectors; (7) to identify the problems of microcredit management; (8) to suggest major recommendations and put forward policy implications based on the findings of the study.

Randomly selected 125 borrowers from two areas are interviewed. Borrowers use credit money for cultivation and small business. About 70% borrowers use credit at least 5 years. Private sector borrowers have to pay weekly basis installment in a fixed place where as public sector borrowers have liberty to repay installment at anytime at the office or another place fixed by the authority. Borrowers (56%) of the study areas prefer public sector and only 44% prefer private sector. The literacy rate of the borrowers' is more than 80% i.e. more than the national achievement and it is higher in the case of public sector borrowers'. The borrowers who get loan from public sector organizations, expend 135% more in education than before getting credit, where as result is reverse in the case of private sector. The expenditure in education decreases by 10% for the private sector borrowers'. Borrowers about 20% purchase land after getting credit and more than 70% borrowers now save to bank or cooperatives. Borrowers (100%) drink safe water, cast vote in election and sleep on cot or choki (lower level wooden cot) and about 97% borrowers have access to modern health services in the case of sickness. Still about 25% families face child mortality. In the case of electricity use, public sector borrowers are in privilege position and in an average, about 60% borrowers' family use electricity. Microcredit has empowered the borrowers also socially, because 30% public sector

borrowers became candidate in local level election (union parishad, management committee of educational and religious institute, club etc.). Only 4% private sector borrowers become candidate in local level election. It is significant that the income of the borrowers' increase more than 100% in comparison to before getting credit. In the case of public sector the income increase is 133% and 53% for private sector. The 38% borrowers claim that they would be able to improve their lives if credit is provided with less than 10% interest and 34% demand loan without interest. Among the rest of the borrowers 18% want allotment of land and 10% claim grant money.

The study's aim is to compare the management systems of private and public sector microcredit of Bangladesh. Within few exceptions private sector organizations like, ASA, BRAC, and Samadhan are charging interest more than 20%. But GB's rate is 20% flat. Due to weekly installment the actual interest rate is higher than 20%. Private sector bank IBBL claims 10% profit that is the lowest among the selected private sector organizations. Department of Youth Development charges 10% service charge with reducing balance method. BRDB and BKB implement general and special credit programs of the government and claim interest/service charge prescribed by the government. Government gives emphasis production of different crops and demand only 4% service charge. On the other hand, the government has various incentive programs and claims interest accordingly. Government implements these programs through BRDB or BKB or by other government departments. But BRDB charges 11% flat rate interest for its own fund and 27% for the fund borrowed from commercial banks. BKB normally charges 10% flat rate and 14.5% interest for its own fund. NGO Samadhan and BKB don't have any training program though BRDB provides training for special cases. All other public and private sectors have training program for capacity building and motivation. BRDB and BKB don't have scope to sanction loan without collateral either land or FDR. Other organizations both public and private sectors sanction credit without collateral but they have savings program that indirectly treated as collateral. In the public sector only BKB supervise credit use though all of the private organizations closely monitor credit use. Only Department of Youth Development of public sector and all other private sector organizations give chance to the borrowers an additional grace period if the

borrowers fail to repay on time. Public sector borrowers have no insurance coverage but all private sector organizations provide insurance coverage. Rebate on interest is given to the borrowers by the microcredit agencies as an incentive for advance repayment. Normally, it is practiced there where flat rate of interest is claimed but for reducing balance system, rebate on interest is in built. IBBL gives the highest (2.5%) rebate on profit and BKB's rate of rebate is 2% but Department of Youth Development and GB have no scope though others have limited scope.

Savings ultimately plays role as collateral as well as insurance. Recovery rates of the selected agencies in present study are 80% and above. It is significant that BKB's local recovery rate is 100%. BRDB and Department of Youth Development's recovery rates are below 90% whereas private sector's recovery rates are above 90%. Due to the inappropriate credit policy the rural poor could not get adequate credit from a single source. So, overlapping is taking place and the borrowers enjoy relative advantages from both the sectors.

It is found that microcredit increases the socio-economic status of the borrowers and the borrowers increase their income utilizing microcredit. Private and public sector microcredit organizations established a parallel money market in the rural areas, which is actually the better replacement of usurious money lenders. So, microcredit organizations increased rural indebtedness and fail to reduce dependency on credit. Due to the availability of private and public sectors microcredit organizations, borrowers are also using credit from similar organizations simultaneously. They prefer public sector organizations' credit though they enjoy different incentives from private sector. Microcredit organizations always give emphasis on safe recovery of credit and target borrowers considering safe recovery. So, assetless hardcore people are hardly come under credit activities. Group based activities and changed livelihood have increased the social empowerment of the borrowers. Actually microcredit is not collateral free. Savings and group responsibility become collateral against credit. Rural level capital formation through institutional savings is a significant development in rural economy and positive change of development indicators means the borrowers' livelihood is on the positive track.

Considering the analysis to make microcredit programs both private and public sectors effective and borrowers-friendly, some policy recommendations are suggested as: (1) rate of interest of microcredit need to fix below 15% as decreasing balance method and both public and private sector organizations must follow the similar rate, (2) government and non-government organizations should take special initiative for poverty reduction program aiming ultra-poor and assetless people lifting their livelihood with zero rate of interest, (3) private sector organizations should start recovering the loan after six months from disbursement so that the borrowers can have a reasonable time to generate some income before starting repay, (4) for income generating activities monthly installment may be introduced. But in the case of production based investment like, crop production, installment should be fixed after harvest or completion of production process whatever the time may be, (5) size of loan must be raised initially at per economic demand of the borrowers, (6) vocational knowledge should be provided to the borrowers and according to the training capital goods can be provided instate of cash capital in the initial stage, (7) government should introduce rules and regulations not to control the NGOs but to ensure transparency and accountability for the sake of mass population, (8) internal efficiency of MFIs need to improve not for the sake of their own but in favour of the borrowers, (9) to avoid the overlapping problem the operational areas of different MFIs should be separated, (10) borrower households should be given interest free education loan from the obligatory savings deposit fund of borrowers to achieve the objectives of education and human development, (12) in the case of youth borrowers, literate and potential male and female persons must be undertaken into credit program to make the loan more effective. So, the government can consider the implementation of recommendations in order to ensure the efficient and effective management of microcredit.

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Abbreviations

- ASA – Association for Social Advancement
- APRACA- Asia and Pacific Regional Agricultural Association
- ADB- Asian Development Bank
- BRDB-Bangladesh Rural Development Board
- BRAC- Bangladesh Rural Advancement Committee
- BIDS- Bangladesh Institute of Development Studies
- BKB- Bangladesh Krishi Bank
- BBS- Bangladesh Bureau of Statistics
- BNF- Bangladesh NGO Foundation
- BSCIC- Bangladesh Small and Cottage Industries Corporation
- BARD- Bangladesh Academy for Rural Development
- CDF- Credit and Development Forum
- CIRDAP- Centre for Integrated Rural Development of Asia and the Pacific
- CBN- Cost of Basic Need
- CD- Community Development
- CARITAS- (an NGO)
- DCI- Direct Calorie Intake
- DFID- Department for International Development
- FEI- Food Energy Intake
- FINCA- Foundation for International Community Assistance
- FONCAP- Fondo de Capital Social
- FY- Financial Year
- FONCA-Fondo Nacional para la Culture Y las Artes (National Fund for Culture and Arts)
- FGD- Focus Group Discussion
- FDR- Fixed Deposit Receipt
- GO- Government Organization
- GoB- Government of Bangladesh

GB- Grameen Bank
GDP- Gross Domestic Product
GR- Gratuitous Relief
GGS- Grameen Generalized System
HES- Household Expenditure Survey
HIES- Household Income and Expenditure Survey
IBBL- Islami Bank Bangladesh Limited
ICT – Information and Communication Technology
IGVGD- Income Generation and Vulnerable Group Development
ILO- International Labor Organization
IDCOL-Infrastructure Development Corporation Limited
IRDP- Integrated Rural Development Program
IPM- Integrated Pest Management
IFAD- International Fund for Agricultural Development
InM- Institute of Microfinance
k.cal.- Kilo Calorie
KSS- Krishi Samabaya Samity
LID- Local Initiatives Department
MFI- Microfinance Institute
MCIs- Microcredit Institutions
MDF- Municipal Development Fund
MDG- Millennium Development Goal
MCF- Microcredit Fund
MCP- Microcredit Program
MRA- Microcredit Regulatory Authority
NGO- Non-Government Organization
NSAPR- National Strategy for Accelerated Poverty Reduction
NCC Bank- National Credit and Commerce Bank Limited
PKSF- Palli Karmo Shahayak Foundation
PRA- Participatory Rural Appraisal

PDBF- Palli Daridra Bimochon Foundation
PRSP- Poverty Reduction Strategy Paper
PP- Peoples Participation
RAKUB- Rajshahi Krishi Unnayan Bank
RWP- Rural Works Program
RDA- Rural Development Academy
RLF- Revolving Loan Fund
RDS- Rural Development Scheme
RDRS- Rangpur-Dinajpur Rural Service
SAIP- Smallholder Agricultural Improvement Project
SDF- Social Development Fund
SSS- Society for Social Service
\$- United States' Dolor
SFYP- Sixth Five Year Plan
TR- Test Relief
TCCA- Thana Central Cooperative Association
TIP- Thana Irrigation Project
TTDC- Thana Training and Development Centre
TMSS- Thengamara Mohila Samabaya Samiti
TSCF- The Social Capital Foundation
Tk- Taka
UNDP- United Nations Development Program
USA- United States of America
USD- United States' Dollar
US- United States
VGF- Vulnerable Group Feeding
V-AID- Village-Agricultural and Industrial Development
VDP- Village Defense Party

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ABSTRACT

Bangladesh is the birthplace of microcredit. Different countries are adopting Bangladeshi model to reduce poverty. To evaluate the achievements of microcredit a huge number of studies have been conducted. But it is necessary to discuss the comparative performance of private sector and public sector in which dimension shows the best performance in microcredit management. The broad objective of the study is to evaluate the management systems of microcredit in Bangladesh. The objectives are specified as (1) to investigate into the various microcredit management systems in Bangladesh; (2) to compare public and private sectors' interest rates; (3) to evaluate the training provided by the microcredit providers; (4) to evaluate the collateral systems both private and public sectors; (5) to evaluate the use of microcredit both the sectors; (6) to compare the income change of microcredit recipients of public and private sectors; (7) to identify the problems of microcredit management; (8) to suggest major recommendations and put forward policy implications based on the findings of the study.

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Savings ultimately plays role as collateral as well as insurance. Recovery rates of the selected agencies in present study are 80% and above. It is significant that BKB's local recovery rate is 100%. BRDB and Department of Youth Development's recovery rates are below 90% whereas private sector's recovery rates are above 90%. Due to the inappropriate credit policy the rural poor could not get adequate credit from a single source. So, overlapping is taking place and the borrowers enjoy relative advantages from both the sectors.

It is found that microcredit increases the socio-economic status of the borrowers and the borrowers increase their income utilizing microcredit. Private and public sector microcredit organizations established a parallel money market in the rural areas, which is actually the better replacement of usurious money lenders. So, microcredit organizations increased rural indebtedness and fail to reduce dependency on credit. Due to the availability of private and public sectors microcredit organizations, borrowers are also using credit from similar organizations simultaneously. They prefer public sector organizations' credit though they enjoy different incentives from private sector. Microcredit organizations always give emphasis on safe recovery of credit and target borrowers considering safe recovery. So, assetless hardcore people are hardly come under credit activities. Group based activities and changed livelihood have increased the social empowerment of the borrowers. Actually microcredit is not collateral free. Savings and group responsibility become collateral against credit. Rural level capital formation through institutional savings is a significant development in rural economy and positive change of development indicators means the borrowers' livelihood is on the positive track.

Considering the analysis to make microcredit programs both private and public sectors effective and borrowers-friendly, some policy recommendations are suggested as: (1) rate of interest of microcredit need to fix below 15% as decreasing balance method and both

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Chapter I

Introduction

Chapter 1: Introduction

- 1.1 Background of the study
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 - 1.7.5 Pilot Study
 - 1.7.6 Analysis of Data
 - 1.7.7 Reliability of Data
 - 1.7.8 Limitations of the Study

1.1 Background of the Study

Before 1980 the main source of microcredit was nationalized banks and BRDB/IRDP. Involvement of NGOs in the savings and credit activities started in mid 1980s due to the continuous demand of the poor people in rural areas. Poor people of the rural areas were mostly dependent on their small area of land. As poor they had very limited access to the formal financial organizations. Microcredit program of NGOs are actually replication of the Grameen Bank. Over the time, many of the NGOs have started to practice microcredit, considering the needs of the poor people and financial sustainability of NGOs as well.

The idea of microfinance started in Bangladesh around 1976 with Muhammad Yunus and Grameen Bank. Microfinance refers to financial system (considered “unbankable”-lacking collateral, steady employment, and a verifiable credit history). Aspects of microfinance, such as microcredit, are designed to help lift individuals, families, and communities out of poverty by providing small amounts of start-up capital for entrepreneurial projects, which will then presumably help individuals to generate income, build wealth, and exit poverty (Jon Westover, 2008).

Financial inter-mediation is crucial for economic growth and more essential for the poor. In fact poor has no access to formal financial institutions like Bank. Because of capital shortages poor are remains poor. Borrowing costs of poor borrowers from NGOs is much lower compared to their available borrowing sources in Bangladesh. NGOs credit effective interest rate is about 24%, while for others it is more than 65%.

It is said that NGOs are charging 20-40% interest, though NGOs claim is 15-24%. Loan size of microcredit is about Tk. 3000 to 10,000 and repayment period is 52 weeks with 46 installments where 2 weeks grace and 4 weeks extra holiday period. Though interest rate of Government sources is 0% to 15%, needs for collateral and fund is not sufficient. On the other hand, loan sanctioning cost is very high. So microcredit recipients are facing problems from both the sides.

Though before 1970s microcredit was unknown word to the development mechanisms, now no one becomes shocked if someone uses the term “microcredit” to mean agricultural credit, or rural credit, or cooperative credit, or consumer credit, or credit from the savings and loan associations, or from credit unions, or from money lenders. But it is time to compare the public and private sectors microcredit management. Need to identify the shortcomings of both the sectors and discover the expected management systems.

1.2 Importance of the Study

Muhammad Yunus has been awarded the Nobel Peace Prize for his pioneering approach and has sustained effort in reducing poverty. There are numerous studies that demonstrate

the tremendous success of such programs throughout much of the underdeveloped world. However, the universal effectiveness of microfinance institutions in alleviating poverty is still in question, and not free from debate. Much of the evidence cited for the successes of microfinance and microcredit are merely anecdotal or involve in-depth case-study approaches, which provide vivid examples and rich details of the impact and effectiveness of specific programs in specific locations at a specific time, but generally fail to achieve a more rigorous standard that would allow for research findings to be widely generalized. Some more rigorous studies have been conducted and more surely to follow, but in the meantime, NGO leaders and government policy makers must exercise caution and restraint in applying the microfinance approach universally as a means of alleviating poverty (Jon Westover, 2008).

Bangladesh is the pioneer of introducing microcredit and different countries of the globe are applying Bangladeshi experience to reduce poverty. A number of Non-Government Organizations (NGOs) and government departments/organizations (GO) are playing in the same microcredit field with their separate strategies. But the poor who receives microcredit confronts multiple management systems like different interest rates, installment system, saving system etc. Uniform system of microcredit management will help more to the poor. The proposed research study on *Efficiency and Effectiveness of Microcredit Management in Bangladesh: A Comparative Analysis on Public and Private Sectors* aims at to discover the multiple management threat and design an efficient uniform management system for policy implication.

NGOs and GOs play a significant role in the arena of mandatory savings mobilization in the rural areas. In Bangladesh women generally have a very low status compared to men. Even when women own assets they often have very little control over those assets. Both type of organizations GOs and NGOs are offering microcredit program for the empowerment of socio-economic condition of the rural poor. They are also operating other programs at the same time. The demands for microcredit from the poor have encouraged GOs and NGOs to introduce and extent microcredit in a big way. BRDB is the largest microfinance institute as GO and ASA, BRAC and Proshika are large

microfinance institute as NGO. But Grameen Bank has a great importance as a microcredit institute in the country. These large five organizations are giving more than 10 million borrowers in the country. This is the indicator of the size of the sector as well as impact on the socio-economic aspects of the rural people. In the recent years there has been increasing in popularity and controversy in the area of microcredit. Despite the increased popularity, what is the effectiveness/ineffectiveness of such programs of reducing poverty? In this context formal investigation into the effectiveness of such program is important.

1.3 Objectives of the Study

The broad objective of the study is to evaluate the management systems of microcredit in Bangladesh. The specific objectives are:

- (a) To investigate into the various microcredit management systems in Bangladesh
- (b) To compare public and private sectors interest rates
- (c) To evaluate the training provided by the microcredit provider
- (d) To evaluate the collateral systems both private and public sectors
- (e) To evaluate the use of microcredit both the sectors
- (f) To compare the income change of microcredit recipients of public and private sectors
- (g) To identify the problems of microcredit management
- (h) To suggest major recommendations and put forward policy implications based on the findings of the present study

1.4 Rationale of the Study

Many impact studies and other similar assessments find great strengths and positive impacts of such programs on reducing poverty, while other studies report that such positive impacts may be over-reported and even inaccurate, while pointing out some fundamental flaws with such study designs. Much of the literature reporting positive results of the impact of microfinance programs in reducing poverty fails to meet a rigorous level of study design and statistical analysis, using qualitative methods, looking

at single cases or specific areas or regions, using cross-sectional data, analyzing self-reported measures, and using non-random sampling procedures, resulting in findings that cannot be easily replicated nor generalized to all programs. In contrast to the common qualitative and case-study approaches in the less rigorous body of research, only a handful of studies use sizeable samples and appropriate treatment/control frameworks to answer the questions of real impact and effectiveness (Jon Westover, 2008).

Various feasibility and impact studies have shown the financial viability of such programs in being self-sustainable institutions, but the question of the effectiveness and impact on the poor of such programs is still highly in question. Many studies use a case-study approach to looking at the effectiveness of a given program in a given region at a given time, but few effectively measure the impact of multiple programs. To be able to say once and for all that these programs are or are not effective at reduce poverty will require a large sample of programs with data that can be rigorously analyzed, with replicable methods and generalizable findings. There are considerable practical debates surrounding the implementation of microfinance programs that have yet to be answered. These debates include a fundamental theoretical debate between large-scale, top-down funding of major development projects versus small-scale, bottom-up funding to individuals and households as a means of alleviating poverty. Additionally, there are questions surrounding the potential of microfinance programs to cannibalize other programs, including government assistance and aid. Furthermore, there are still questions as to the potential of microcredit hurting the poor and creating a kind of dependency. Finally, as microfinance programs are geared almost exclusively to women, there is a debate about the appropriateness of such policy and the possible exploitation of women. Therefore further research needs to be conducted to examine these facets of microfinance programs (Jon Westover, 2008).

Government of Bangladesh (GoB) is providing microcredit to the stakeholders through different organizations, banks and departments. GoB created some organizations, banks, departments, projects authorities wholesale money to the Non-Government Organization (NGOs). NGOs are providing credit to the different classes of people in the country.

Many differences are there among the sectors in interest rates, installment system, training procedures, group formation, savings collection, loans sanction, loan collection systems, target group, gender preference etc. The same credit holder receives credit from different sectors at the same time and faces troubles which create many sad stories. It is said that microcredit is the down-to-earth solutions to make people self-sufficient. But different organizations' multilateral activities are one of the causes for sad stories. Uniform or near to uniform management systems need to be introduced. It is indeed important from academic as well as from the point of view of policy implication as how far this could positively change the life pattern of the rural mass in Bangladesh. It is expected that the proposed study on completion would be able to focus on the expected management system of microcredit in Bangladesh.

1.5 Plan of Presentation

The numbers of chapter of the study has been organized into nine chapters. Chapter I, namely introduction, consists of background of the study, importance of the study, objectives of the study, rationale of the study, plan of presentation, conceptual framework and methodology. Methodology includes nature of the study, sources and method of data collection, selection of study area and respondents, sampling, design, pilot study, analysis of data, scope of the study, and limitations of the study. As the birthplace of microcredit, Bangladesh has able to draw the attention in the globe. International donor agencies and researchers have come forward to know the actual situation here regarding microcredit as well as microfinance. A huge number of studies have been conducted in different areas including microcredit management and its effectiveness and efficiency. So concern studies reviewed in the chapter II. Development Approaches and Strategies for Poverty Alleviation in Bangladesh is the title of chapter III and it consists of definition and measurement of poverty, an overview of poverty scenario in Bangladesh, strategies for alleviation of poverty in Bangladesh and development approaches taken in Bangladesh. Chapter IV, An Overview of Microcredit Situation in Bangladesh consists of history of microcredit, necessity of microcredit, microcredit management and historical perspective of microcredit in Bangladesh. Organized sources i.e. government sectors, public banks,

private banks, NGOs and unorganized sources are the sources of microcredit in Bangladesh. Chapter V and VI are for sources of microcredit. Social capital is an important issue for those who demand credit. It is also a little alternative of credit. It also included in chapter VI. The very important chapter is VII and it is the analysis of primary data collected from the selected field areas. Chapter VIII and chapter IX are for findings and summary & conclusion and recommendations respectively.

1.6 Conceptual Framework

The free encyclopedia, Wikipedia mentions that microcredit is an integral part of micro finance concept which also includes microenterprize training, microinsurance and other financial innovations aimed at serving the very poor. Microcredit is the extension of very small loans to unemployed, poor entrepreneurs and others living in poverty that are not bankable. These indicate lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimum qualifications to gain access to traditional credit. Microcredit is a financial innovation which originated in developing countries where it has successfully enabled extremely improvised people (mostly women) to engage in self-employment projects that them to generate an income and, in many cases, begin to build wealth and exit poverty. Due to the success of microcredit, many in the traditional banking industry have begun to realize that these microcredit borrowers should more correctly be categorized as pre-bankable. Thus, microcredit is increasing gaining credibility in the mainstream finance industry and many traditional large finance organizations are contemplated microcredit projects as a source of future growth.

The Grameen Bank (GB) model popularizes microcredit in the globe. To ensure repayment, the bank uses a system of “solidarity groups” i.e. small informal groups which apply together for loans and whose members act as co-guarantors of repayment and support one another’s efforts at economic self-advancement. As it has grown, the Grameen Bank has also developed other systems of alternative credit that serve the poor. In addition to microcredit, it offers housing loans and financing for fisheries and irrigation projects, venture capital, textiles and other activities, along with other banking services such as savings.

The success of the Grameen Model has inspired similar efforts throughout the developing world and even in industrialized nations including The United States. Many, but not all, microcredit projects also emulate its emphasis on lending specifically to women. Close to 96 percent of Grameen loans have gone to women, who have been found to be much more likely than man to repay loans and to devote their earning to serving the needs of the entire family. Originally the program started with men and women, but later focused on women when data showed an extremely lower credit risk in women.

Microcredit movement criticizes that some lending programs charge excessive interest rates, and finding for microcredit programs will be diverted from other needed programs such as health, water projects and education. Credit programs may enable poor people to improve their situation, but they do not eliminate the need for other basic social and infrastructure services. Does have some other critics that forming a profit on the loan, inability to reach the poorest of the poor, microcredit dependency, durability of poverty reduction etc?

Microcredit: A number of NGOs and the GB pioneered alternative credit delivery mechanisms for the rural poor that consisted of small amounts of collateral free, affordable loans, popularly known as Microcredit. These microcredit programs, unlike previous state efforts, have been successful in providing commendable access to credit by landless women and men (usually defined as those with a land holding of less than half an acre), and in achieving high repayment rates of up to 98 percent (Sharif, 1997).

The term microcredit has gained a wide currency in recent past both in the national and international arena for addressing poverty from the grassroots. Microcredit is a collateral free at institutionalized rates to reduce dependency on informal credit markets. The objective was to create employment opportunities there by raising income of the poor through enterprise development like rice husking, livestock raising, poultry raising, fishing, cottage, food processing, homestead gardening, petty business and social forestry. It is now a well accepted fact that microcredit is a viable option for rural change, income generation, household food security and poverty reduction. It is no secret that while there are numerous models and practices around the world linking financial

services to the poor, the experience in Bangladesh has become globally influential, especially through the record of the Grameen Bank in current lending to appropriately 2.48 million families (Grameen Bank Annual Report, 2002).

There is lucid different between **Microcredit and microfinance**. Microfinance refers to loans, savings, insurance, transfer services and other financial products targeted at low-income clients. On the other hand, microcredit is a small amount of money loaned to client by a bank or other institution. Microcredit can be offered, often without collateral, to an individual or through group lending.

Microsavings is one of the components of microfinance. So microsavings means deposit services that allow one to store small amounts of money for future use. Often without minimum balance requirements, savings accounts allow households to save in order to meet unexpected expenses and plan for future investments. Another component of microfinance is microinsurance and that is a system by which people, businesses and other organizations make a payment to share risk. Access to insurance enables entrepreneur to concentrate more on developing their businesses while mitigating other risks affecting property, health or the ability to work.

The clients of microfinance are generally poor and low-income people. Among them may be female heads of households, pensioners or small farmers. The client group for a given financial organization depends on that organizations' mission and goals. Poor people who have access to savings, credit, insurance and other financial services are more resilient and better able to deal with everyday demands. Microfinance helps clients meet basic needs. With access to microfinance, poor people can cope with sudden expenses associated with serious illness or loss of assets. Clients who join and stay in microfinance programs have better economic conditions than non-clients.

A microfinance institution (MFI) is an organization that provides financial services targeted to the poor. While every MFI is different, all share the common characteristic of providing financial services to a clientele poorer and more vulnerable than traditional bank clients. Poor people save all the time, although mostly in informal ways. They

invest in assets such as jewellery, domestic animals, building materials and things that can be easily exchanged for cash.

Microcredit may be inappropriate where conditions pose severe challenges to loan repayment. For example, populations that are geographically dispersed or have a high incidence of disease may not be suitable microfinance clients. In these cases, grants, infrastructure improvements or education and training programs are more effective. For microcredit to be appropriate, the clients must have the capacity to repay the loan under the terms by which it is provided.

Development is most widely used term in present-day world. It is one of the main issues of the present time that has a universal appeal. Attaining development has become a prime objective of all the developing countries. The concept 'development' has numerous appeals. According to the definition of Todaro, development is a multidimensional process involving major changes in social structures, popular attitudes and national institutions as well as acceleration of economic growth, the reduction of inequality and the eradication of absolute poverty. Brandt commission defined development as a process of change, which promotes the quality of human life. It is transition from unsatisfactory conditions of life towards a better and satisfactory condition of life that involves a complex socio-economic, political and cultural transformation.

Like other concepts of social science, according to Chenery, the concept of development has been subjected to constant change and refinement. First of all, development was often equated with modernization, the process that took place in the western world. Then the achievement of 'growth and equity' became the basic element of development. Afterwards, development was viewed as a multidimensional concept involving different aspects of human existence. And most recently, development has come to be regarded as a process that seeks to increase the income of the poor through sustainable and productive activities and emphasizes on self-reliance, empowerment, participation and human development.

The core elements of the term development have changed gradually with the introduction of different models. Development was equated with modernization in the 1950s. In the 1970s, the fulfillment of basic needs and the achievement of growth with equity become the core elements of development. In the 1980s, development has been considered as multidimensional concept involving different aspects of human existence. In the 1990s, development was viewed to be a process that seeks to increase the income of the people through sustainable and productive activities. Recently, the core elements of the term development include empowerment, human development and people's participation in the development program (Begum, 2008).

In this study the term 'development' is used as the process done by GOs and NGOs to increase the income of the people and also include empowerment, human development and people's participation in the development program.

Non-Government Organization (NGO)

According to Sultan, in the recent development literature, the term 'NGO' is much used, abused and perhaps, little understood. The NGOs strain any simple definition. In the simplest sense the term 'NGO' refers to any voluntary non-profit agency in the field of development cooperation or in education and policy advocacy activities. The NGOs are also defined as organizations that are established and governed by a group of private citizens for a stated philanthropic purpose and supported by voluntary individual contribution. Others define NGOs as institutions outside (humanitarian or cooperative) rather than profit-driven (Chowdhury, 2009).

The term 'NGO' also includes all those organizations which are involved in various development activities with the objective of alleviating poverty of the rural and urban poor. In the Asian Institution of Technology, the NGO workshop, highlighted on various definition of NGO. Definitions that were presented as under:

- It is an organization of private individuals who believe in certain basic social principles, and structure and their activist to bring about development to the community that they are serving.

- An organization of group of people working independent of any external control with specific objectives and aim to fulfill tasks that are oriented to bring about desirable change in a given community, area or situation.
- An independent, democratic organization working for the empowerment of economically and /or socially marginalized groups.
- A non-profit, voluntary, service-oriented/development-oriented organization for the benefit of the poor.
- An organization that is flexible and democratic and attempts to serve the people without profit itself (Begum, 2008).

The NGOs provide microcredit to their clients. Microcredit simple means the provision of financial services to low-income clients, including the self-employed (Chowdhury, 2009).

It is needless to say that NGOs are commonly known as private sector initiative. Microcredit provided by NGOs are treated here private sector credit. A few private owned banks also provide microcredit directly to the clients or wholesaling to the NGOs which is conceptually **private sector credit**.

Public Sector: Public sector is the sector governed and managed by government. It includes different ministries/division, departments/directorates, nationalized banks, special arrangement by the government etc.

Efficiency and effectiveness:

Organizations often talk about employee effectiveness and efficiency when to improve business. While they sound similar, effectiveness means something entirely different than efficiency. An effective employee produces at a high level, while an efficient employee produces quickly and intelligently. By combining effectiveness and efficiency, an organization produces better products faster and with fewer resources.

Effectiveness:

Effectiveness is the level of results from the actions of employees and managers. Employees and managers who demonstrate effectiveness in the workplace help produce high-quality results. Take, for instance, an employee who works the sales floor. If he's effective, he'll make sales consistently. If he's ineffective, he'll struggle to persuade customers to make a purchase. Organizations measure effectiveness often by conducting performance reviews. The effectiveness of a workforce has an enormous impact on the quality of a organization's product or service, which often dictates a organization's reputation and customer satisfaction.

Efficiency:

Efficiency in the workplace is the time it takes to do something. Efficient employees and managers complete tasks in the least amount of time possible with the least amount of resources possible by utilizing certain time-saving strategies. Inefficient employees and managers take the long road. For example, suppose a manager is attempting to communicate more efficiently. He can accomplish his goal by using email rather than sending letters to each employee. Efficiency and effectiveness are mutually exclusive. A manager or employee who's efficient isn't always effective and vice versa. Efficiency increases productivity and saves both time and money.

Improving Effectiveness

To improve effectiveness, organization must take the initiative to provide thorough performance reviews, detailing an employee's weakness through constructive criticism. Managers must make it a point to address effectiveness and explain how an employee's performance affects the company as a whole. To avoid a workplace full of ineffective employees, companies must hire high-performing employees by weeding out candidates at the recruiting level. Employees are often ineffective because they don't care about their work or because they don't possess the skills to contribute. By interviewing candidates, calling references and conducting tests, companies can bring on employees with skills better suited for performing at a high level.

Improving Efficiency

Employees and managers are often inefficient because they either don't know how to be efficient or do not have the necessary tools to perform tasks efficiently. Ways to improve efficiency include meeting with managers and employees to outline ways to implement efficiency in the workplace and asking for opinions on what the workplace is missing. For example, a small business that lacks an employee email system prevents managers from communicating with employees efficiently (Cris Miksen).

1.7 Methodology

1.7.1 Nature of the Study

The present qualitative study mainly focuses on the socio-economic change of the borrowers' life who receive credit both from the NGOs and government sectors. The study tries to quantify the efficient disbursement and effective use of credit. Comparing the public and private sector microcredit management the study aims at to discover the better management system and recommend policy suggestions. This socio-economic study compares the interest rates, collateral systems, training, income change, supervision of credit use, capacity building etc.

1.7.2 Sources and Method of Data Collection

To meet the fundamental needs of the study both the primary and secondary data have been collected. The primary data have been collected in the year 2011 and 2012. The active borrowers and officials of selected NGOs, banks and organizations are interviewed by separate interview schedule from the field level in the study area. The secondary data has been used for the fulfillment of the study which is addition to primary data. These data have been collected from various local and international publications. The sources of secondary data are Grameen Bank, The Credit and Development Forum (CDF), The Palli Karma-Sahayak Foundation (PKSF), The Publications of Bangladesh Government, The Publications of Bangladesh Bank, related banks, related NGOs etc.

The Credit and Development Forum is established in 1992 as a network of microfinance institute. The CDF is the only organization in Bangladesh which collects and preserves microcredit related data of different government and NGOs working in Bangladesh and abroad. The periodic publication of CDF “CDF Statistics” is a data bank reports and other publications bear the latest microcredit pictures of Bangladesh. The CDF also organizes training for the NGO personnel and also provides advisory and management support to different microfinance organizations. As the secondary data CDF Statistics enriches the present study.

In this study for collecting data interview method, observation method and library work have been applied. Two sets of questionnaires were prepared. One set of questionnaire for active borrowers and another set for officials of microcredit providers. Both the questionnaires were prepared with great care so that the accurate results could be achieved for the purpose of the resource. The respondents both the borrowers and the officials were interviewed in a friendly atmosphere at their houses and offices accordingly. Through observation method a number of vital information were collected. Participatory Rural Appraisal (PRA) and Focus Group Discussion (FGD) were conducted in a limited scale but were not possible to include those interview schedules. It was done through visiting the houses of the credit holders as well as their neighbors.

At the very initial stage of the study library work had been done. A lot of published and unpublished literatures regarding microcredit management have been studied. For this purpose the libraries of Dhaka University, The Center for Integrated Rural Development of Asia and the Pacific (CIRDAP), Bangladesh Institute of Development Studies (BIDS), Bangladesh Bank, PKSF, CDF and many other microcredit institutions were intensively visited.

1.7.3 Selection of the Study Area and Respondents

Selection of study area and respondents is a significant part of a socio-economic research. In the present research, the study areas have been selected with due care for the fruitful results. Two thanas have been selected from two divisions (Dhaka and Khulna)

one is Fulbaria of Mymensingh and the other is Keshobpur of Jessore. Characteristics of purposively selected of these thanas are the representative of rural economy and rural mode of production of Bangladesh. Due to the economically backwardness and well-communicated by roads, NGOs and government departments have given attention to these areas for microcrediting. Different NGOs and government organizations are working in the same area. The population of these areas economically depends on agriculture though marginal farmers and landless people are also there and their profession is diversified.

A huge number of NGOs are working as microcredit provider in rural and sometimes in urban areas. As safety net program and poverty alleviation initiative different government organizations are also supplying microcredit directly to the stakeholders. From the government sector two ministries have been selected randomly. Bangladesh Rural Development Board (BRDB) under Rural Development and Cooperatives Division of Ministry of Local Government, Rural Development and Cooperatives is assumed the largest microcredit provider as the government source. Among other sources Department of Youth Development of Ministry of Youth and Sports is playing an important role in the microcredit field providing credit to the male and female youths in different sectors. So, BRDB and Department of Youth Development have been selected from the government sector.

In the private sector, NGOs and banks are supplying microcredit where large and small NGOs are there and banks' contribution is significant. Pioneering microcredit institution Grameen Bank, the largest microcredit provider NGO Association for Social Advancement (ASA) and NGO Samadhan have been selected from private sector. Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (RAKUB) are contributing to rural economy providing agricultural credit which is partially microcredit and Islami Bank Bangladesh Limited (IBBL) and Al Arafah Islami Bank Limited have poverty alleviation program claimed as microfinance. These organizations have been selected also.

A total of 125 borrowers have been selected randomly from the two study areas. For the purpose of the study, respondents both male and female are selected in such a way so that unbiased results can be obtained.

1.7.4 Sampling

Fruitful result of the study depends on the accurate selection of study sample or population. Both random and purposive sampling methods have been used in the present study. The primary data have been collected randomly after the collection of the name and address of the borrowers of the respective areas. The purposive sampling has been applied to collect data from the microcredit providers.

1.7.5 Pilot Study

It is difficult to prepare an accurate questionnaire without the feedback from the field. Pre-tested questionnaire help the research work getting more accurate information. In the study, questionnaires were pre-tested through a pilot study. The researcher went to the field and discussed with the probable respondents. The questionnaires were modified and finalized according to the feedback. The pilot study was carried out both the areas of Mymensingh and Jessore. It helps to evaluate the quality of interviews. Different questions were included in the draft questionnaires at the pilot study time. Based on the findings and response, necessary modification was made. To ensure the easy understanding between enumerator and the respondents the questionnaires were transformed in polish and simple forms.

1.7.6 Analysis of Data

Different computer and statistical tools have been used for data compilation, tabulation and analysis. In the present study various statistical tools such as, graphs, charts, sampling, measures of central tendency, correlation, regression etc. have been used to collect, scrutinize, tabulate and analyze the collected data. These tools help to present the

data systemically and obtain the correct results. MS Word, MS Excel and SPSS have been used as the computer tools to get the result promptly but correctly.

1.7.7 Reliability of Data

Reliability of data is the base of the accuracy of the outcome of any study. Primary and secondary data are used in this study. The sources of secondary data are manifold and its reliability depends on the data collection and keeping procedure of the concern organization. The primary data have been collected by the research organization. Its reliability depends on the observation pattern and the sincerity of the data collector.

The persons, who are interviewed for the collection of data, sometimes deviate from the ideal situation because of difference in socio-cultural values and customs, attitude etc. of the society. In this study data have been collected with due attention and very carefully, so that it not be affected by any adverse situation. Though the standards of observation can also vary with the change of time, in the present study all sorts of due care has been given in the time of data collection.

1.7.8 Limitations of the Study

It can not claim that the study is fully free from limitations. An appropriate methodology has been developed and applied. From the starting to completion a great care has been given to keep the data unbiased as well as to obtain a correct result from the study. The present study is primarily based on primary source of data, collected from the household level. Secondary data has been collected from different sources. Due care has been given in data collection and processing. But still some limiting factors are there which may be seen in the study are to be mentioned as:

Firstly, a lot of microfinance institutes (MFIs) and microfinance NGOs (MF-NGOs) are working in Bangladesh. It is not possible to cover the information of all the institutions in the study. Data has been collected only from the selected institutions.

Secondly, adequate money, manpower, materials and time are the pre-condition of an in depth and complete research work which were lack of this study. So, a limited area and borrowers were selected.

Thirdly, most of the borrowers did not maintain information regarding borrowings, installments, obligatory deposits, income change, expenditure etc.

Fourthly, a huge number of NGOs are borrowing microcredit in the rural areas. Apart from this a large number of credit and non-credit activities of government are running in the rural economy which strengthen the socio-economic condition of the borrower households. On the other hand, a number of borrowers have been found using microcredit from multiple sources at a time. So, it is difficult to assess the actual contribution of the specific institution.

Fifthly, sometimes questions arise about the reliability of secondary data which also used in this study.

Finally, the limitations regarding statistical measurement is common that might remain in this study.

The researcher designed the study in such a way that it can minimize the limitations. For overcoming the limitations a set of activities have been done like applying alternative methods to justify the reliability of data. Closer observation in every stage of the study is another arrangement. However, in spite of all possible precautionary measures, some limitations may still remain but it is least harmful to the findings.

Chapter II

Review of Literature

Chapter II: Review of Literature

2.1 Introduction

2.2 Review of Literature

2.3 Research Gap

2.1 Introduction

Microcredit is an important tool fighting against poverty. In many countries, providing microcredit to the poor has become an important anti-poverty scheme. Microcredit helps the poor become self-employed and thus generates income and reduces poverty. But it is one of many ways of reducing poverty. So the inflow and impact of microcredit and its related issues have long been of great interest to researchers, different organizations and policy makers. Many studies have been conducted highlighting different aspects of microcredit.

The findings in the literature on the effectiveness and impact of microfinance programs vary. Many impact studies and other similar assessments find great strengths and positive impacts of such programs on reducing poverty, while other studies report that such positive impacts may be over-reported and even inaccurate, while pointing out some fundamental flaws with such study designs. Much of the literature reporting positive results of the impact of microfinance programs in reducing poverty fails to meet a rigorous level of study design and statistical analysis, using qualitative methods, looking at single cases or specific areas or regions, using cross-sectional data, analyzing self-reported measures, and using non-random sampling procedures, resulting in findings that cannot be easily replicated nor generalized to all programs. In contrast to the common qualitative and case-study approaches in the less rigorous body of research, only a handful of studies use sizeable samples and appropriate treatment/control frameworks to answer the questions of real impact and effectiveness (Jon Westover, 2008).

Various feasibility and impact studies have shown the financial viability of such programs in being self-sustainable institutions, but the question of the effectiveness and impact on the poor of such programs is still highly in question. Many studies use a case-study approach to looking at the effectiveness of a given program in a given region at a given time, but few effectively measure the impact of multiple programs. To be able to say once and for all that these programs are or are not effective at reduce poverty will require a large sample of programs with data that can be rigorously analyzed, with replicable methods and generalizable findings. There are considerable practical debates surrounding the implementation of microfinance programs that have yet to be answered. These debates include a fundamental theoretical debate between large-scale, top-down funding of major development projects versus small-scale, bottom-up funding to individuals and households as a means of alleviating poverty. Additionally, there are questions surrounding the potential of microfinance programs to cannibalize other programs, including government assistance and aid. Furthermore, there are still questions as to the potential of microcredit hurting the poor and creating a kind of dependency. Finally, as microfinance programs are geared almost exclusively to women, there is a debate about the appropriateness of such policy and the possible exploitation of women. Therefore further research needs to be conducted to examine these facets of microfinance programs (Jon Westover, 2008).

2.2 Review of Literature

A variety of studies have found a few key strengths and positive impacts produced by the implementation of microfinance programs in poor and impoverished areas of the world. First, microfinance programs can be an effective way to provide low-cost financial services to poor individuals and families (Miller and Martinez, 2006; Stephens and Tazi, 2006). Second, such programs have been shown to help in the development and growth of the local economy as individuals and families are able to move past subsistence living and increase disposable income levels (Khandker, 2005).

From that NGO perspective, the highest priorities are given to those problems that directly affect the poor. A great many research work and assignment have been done

about these particular NGOs and development agencies. In this regard, the researcher has tried to review some literatures having a germane and close link with the research (Chowdhury, 2009).

In addition, many studies (primarily microfinance institution impact studies and academic researcher qualitative or case studies) have shown that microfinance programs were able to reduce poverty through increasing individual and household income levels, as well as improving healthcare, nutrition, education, and helping to empower women. For example, standard of living increases, which help to eradicate extreme poverty and hunger, have occurred at both the individual and household levels as a result of microfinance programs (Khandker, 2005). Furthermore, it has been demonstrated by some research that microfinance programs increase access to healthcare, making preventive healthcare measures more affordable to the poor. In addition, more children are being sent to school and staying enrolled longer (Morduch, 1998). Finally, it has been shown that such programs can help borrowers to develop dignity and self-confidence in conjunction with loan repayment, and self-sufficiency as a means for sustainable income becomes available. Since microfinance services are primarily focused on women, it is argued that this leads to the empowerment of women and the breaking down of gender inequalities, through providing opportunities for women to take on leadership roles and responsibilities (Goetz and Gupta, 1995).

In contrast to the various positive impacts and strengths of microfinance programs listed above, other studies (more quantitative, with appropriate treatment/control frameworks and comparisons made across larger samples) have found several key problems and negative impacts produced by the implementation of microfinance programs in poor and impoverished areas of the world. First, some studies have shown that microfinance programs benefit the moderately poor more than the destitute, and thus impact can vary by income group (better-off benefit more from microcredit) (Copestake et al., 2001; Morduch, 1998; Dugger, 2004). Second, most microfinance programs target women (due to higher repayment rates), which may result in men requiring wife to get loans for them (Goetz and Gupta, 1995). Third, examples exist of a vicious cycle of debt, microcredit

dependency, increased workloads, and domestic violence associated with participation in microfinance programs (Copestake et al., 2001; Morduch, 1998). Fourth, studies have shown that there are low repayment rates in comparison with traditional financial institutions (Miller and Martinez, 2006; Stephens and Tazi, 2006), thus possibly contradicting one of the key strengths listed above, that such programs can lead to empowerment and increased self-confidence through responsible loan repayment. Fifth, there have reports of the use of harsh and coercive methods to push for repayment and excessive interest rates (Business week, 2005; The Financial Express, 2005). Finally, concerns have been raised that the reliance on microfinance programs to aid the poor may result in a reduction of government and charitable assistance (“Privatization of public safety-net programs”) (Neff, 1996) (Jon Westover, 2008).

Based on the findings reported above, there are mixed conclusions as to the overall impact of microfinance institutions. This leads us to the key question of this paper: What is the effectiveness/ ineffectiveness of microfinance programs on reducing poverty? Some studies have found marked decreases in overall poverty levels, including declining levels of extreme poverty (Khandker, 2005), while other studies do not find the same direct effect (Morris and Barnes, 2005; Kan, Olds, and Kah, 2005; Goetz and Gupta, 1996). Still, other studies provide mixed results (Copestake, Bhalotra, and Jonson, 2001; Morduch, 1998). Thus, the academic literature is mixed in regards to the specific impact that microfinance has on alleviating poverty.

Though most of the studies previously cited found some mixed results of the role that microfinance programs play in alleviating poverty, a few other studies clearly did not come down on one side or the other. Copestake, Bhalotra, and Johnson (2001) also attempted to provide an overall assessment of microfinance programs and used a mixed-methods approach, utilizing a questionnaire-based sample survey of PULSE participants, a secondary survey on drawn on a larger population of businesses and households, and qualitative focus-group discussion and key informant interviews. The researchers noted that “expectations are high, but evidence of the impact of microcredit remains in short supply” (abstract) and that the number of rigorous studies still remains small. However,

57% of program participants reported feeling better off overall, though some borrowers are made worse off financially through involvement with the microcredit programs. Further, the researchers found that the microfinance programs benefited the moderately poor more than the destitute.

Morduch (1998) attempted to look specifically at the role microfinance in helping the poor, and reported mixed results, including some positive and some negative impacts of microfinance in alleviating poverty and helping the poor. Morduch used survey data collected in 1991/92 by the Bangladesh Institute for Development Studies, in collaboration with the World Bank, covering 87 villages and nearly 1800 households. Survey data was collected at three points during the collection period to capture seasonal variations in household circumstances. Morduch (1998) found that the microfinance programs benefited the moderately poor more than the destitute. Further, he found that households that are eligible to borrow and have access to the programs do not have notably higher consumption levels than control households. Additionally, he found that households eligible for programs have substantially lower variation in consumption and labor supply across seasons, thus the most important potential impacts of microfinance programs are with reducing one's financial vulnerability, and not necessarily poverty.

Microcredit has increasingly gained momentum globally as one of the seminal strategies aimed to reduce poverty, over the past three and a half decades. Usually it is provided through social mechanism such as group based lending. To reach the poor particularly the women who lack access to formal institutions is the objectives of the lending. Naturally microcredit has made the attention to the international organizations, researchers, politicians, policy makers, and so on, since after its inceptions. A huge number of studies have been conducted during this long time and it is also continuing. Different number of studies emphasis on different issues. The findings of different studies are (1) microcredit is emerging as an effective tool for alleviating poverty (2) Overcoming human poverty through access to microfinance has become a common strategy pursued to achieve economic empowerment of the poor, particularly women; (3) Microfinance helps in the productive use of labor mainly creating self-employment and creating income generating

opportunities in the informal sector, (4) The microfinance has significantly been able to reach the better echelon of the poor, (5) Microfinance does not embrace all people below poverty level etc.

Different studies mainly focused on the assessment of the impact of microcredit on program participants in terms of household welfare, including changes in their per capita consumption, household net worth, assets, schooling of male and female children, contraceptive use, and fertility. Village-level effects are also assessed to measure the total net effect of these programs. The studies examine the experiences of Grameen Bank also and other major microcredit programs in Bangladesh in order to quantify the potential and limitations of microcredit programs.

A few studies have made a comparative analysis about participation of rural poor in the development of GO and NGOs respectively. Studies showed both government agencies and NGOs were playing significant role in the making their participation systematic, effective and more beneficial to them. With empirical evidence it mentioned that in general the rural poor were aware of their needs and problems and on their own accord, they themselves were prepared to participate in the rural development activities. In this respect, economic and non-economic incentives in the forms of self-employment through credit operation, concentration, training; functional education and various support services (e.g. health, family planning, legal aid etc.) were being provided by the both organizations. However, with regard to providing these incentives NGOs compared with the GO.

Some studies were based on household survey data collected in Bangladesh in 1990s which explores the relationship between microcredit and the reduction of poverty and vulnerability. Some studies mainly cover household level capital formation and elaborately discussed the delivering credit to groups of poor women; and also focused on the impact of the microcredit on the economic, health, social, and educational status of the farmers particularly on women.

Some studies made an attempt to examine the participation of the rural poor in the poverty alleviation programs initiated by different NGOs working in the rural areas of Bangladesh and mainly concerned with four case studies on NGOs in Bangladesh; and also attempted to discuss how NGOs in Bangladesh historically emerged as an alternative service delivery system offering security, a new consciousness and a set strategic aiming at poverty alleviation through self-employment scheme, functional education, family planning and institutional building for rural poor. Regarding the participation studies observed that assistant toward the income-generation activities in the forms of concretization, loan, technology and other support services (e.g. chicken vaccine etc.) could enlist the participation of the rural poor in development activities. Studies followed the participatory and action research methods

A significant number of studies have given description about meaning of rural development, its impact, and significance components of development. It describes several rural development programs taken by government. Those studies have mentioned that rural development does not mean only boosting crop yield or canal digging rather it connotes all around improvement of rural life. It has suggested that some steps might be taken to achieve rural development, such as; participatory planning and monitoring system should be introduced, a drastic land reforms by lowering the ceiling of land should be done, government should encourage the sufficient supply of seed, fertilizer, shallow machine, electricity etc. the management of cooperative should be democratized local people should be involved in implementing development projects launched by the government etc.

Some researches discuss that some of the micro-borrowers in Bangladesh have benefited in certain respects. Overcoming human poverty through access to microcredit has become a common strategy pursued to achieve economic empowerment of the poor, particularly women. A lot of them are struggling under the stringent terms of credit including high cost of borrowing and a weekly repayment schedule starting a week after credit is taken. Many have gone further into indebtedness and face the bleak future.

One of the major limitations observed in the above studies is that the issue of targeting hardcore poor by Microfinance Institutions (MFIs) has not been assessed. Recently somewhat related issue of dropouts of beneficiaries in MFIs program was included in the studies. It has substantively realized that the microcredit has significantly been able to reach the better echelon of the poor. This notwithstanding, the hardcore poor, by and large remained outside the coverage of MFIs. It is a crucial issue which needs further research to find out causes and effects of excluding hardcore poor from MFIs programs. A critical analysis is required to assess the extents of outreach of MFIs. Another issue is discovered from the studies that the micro-borrowers face the threat of expulsion and confiscation of their assets when they fail to pay up weekly installment; and some have in fact had their meager assets confiscated when they fail to pay up. This threat is in effect collateral. Very little empowerment has been achieved by the women micro-borrowers. Often, they are simply the conduits for some money coming into the family. Only about 10% of the female respondents have indicated that they are in full control of manage the economic activities undertaken with microcredit. A large majority of microcredit holders have remained condemned to a lowly and subservient state of living. Because the main culprits for this state of affairs include that glaring and accentuating socio-economic disparity and worsening iniquitous power relations in the country, neither of which is addressed or even recognized by the microcredit institutions (MCIs). The renowned researchers strongly suggest that for meaningful and sustained poverty reduction, a comprehensive approach, commensurate with the complex nature of poverty and the prevailing social dynamics is necessary. Microcredit with less stringent terms can be one of the key elements within the framework of such a comprehensive approach (Hussain, 2001).

Providing microcredit to the poor is an important anti-poverty tool. Because of the fatherland of microcredit Bangladesh has drawn the great interest to researchers, different organizations and policy makers. Many studies have been conducted highlighting different aspects of microcredit. But they are not directly related to the present study. The relevant literatures on the present study have been summarized below.

Demand for microcredit is a significant issue for the researchers of this area. Shortage of capital and skillness is a common seen in the rural area of Bangladesh and also for a group in the urban area. A cause of these shortages is poverty. Low income, low savings and again low income circle the measurable fate of the poor. So, poverty and capital shortage are interrelated which becomes cause for microcredit demand. Measurement of poverty is an important area of the researchers. Poverty has traditionally been defined as deprivation or absence of a certain standard of living. It is considered as a discrete characteristic either one is poor or one is not. A line on the basis of a welfare or a basket of welfare indicators is drawn and an individual or household is classified on one side or the other of this line as being poor or non poor. Measuring poverty seek to aggregate the amount of poverty in to a single statistic (Hussain, 2001).

Poverty and microcredit are inter-related. Demand for microcredit is one of the cause for poverty. A number of studies conducted in this area. Some studies indicate that poor are not homogeneous and suggested that it is required to study various segments of population below the poverty line. The perception of the concept of hardcore poor entails multiple aspects such as minimum calorie intake, basic needs per capita income, deprivation and restriction of opportunities, in terms of isolation, physical weakness and powerlessness. A study observes that what is critical for human progress is poverty of opportunities, not just poverty of income. Poverty of income is often the result. Poverty of opportunity is a multidimensional concept, embracing lack of education and health, lack of economic assets, social exclusion and political marginalization (Hussain, 2001).

Different studies have focused on various aspects and dimensions of poverty. The concept of hardcore poverty and extreme poverty is merely synonymous. Bangladesh Bureau of Statistic (BBS) has cleared different concepts related to poverty. But the UNDP clears the extreme poverty as, lack of income necessary to satisfy basic needs- usually defined on the basis of minimum calories requirements. According to the UNDP relative poverty is, 'Lack of income necessary to satisfy essential non food needs- such as for clothing, shelter- as well as food needs. The UNDP also defines Human Poverty as- Lack of basic human capabilities, illiteracy, malnutrition, abbreviated life span, poor

maternal health, illness from preventive diseases. The indirect measures are lack of access to goods, services and infrastructure, energy, sanitation, drinking water- necessary to sustain basic human capabilities. Many studies show that the determinants of poverty are the lack of access to financial resources, social services and vulnerability to frequent disasters. Even Nobel Prize Winner great poet Rabindranath Tagore mentioned, 'Lacking money is not enough to define poverty. Lack of confidence keeps people poor. They can never dream of being rich'.

Different studies have been conducted in determining the efficiency of microcredit organizations. Those studies show that the people below the poverty line are not embraced by microcredit organizations. Most of the microcredit organizations deal with those who are just below, or 'on' or 'just above' the poverty line. The hardcore poor people are mostly leave out and remaining outside the microcredit program. Women's World-Banking (1995) also shows that in most developing countries including Bangladesh the formal financial services reach at the maximum top 25% of the economically active population, leaving bottom 25% without access to financial services apart from money lending. Less than 5% of target poor households have access to financial services. Among the Asian countries Bangladesh is in the highest position in reaching the microfinance to target group. Another report prepared in 1998-99 by World Food Program jointly with BRAC of IGVGD mentions that nearly 15% of all household in Bangladesh are headed by women of whom 96% below to poverty line and 33% of them fall in hardcore poor (Hussain, 2001).

Some studies have been conducted in Bangladesh and also in the Asian developing countries regarding the government and non government initiatives for the development of the poor especially for the rural areas. Studies concluded the initiatives of government and non government organizations as 'control and authority' and 'support and quality' respectively. NGOs are doing something that national government has not been able to do though they have received due attention very lately, not only in Bangladesh, but in different countries of the globe. Most of the NGOs initiate continue the interaction proportionately with the government agencies and have no intention or desire to compete

with government in the development areas. Synyal (1993), 'Antagonistic Cooperation: A Case Study of Non Government Organization', World Development mentioned that 'There is no doubt that NGOs and government still have been differing pictures of each other in Bangladesh.... Government tends to see itself as having a monopoly on authority and policy making... NGOs tend to see themselves as having superior claims to the truth, good intention and the interest of the poor. And yet some observes pointed out that the atmosphere of 'antagonistic cooperation' actually serves the interests of all the actors concerned- the NGOs, government and donors who co-exist and inter-relate in the manner of joint family in which differences are accentuated in order to legitimize their respective, linked roles'.

The main relevant literatures are reviewed and have been summarized below:

Hussain (1984) has conducted a study on "Credit for the Rural Poor – The Experience of Grameen Bank in Bangladesh" showed the positive impact of microcredit on the rural poor. This study proved that the GB microcredit programs have a significant positive effect on income, output and consumption. The area of the study was Tangail district and the data were collected in 1982 from 611 households of GB, in which most of them are landless. The study results are; (1) GB had reached the target group; (2) The income level of the GB borrowers is higher than the non-borrowers households. The study presented the statistical evidence; (3) the wage rate of the study village was higher than the average country rate. In the study the microcredit borrowing villages were mentioned "Grameen Bank Village" and the laborers of these villages were getting indirect benefits through increased wages; (4) the study also showed the positive impact on keeping the family size small. The trend of decreasing in size of the family of borrowers' is compared with non-borrowing families.

Hussain (1988) in another study titled, "Credit for Alleviation of Rural Poverty: The Grameen Bank in Bangladesh" is also an impact study of microcredit of Grameen Bank. This qualitative as well as quantitative research work evaluated the use of Grameen Bank microcredit and tested the change of socio-economic life of the borrowers. The research

findings are: (1) The borrowing members were unemployed before joining GB and about one third of them became self-employed; (2) The result of activities is that the income of targeted households groups is 43% higher than the outside GB program area; (3) Research showed that the borrowers used the GB loans mainly in crop activities 46% in livestock and poultry, 25% in processing and manufacturing activities & 23% were in trading and shop-keeping; (4) The rate of recovery loan was very high as GB claims. The overdue does not found among 81% of female and 74% of male borrowers. The female borrowers were more efficient than the male borrowers; (5) Within only 27 months the working capital of the members invested in small business and manufacturing increased by three times. But in case of fixed assets that had increased about two and a half times. It happened in case of those borrowers taking loan for three years in comparison with the borrowers taking loan only once. In the study, the causes of excellent recovery rate had been explained as (1) selection of true target group, (2) generating regular income, (3) develop strong management system, (4) the installment amount was small, (5) close supervision and the excellence performance of GB officials. The researcher also mentioned the limitations of GB loan management. Due to the intensive supervision and the GB workers participation in social development activities, the operating cost of GB credit was found 21.7% in 1986 which was commented very high.

Khandker et. al. (1995) analyze the impact of microcredit in their paper titled “Determinants and Impact of Basic Skill Attainment: The role of School and Targeted Credit Program in Bangladesh”. They showed that the basic education and girls education was higher in the microfinance program areas than non-program areas. They also concluded that microfinance programs were improving status of women in rural areas of Bangladesh. Another finding was that the women are more conscious now in the rural areas before credit.

Pitt et. al. (1995) showed in a paper titled “Impact of Credit Programs for the Poor on Household Behavior” the positive impact of microcredit on different socio-economic indicators. They compare the effectiveness of microfinance and found that GB program is more effective than other programs (like BRAC, BRDB) considering schooling the children, women labor supply, asset owned by women. Microfinance has a significant

positive impact on different variables associated with assets, women empowerment, social status and liberty etc.

Khandker et. al. (1995) made a study titled “Targeted Credit Programs and Rural Poverty in Bangladesh”. In this study, previous development plans were compared to the present microfinance institutions. Due to the high transaction cost and involvement of high collateral system of banking previous development plans could not achieve visible success for income generating activities. In these plans the poor were excluded. On the other hand, the targeted approach by microfinance institutions BRAC, GB, BRDB and other organizations play an important role in both lessening poverty and sustaining households’ prosperity in the long run by lowering transaction cost. The study revealed that within five years by using microcredit the borrowers could overcome poverty line. Not only have that, after eight years use of microcredit borrowers achieved self-sufficiency. The researchers commented that microcredit plays an important role improving livelihood and increase asset base of the rural poor.

Basher (1989) has revealed a Ph. D. study entitled “A Micro-level Study on the Nature of Capital Formation in Bangladesh Agriculture” under the Department of Agricultural Finance of Bangladesh Agricultural University, Mymensingh. This study mainly covered the capital formation of agriculture sector at the household level. Capital formation in agriculture sector is an important issue for agricultural development as well as rural development. The capital, saved in agriculture sector use further in the sector for increasing productivity in the form of improved seed use, fertilizer use, modern technology use etc. and also for other production. Though it is not borrowed capital and formed by themselves but it is used for increasing income.

Bruntrup et. al. (1997) directed a research work named, “Impact Assessment of the Association for Social Advancement (ASA)” as impact study on ASA credit. The study mainly focused on the impact of the microcredit on the socio-economic condition of the borrowers and also on healthcare and education. The study showed that the ASA credit increased the income of the borrowers and improved healthcare. The borrowers became

encouraged to send their children to school. The study also failed to assess the empowerment of the women borrowers.

Zaman (1995) explored the relationship between microcredit and the reduction of poverty and vulnerability. The study based on survey data of selected area from the BRAC households. The study has showed that the microcredit is playing a positive role on reduction of poverty. Marginal people of rural area do face vulnerability due to avoid of capital and bankability. BRAC microcredit is significantly filling this gap and increasing their income as well as enabling those creating savings.

Rahman et. al. (1994) studied namely “Role of Targeted Credit Program in Promoting Employment and Productivity of the Poor in Bangladesh” (The Bangladesh Development Studies) to assess the impact of credit program of BRAC, BRDB and Grameen Bank towards poverty alleviation. The study showed the results as (1) BRAC, BRDB and Grameen Bank credit was successful in expanding opportunities of self-employment; (2) Labor participation rates among women have increased; (3) The average return to self-employment is higher than the wage rate; (4) Self-employment provides a good prospect of alleviating poverty through generation of more employment which pays off at a rate higher than the wage rate; (5) The non-agricultural average return is higher than those in livestock and agricultural crop production activities.

Islam (2005) compared the livelihood status of Garo women. In the study 280 garo women have been selected randomly as sample who were the members of Smallholder Agricultural Improvement Project (SAIP) of Bangladesh Government, World Vision Bangladesh, Caritas and Palli Daridra Bimochon Foundation (PDBF). The study showed significant results. Firstly, PDBF respondents had very high livelihood status compare to SAIP, World Vision Bangladesh and Caritas. Secondly, education, family education, farm size, self-confidence, agricultural knowledge, family planning knowledge, aspiration, health consciousness, decision making ability, environmental awareness and nutritional knowledge were found significantly lower with PDBF respondents compared to other respondents while World Vision Bangladesh respondents had significant higher

values against those variables. Thirdly, the PDBF respondents were better in the calorie intake, family income and savings in comparison to other categories of respondents. Fourthly, the cause of such betterment is the result of having higher amount of loan taken from PDBF than other categories of respondents. The study analyzed the data to compare the livelihood of four microcredit providers' respondents. The study did not show the change of socio-economic life of the respondents compare with the time before taking credit.

Osmani (1989) criticized the idea of poverty alleviation through non-farm activities and mentioned the various limitations of GB credit at the long-run. The study evaluated the GB operations and tested its consequences in the long-run. The study findings are mentioned below. Firstly, because of the low per capita income of the rural poor, the market of non-farm commodities and services are very limited and unstable in rural sector. Secondly, with the rise of income level, the rural people substitute quality products which produced in urban and marketed to rural areas or foreign products. As a result the products of rural non-farm sector become 'inferior goods' and the supply of non-farm rural products would exceed the demand which would reduce the profit margin of rural entrepreneurs through falling price level. Thirdly, for the long-run viability of microfinance operations, a comprehensive planning and price stability of agricultural and non-agricultural products are essentially needed. Fourthly, the study tressed out some matching problems which are needed to over come for the long-run sustainability. Matching between the type of assets and previous resources, matching between output pattern of demand and matching between potential supply of assets and quantum of assets are the three matching situations. It is needed to be acquired, must be guaranteed for the long-run sustainability of borrowers through ensuring the productive uses of credit.

Rahman (2000) examined the microcredit programs whether it is making sustainable progress in achieving the target groups or creating problems for the future generation. The study evaluated the sustainability of microcredit in the light of the past experiences and the present situation. The study results are: (1) The microcredit borrower households were using their borrowed money mainly on non-productive purposes like, family

consumption and housing, (2) In the long-run the borrowers net worth were reduced, because of the failure of earning satisfactory profit investing the credit. Analyzing the experience, the researcher made a comment that in the long-run in the microcredit sector stagnation on employment, consumption and assets of the borrowers' households would be inevitable.

Yunus (1999) in "The Grameen Bank – A small experience begun in Bangladesh has turned into a major new concept in eradicating poverty" (Scientific America, USA) claimed the success of GB as well as microcredit. He remembers the historical evaluation of GB. He showed the success of GB as, (1) GB started microcredit program with only \$27 in 1976 and the fund reached to \$ 1 billion at March, 1995. During that period of time the repayment rate was between 96% to 100% and average size of loan stood at \$ 180. (2) 96% share of GB was owned by the borrowers and 94% of them were women. In the Board of Directors of GB nine members out of thirteen were directly elected from the member borrowers. (3) Poverty reduction rate of GB is satisfactory. In a every normal year 5% of GB borrowers are crossing over the poverty line. (4) The GB approach of microcredit is accepted globally as a tool of poverty reduction and had been applied in 40 countries. (5) GB had been economically self-sufficient since 1995 and established about 15 enterprises. (6) He claimed that about 22 million poor people around the world had access to small loans and also expected that microcredit would be able to make a poverty free world.

Nuruzzaman (2008) has shown five linked microcredit programs implemented by GOs and NGOs. The researcher mentioned that it was found that in early 80's, the Asia and Pacific Regional Agricultural Association (APRACA) took the initiative to popularize this approach among its fourteen member countries in their poverty alleviation programs. Till now, there are as many as eighteen poverty alleviation microcredit programs based on linkages in which banks, NGOs and informal credit sectors are participating in their own capacity. The study findings are: (1) the linked programs show better results both in terms of institutional and financial coverage and greater positive impact on poverty reduction as compared to those of the normal programs of banking with the poor. (2)

These are area specific with well defined scope of activities and sharing of work among linkage partners which helps to reduce transaction costs and ensure better recovery, higher profit and thus enhance poverty reduction in a more collaborative and cost-effective manner. (3) Considering the rapid coverage of uncovered areas of microcredit under different development schemes, the NGOs and banks could work jointly. (4) The average income of loanee members compared to non-members has increased from -10.98% to 39.23% that is, on absolute increase of 50.21% over the same period. (5) The outstanding loan was 35 percent of cumulative disbursement. (6) The per capita household income increased, the microcredit beneficiaries have been able to raise their land holding size, number of food deficit months among the food deficit households reduced. Other indicators like, drinking water, floor condition of house, energy for cooking has been shown in positive change. (7) During the pre-loan period 77 percent households were below the poverty line and 23 percent were above the upper poverty line. But in the post loan period it was 53 and 47 percent respectively.

Though the researcher showed various positive impact of microcredit specially the linked, some limitations also been shown.

Majumder (2008) has estimated the impact of microcredit of GB. The study was undertaken to examine the performance of GB's credit program both from borrowers and lenders. To appraise the viability of lending side, the features, management system, expansion and coverage, interest earnings, velocity of credit creation and external advantages received by GB are examined in this study. The cost of credit utilization in term of the creation and sustainability of income earning activities, dependence of informal money lenders, human development and other socio-economic position including women empowerment have been taken into account to evaluate borrowers viability. The study shows that the amount of annual income has increased in 59% of the borrower households; it has remained constant and decreased in case of 28% and 13% households respectively. The results of Z-test and correlation analysis do not imply any significant and positive impacts of GB credit on women empowerment. Another significant result is that the women status in respect to mental and physical oppression, dowry, early marriage etc. has deteriorated after the borrowers' enrolment in the GB.

Almost in all cases the female borrowers transfer the loan to male members immediately after receiving it. Another result is that 94% of the dropout borrowers were expelled by the GB due to the incapability to repay the weekly installments. From the findings the main conclusions were; GB has established in the rural areas a strong parallel money market, which is actually usurious in nature. The extent of self-employment creation by the borrowers and their dependents with GB loan is insignificant in comparison with the extension of the credit program. GB credit is not actually collateral free; group responsibility becomes collateral against the loan. Microcredit of GB-model increased rural indebtedness.

2.3 Research Gap

From the above literature review both positive and negative impact assessment of microcredit is seen. A number of studies have claimed that the microcredit programs have brought a tremendous success upon the socio-economic life of the poor. On the other hand, some other studies have shown that microcredit programs fail to change the livelihood of rural and urban poor as expected and said. Based on the literature reviewed it is concluded that some important issues have been omitted that further research is needed. The issues are:

- No specific and in-depth research has so far been conducted on comparative analysis of microcredit management. Lack of exhaustive and in-depth research is responsible for the fact that the problems of microcredit management is facing.
- A bulk number of NGOs and government departments are playing in the same microcredit field with their separate strategies. But the poor who receives microcredit confronts multiple management systems like, different interest rates, installment system, savings system etc. No research has been conducted to design a uniform or near to uniform management system.
- Above studies did not raise many of the questions and issues which were required to explore the dynamics of change in microcredit operations.
- The income change of the borrowers has not been identified in any of the studies in comparison between public and private sectors.

From the above discussion it can be said that a bulk number of Non-Government Organizations and government departments are playing in the same microcredit field with their separate strategies. But the poor who receives microcredit confronts multiple management system like different interest rates, installment system, saving system etc. Uniform system of microcredit management will help more to the poor. The proposed research study on “Efficiency and Effectiveness of Microcredit Management in Bangladesh: A Comparative Analysis on Public and Private Sectors” aims at to discover the multiple management threat and design an uniform management system for policy implication.

Chapter III

Development Approaches and Strategies for Poverty Alleviation in Bangladesh

Chapter III: Development Approaches and Strategies for Poverty Alleviation in Bangladesh

- 3.1 Definition and Measurement of Poverty
- 3.2 An Overview of Poverty Scenario in Bangladesh
- 3.3 Strategies for Alleviation of Poverty in Bangladesh
- 3.4 Development Approaches Taken in Bangladesh
- 3.5 Impact of Quality life of Loanees

3.1 Definition and Measurement of Poverty

Poverty: Poverty refers to a state of deprivation from availing goods and community services which are essential for normal level of living. Poverty may be absolute or relative. It largely depends on economic, social, cultural and climatic condition of the country (BBS, 1997).

Absolute Poverty: Absolute poverty is measured in terms of requirements for minimum of living, in terms of calorie intake and nutritional levels, clothing, sanitation, health, education, housing etc. Which of course, vary according to economic, social and political environment (BBS, 1997).

Relative Poverty: Relative poverty measures the relative deprivation as compared to national average income levels. Such an approach is more relevant to societies where minimum material needs for the majority of the population have been met. In this situation it is more appropriate to describe it as relative deprivation rather than poverty (BBS, 1997).

Basic Needs: Basic needs of a person refers to a certain level of requirement of essential goods and services such as food, clothing, housing, health, education, sanitation, safe drinking water etc (BBS, 1997).

Poverty Line: Poverty line represent objective criterion for the level of income below which individuals or households can not be expected to maintain a decent life (BBS, 1997).

Incidence of Poverty: Incidence of poverty is defined as the size of the population below poverty line. However, the incidence of poverty ignores the extent of income gap between the poverty line and the income of the poor (BBS, 1997).

Economically active population: Population of age 10 years and above who may be employed during the reference periods are considered as economically active population. This excludes housewives, students, disabled persons, pensioners, beggars and those reluctant to work. Children who are working in the family farm for 15 or more a week without pay are also considered as economically active (ILO convention) (BBS, 1997).

Absolutely Poor: Absolutely poor as those who could not take more than 90 percent of the recommended calorie (2122 k.cal.) intake (Fifth Five Year Plan, 1997-2002).

Extremely Poor: Extremely poor as those who could not take more than 80 percent of the recommended calorie (2122 k. cal.) intake (Fifth Five Year Plan, 1997-2002).

Target Group: Accordingly to GB, landless and asset less people are the target group of GB. He/She is landless and assetless person, whose family owns less than 0.5 acres of cultivable land and the value of the entire family asset together does not exceed the market value of one acre of medium quality land in the area (GB circular, dated 27-12-2003).

Measurement of Poverty:

In Bangladesh different methods are used in measuring poverty in different times. The methods are (1) Household Expenditure Survey (HES), (2) Food Energy Intake (FEI), (3) Direct Calorie Intake (DCI), (4) Cost of Basic Needs (CBN) and (5) Household Income and Expenditure Survey (HIES). HES was carried out first in 1973-74 and in subsequent years, a number of HES was undertaken. Only expenditure information used to be

collected in such surveys. HESs carried out up to 1991-92. But it was based on Food Energy Intake (FEI) and Direct Calorie Intake (DCI) method. A person having daily calorie intake less than 1805 kilo calories is considered to be hard core poverty and 2122 kilo calories in absolute poverty.

In the HES conducted in 1995-96, the BBS for the first time adopted the Cost of Basic Needs (CBN) method. Similarly, in the Household Income and Expenditure Surveys (HIES) of 2000 and 2005, CBN method was used. With this method, non-food consumption is also considered for constructing poverty index (Bangladesh Economic Review, 2010).

3.2 An Overview of Poverty Scenario in Bangladesh

Rate of income poverty (measured by CBN upper poverty line) declined from 58.8 percent to 48.9 percent during the period from 1991 to 2000. The compound poverty reduction rate per year is recorded at 1.8 percent. But the rate of reduction of poverty is higher in urban areas (yearly rate 2.2) during this period. On the other hand, during 2000 to 2005, income poverty also reduced from 48.9 to 40 and the compound reduction rate is 3.9 percent. The reduction rate during this period is also higher for the urban areas (yearly 4.2 percent).

Between 2000 and 2005 the depth (measured by poverty gap) and severity (measured by squared poverty gap) of poverty declined simultaneously both in urban and rural areas. It is also to be noted that during 1991 to 2000 reduction rate of income poverty was faster in rural areas than in urban areas.

According to Head Count Ratio using DCI method, in 2005, the incidence of absolute poverty was 40.4 at the national level, whereas such incidences recorded in rural and urban areas were 39.5 and 43.2 respectively. Under this method, a reduction of absolute poverty is recorded at 4.1 percent during 2000 to 2005. People living below the poverty line in 2000 were 55.8 million, which increased to 56 million in 2005. Though the

number of poor people increased by about 2 million during this period, it increased at a slower rate than that of the previous period.

Using the same method of measurement, in 2005 the incidence of hardcore poor were 19.5 percent, at the national level, whereas in the rural and urban areas this stood at 17.9 and 24.4 percent respectively. Under this method a reduction of hardcore poverty is recorded 0.5 percent at the national level, 0.8 percent in the rural area and 0.6 percent in the urban area. People living below hardcore poverty line in 2000 were 20 percent, which decreased to 19.5 percent in 2005. Though the poor people belonging to absolute poverty and hardcore poverty increased during this period, it decreased as compared to 1991-92. (Bangladesh Economic Review, 2010)

3.3 Strategies for Alleviation of Poverty in Bangladesh

Poverty is deemed as one of the biggest challenges for Bangladesh, as elsewhere in South Asia. Poverty alleviation has been high on the development agenda of Bangladesh as evidenced in all five-year plans.

Government of Bangladesh designed poverty reduction strategy framework. The strategy framework of NSAPR II (National Strategy for Accelerated Poverty Reduction II) consists of five strategic blocks with five supporting strategies. The strategic blocks are:

- (i) Macro-economic environment for pro-poor growth;
- (ii) Critical areas for pro-poor growth;
- (iii) Essential infrastructure for pro-poor growth;
- (iv) Social protection for the vulnerable;
- (v) Human development.

3.3.1 Selected programs for poverty alleviation

Against the backdrop of global financial recession, the government increased the allocation for social safety-net (food) programs as an immediate action under an incentive package in 2008-09. Similarly, in 2009-10, the government also made an allocation of

taka 13,444.31 crore for social safety net programs. This allocation represents a share 12.16 percent of total budget and 1.95 percent of GDP. Moreover, following steps have been taken to provide policy support during 2009-10.

- Enhancement of VGF allocation from 2.75 lakh metric tones to 5.5 lakh metric tones and TR allocation 3 lakh 66 thousands and 500 metric tones to 4 lakh metric tones.
- Creation of different funds under broad social safety net programs. Notable among these funds is the climate change fund with an allocation of taka 700 crore. Aside from this, the government launched a program for poor lactating mothers with an allocation of taka 25 crore.
- Seeking budget support from the World Bank and the Asian Development Bank to reinforce fiscal programs of the government.
- Undertaking special initiatives to increase the flow of microcredit and investment fund to Poverty Reduction Foundation, Palli Karma Shahayak Foundation (PKSF), Municipal Development Fund (MDF), Social Development Foundation (SDF), Bangladesh NGO Foundation (BNF), and Infrastructure Development Co. Ltd. (IDCOL). During 2009-10 allocation for microcredit programs of PKSF and SDF have been increased from taka 185 crore to taka 195 crore and taka 92.7 crore to taka 200 crore respectively.
- Increased rate and coverage of allowances for the poor elderly citizens, destitute women, insolvent freedom fighters, physically handicapped and orphans.
- Expediting disbursement from the microcredit funds of Rural Development Board, Directorate of Youth Development, Directorate of Social Welfare, Directorate of Women Affairs, Directorate of Fisheries, and Directorate of Livestock and BSCIC. (Bangladesh Economic Review, 2010)

3.3.2 Cash Transfer programs under social safety net programs

1. **Old-Age Allowance Program:** Administered by the Ministry of Social Welfare. This program received an allocation of taka 810 crore in 2009-10. Monthly rate of

allowance has been increased to taka 300 from taka 250 and the beneficiary coverage has been widened to 22.5 lakh from 20 lakh during this period.

2. **Fund for rehabilitation of the acid-burnt women and the physically handicapped:** Ministry of Social Welfare introduced this fund for rehabilitation of acid-burnt women under which each victim receives taka 10,000. In 2009-10, the government allocated taka 2 crore of which taka 1 crore has been distributed among the victims. Up to June 2010, 10.67 crore (cumulative) has been disbursed.
3. **Allowance for the insolvent physically challenged citizens:** The Ministry of Social Welfare is implementing this program. To provide subsistence to fully retarded persons, the allowance was enhanced from taka 250 to 300 in 2008-09. Total number of beneficiaries stood at 2.6 lakh and taka 93.6 crore was allocated for this program. Besides this, a stipend program for the physically challenged students was introduced since 2007-08 under which taka 8 crore has been allocated in 2009-10 and the total number of beneficiaries stands at 17,150.
4. **Other programs:** a) Allowance program for widowed, deserted and destitute women, b) Allowance for poor lactating mothers, c) Maternity allowance for poor women, d) Honorarium program for insolvent freedom fighters, e) Training and self-employment program for insolvent freedom fighters and their dependents, f) Food for works program, g) Vulnerable group feeding (VGF) program, h) Rural infrastructure maintenance program, i) Gratuitous Relief (GR program), j) Employment generation program for the poorest, k) Ashrayan (poverty alleviation and rehabilitation) project, l) Ekti bari ekti khamar, m) Gharey fera, n) Fund for housing the homeless (grihayan tahabil) etc. (Bangladesh Economic Review, 2010)

3.4 Development Approaches Taken in Bangladesh

Chawdhury (2008) evaluated the development approaches taken in Bangladesh. He mentioned as:

Between 1950 and 1970, the main focus of development was on economic growth and increased production. Since the beginning of 1970s, the motion of development has

centered mostly on redistributive justice, aimed at improving the quality of the life of the poor, fulfilling their basic needs and reducing relative inequality and absolute poverty that means the minimum level of income that is needed by physical survival. Several measures had been taken before and after the independent of Bangladesh to develop rural areas of its. Some important development approaches are given below.

(1) Village Agriculture and Industrial Development Program (V-AID)

Perhaps the first concrete attempts for the rural development taking village as the focal point has been made in the year 1953 when government introduce the Village Agriculture and Industrial Development (V-AID) Program through the effective and direct participation of the rural populace in various development projects. The program was primarily intended to stimulate self-help and cooperative effort among the villagers. It aimed at coordinating the total resources of government and the people for a concerned and determined effort to reconstruct village life. The project was related to the socio-economic development of rural Bangladesh viz. in the field of agriculture, cooperatives, cottage industry, primary and adult education, reclamation of land, youth and women's program etc. So the main objectives of V-AID was to foster people's effective participation in rural development project in the field of agriculture, primary education, adult education, health and sanitation, cooperation, cottage industry, irrigation and reclamation of land, secondary (rural) road construction, youth and women's program and social recreation activities. For achieving the success of the program, the training institutes were established in 1959 at Comilla and Peshawar. But the main causes for the slow progress of this program were shortage of fund, lack of training facilities and the instability of provincial and central government. Participation of rural people in plan formulation and implementation was very minimal. Although the program achieves some success, yet it is failed to create any significant and permanent impact on the economy.

(2) Basic Democracy for Rural Development

Bangladesh once again embarked on an experiment in local self-government with the introduction of Ayub's 'Basic Democracy' system in 1959, which was generally

controlled by the center. There were five-tiered systems in Basic Democracy. The last tier was abolished in 1962. The four tiers were Union Council, the Thana Council, the District Council and Divisional Council was fully dependent on center because the funds and other necessary assistance were made available from center. Basic Democracy could not be considered effective for village development. Gradually the political role of the Basic Democracy assumed more importance than their administrative and local government functions.

(3) Rural Works Program (RWP)

In 1962, a rural works program was introduced to undertake rural development through the Basic Democracy at the village level and to associate a much large segment of the rural population with the effort. This program primarily meant for infrastructure development mainly through construction of road, embankments, irrigation and canals resulting in more employment for the rural people. The Rural Works Program failed due to misappropriation of fund and inefficient management by the political elements.

(4) Comilla Type Cooperative or Comilla Experiment

With a view to facing basic agrarian problem, the Bangladesh Academy for Rural development (BARD) at Comilla took the initiatives for the formation a cooperative system based on the principles suitable for our people. This approach is known as 'Comilla Approach' which started on 1959 under dynamic leadership of Mr. Akhter Hamid Khan, with the cardinal objective of development of local interest and leadership for an internally motivated effort to solve agrarian problems through this type of rural institution.

Comilla cooperatives as we can say that the outcome of action research put more emphasis on institutional planning rather than technical planning. In this approach, village has been taken as a natural unit of development and thana as the supporting unit. This experiment has introduced a two-tier cooperative system comprising of village primary cooperative society namely Krishi Samabaya Samity (KSS) and Thana Central

Cooperative Association (TCCA). The main objective of a primary society is development of a self-sustaining unit in and around a village having farmers with identical group interest. The members of the society elect a few representatives such as, Chairman, Vice-Chairman, Manager, Model Farmers etc. who go to the central association to learn improved techniques of production. On completion of their training they come back to the village to teach fellow members about what they have learnt.

(5) Comilla Model

The Bangladesh Academy for Rural Development (BARD), was established in 1959 at Comilla to face the problem of rural areas and to find ways and means to avoid the failure of the past programs in the physical as well as socio-economic setting of the then East Pakistan (now Bangladesh). BARD developed four models to implement rural development activities. They are: a) Two-tier cooperative system; b) Rural Works Program (RWP); c) Thana Irrigation Program (TIP); and d) Thana Training and Development Center (TTDC). BARD introduces a set of principles and institutional methods for operating the projects, which were undertaken at Comilla thana. These processes and institutional methods are known as ‘Comilla Model’, ‘Comilla Program’, ‘Comilla Experiment’, ‘Comilla Approach’.

It can be mentioned that all the methods were based on action research. The two-tier cooperative system has been developed and implemented by Akhter Hamid Khan. Rural Works Program was operated conducted through Basic Democracy. The detail discussions have been made on this program. The objectives of the Thana Irrigation Program (TIP) model were to provide irrigation facilities to increase production. The components of the model were formulation of irrigation groups with beneficiary farmers, operation of lift pumps and tube wells, constructions of field channels and distribution of water to fields, maintenance of machines and training of the pump drivers and managers of the groups. The Thana Training and Development Center (TTDC) were developed to bring departmental and local representatives i.e. the thana level officers and the Chairman of union councils into close proximity and contact with the cooperative institution and

organize training in improved methods of framings, use of fertilizers etc; family planning, adult literacy, cottage industries, training on all aspects of community development. So TTDC was designed to work as improved and extended system of rural administration for maintaining enter departmental cooperation and also the coordination between the departments and councils of peoples representatives. The main functions of TTDC were:

- a. Training of model farmers, managers, chairman of KSS;
- b. Extension of services of village clientele and train up extension staff/officials of different nation building departments;
- c. Building skills in project formulation and implementation at grass root levels; and
- d. Coordination and management of diverse development activities of various government agencies at thana levels.

The success of Comilla Model received interest from the government during the Pakistan period and also after the liberation of Bangladesh. The RWP and the TTDC model were replicated in 1962-63, the Two-tier cooperative model from 1963-64 and TIP model in 1967-68 considering these models as integrated efforts towards rural development.

(6) Integrated Rural Development Program

Integrated Rural Development Program (IRDP) is a replication of the Comilla Model, which was developed through a series of experiments since the sixties under the agencies of the Bangladesh Academy for Rural Development (BARD) at Comilla. The main components of IRD Program are: a) establishment of Thana Training and Development Center (TTDC), b) Rural works Program (RWP), c) Thana Irrigation Program (TIP) and d) Two-tier Cooperative System. The major aspects of the model are to build an institutional infrastructure around a two-tier cooperatives organization: Krishi Samabaya Samity (KSS) and Thana Central Cooperative Association (TCCA). The ultimate objective of the program was to organize the small and medium sized farmers through cooperatives and to help them increase agricultural productivity and thus to promote their socio-economic condition.

(7) Self-Reliance Movement

In the late 1975, with the political change in the country, the Government of Bangladesh launched countrywide Self-reliance Movement to make the village people self-reliant. This was to be attained through proper utilization of both political and human resources and a committed and coordinated mechanism of both administrative agencies and voluntary organizations. Accordingly, plenty of work camps were organized in different parts of the country to propagate and disseminate the principles of self-reliance among the rural people. High government officials, local leaders, intellectuals, teachers, students, small and marginal farmers, landless laborers and other village professional groups attended these work camps. Several project committees, such as, thana, union and village project committees were formed from the district to village level consisting of concerned district and thana level officials, chairman and members of local union parishad, leaders of cooperatives and with the natural leaders of the village. As a result, by 1977 a “Self-Reliance Village” was formed in each union. This movement could not create any substantial positive impact towards the improvement of the rural people, particularly, the rural poor. The inter-departmental conflicts and lack of specific and well defined objectives and programs for the different villages and occupational groups were held responsible for movement was found to be very weak in two essential aspects: i) the level of people’s participation was poor, and ii) effective mobilization of local material resources was not attempted.

(8) Community Development Approaches

The concept of Community Development (CD) and People’s Participation (PP) took shape in the 1950’s. These were generally egalitarian and nostalgic for the virtues of rural communities, assuming that such communities were socially harmonious. The programs using label “community development” were quite diverse but had in common two incongruous local communities as basic components of the social order and in the capacity of such communities to better their livelihood through self-help. Second, there was the hope of government and planners that CD programs could increase rural

productivity and raise levels of living at modest cost to the state, leaving the latter free to devote its resources to other purposes. The latter generally coincided with the hope of neutralizing revolution are appeals to the rural population.

Problems of CD Approaches:

Concentration on improving the level of the whole community, it ignored the heterogeneity of rural communities, assuming that communities should have common need which one strategy could satisfy. Cooperation with the masses implied serving the rural people with technical information and services. Since it minimized problems arising from the existing stratification of society, the benefits were captured by powerful local rural groups. The much hoped-for “trickle down” effect did not occur, and the most disadvantaged sections of the community were left in the lurch. Programs became tied to existing cooperatives, extension services and other government programs, losing much of their identity. It was essentially a top-down system. Participation was limited since usually programs and targets were set from above, having little connection with people’s willingness or capacities. The programs became quickly overloaded and CD workers became government agents sunk in bureaucratic details.

(9) Target Group/Participatory Approach

The rising landless class, who are considered functionally landless and without regular employment work as wage earners, comprise more than 50% of the rural population and include especially neglected groups like women. These people are the members of the target groups. The objective is to secure a more egalitarian growth process by organizing this section by allowing them greater participation and establishing greater village level democracy.

Participation of the people at the grassroots level is an important feature of this approach. The people should be made “subjects” and not merely “target-objects” of participation, and the required organization should have a “subjective participatory approach” built on political support and economic assistance, to ensure credit facilities. Otherwise, success

would be ephemeral. This is the concept of the target group. Its main strategies should aim at ensuring proper participation, emphasizing that:

- The poor form their own organizations, strong enough to resist countervailing forces.
- The organizations should have the training and assistance of self-help organization promotes to allow them to express their left needs and develop production plants identified by them.
- Traditional existing organization, were the poor functioned only at a marginal level, should be substituted for proper grassroots organizations.
- The organization should form cooperatives and manage water-users associations, selling water to the landless sections. Less capital-intensive ventures are those giving assets like livestock and animal husbandry. Non-crop sectors on low-income based petty occupations have only a marginal effect on the rural poor.

For the development of rural community ‘target group/participatory approach’ has been introduced in Bangladesh by major rural development agencies i.e. GOs and NGOs. A large numbers of NGOs are active in the rural areas, particularly for the alleviation of rural poverty and to cope with unemployment, putting increasing emphasis on effective participation of the target groups, e.g. department of landless poor, marginal farmers, rural artisans and the other disadvantaged section of the rural population. The main activities of these organizations include employment and income generation, literacy, community health and family planning, forestation, legal aid etc (Chowdhury, 2009).

3.5 Impact on Quality life of Loanees

The impact on quality of life of loanees has been analyzed with reference to impact assessment, impact on income, impact on food and nutrition, improvement in dress, investment in health, education and housing condition, productive employment of loanees, changes in loan absorption capacity, diversification of sources on income and

impact on women empowerment in this study. The following sections examine the findings in this regard (Rahman, 2004).

3.5.1 Impact Assessment

Success of microcredit in poverty alleviation will depend on how far it can address the constraints faced by the poor households. The economic environment characterizing the poor consists of lack of ownership of productive assets and lack of adequate remunerative employment; but the literacy rate among the rural poor is low. Members from extreme poor household face disadvantage in the labor market in the form of gender segmentation and adverse terms of attached labor. Manifestation of extreme poverty may take the form of malnutrition and ill health, which has a second round effect perpetuating poverty (Rahman, 2000).

Low and declining land-man ratio in the rural areas of the country resulted in displacement of workers from crop production. Development theories had postulated that industrialization would progress through the use of cheap labor attracted from the rural areas. This did not happen in reality and the growth of the large scale industries in Bangladesh provide inadequate for absorbing the growing urban labor force, but not to speak of drawing the surplus labor from the rural areas. This scenario implies that non-farm self-employment can play a crucial role in the labor absorption process. Expansion of microcredit has been rooted in the expectation that microcredit can help in the generation of self-employment, which can solve the problem of both unemployment and poverty (Rahman, 2000).

3.5.2 Productive Employment of Loanees

The poverty alleviation process through Grameen Credit depends on the positive impact of Grameen credit/microcredit on the employment situation of the family labor force. The picture of increase in employment has been vividly described by the case history based impact assessment studies. The case studies show that for male workers credit has

contributed to the improvement of labor productivity through the addition to capital in the existing enterprises. In some cases, credit has enabled the loanees to have ownership of the equipment used in the activity (for example rickshaw, handloom etc) instead of having to rent it and thus acted as an incentive for him/her to increase work effort and enhance his/her income. Most of the studies emphasize the increase in female employment and in the labor force participation among women. Case studies on female borrowers of GB narrate how the hard working women have been engaged in income earning activities and thereby increased the household income (Yunus, 1982 and Ray, et al, 1987) and many other studies describe cases where women borrowers invest a small amount of money and get involved in economic activities and work for long hours (Rahman, 2004).

3.5.3 The Input-Impact Framework

The input impact framework may be considered as a model of analysis of empowerment, as distinct from simple classification of variable because it formulates the chain of action (Rahman, 2000). The following table presents a list of variables which may be used as indicators of inputs and two types of impacts.

Table 3.1: Input Impact Framework

Type of Link	Indicators
	Inputs from GB:
	Membership
	Loans
	Training
Intermediate Outcomes	Control over the loan from GB
	Income
	Employment

	Asset Expenditure and savings
Final Impacts	Material benefits:
	Food Clothing Housing Healthcare
	Non-material:
	Decision making Control over reproductive sphere Food, clothing, education for family members Honor within family-reduction in family violence Honor in the society, mobility Participation in social and political leadership and related process

Source: Rahman, R. I., 'Poverty Alleviation and Employment through Microfinance: Two Decades of Experience', BIDS, Dhaka, p 80)

3.5.4 Sustainability of Credit Programs of GB

The term "Program Sustainability" means the ability of a program to continuously carry out activities and services in pursuit of its objectives or, in the GB's case, the ability to continue as a development financial institution for the rural poor. Since the GB uses loan-able from various sources to finance productive activities, it can only sustain its

operations if it remains financially sound. On the other hand, since it is an organization for the poor, it cannot sustain its operations unless the benefits received from program participation reduce poverty and are sustainable (Khandker, et al, 1996).

Chapter IV

An Overview of Microcredit Situation in Bangladesh

Chapter IV: An Overview of Microcredit Situation in Bangladesh

- 4.1 History of Microcredit
- 4.2 Necessity of Microcredit
- 4.3 Microcredit Management
- 4.4 Historical Perspective of Microcredit in Bangladesh
- 4.5 Microcredit Situation in SFYP

4.1 History of Microcredit

It is said that the concept of microcredit can be traced back to portions of the Marshall Plan at the end of the Second World War i.e. in the middle of the 20th century. Another opinion is also that it started to the 1800s and was New York's Providence Fund. In 1959 Dr. Akter Hamid Khan as the founder of Pakistan (now Bangladesh) Academy for Rural Development introduced the revolutionary idea of microcredit. A peace corps-like group, Accion International in 1973 started to switch their focus forward providing economic opportunity to poor people instead of working on construction/ infrastructure projects. In Brazil Accion staff began to offer microloans to provide those people who had the will to start small businesses. Objective of this microloan was partly to subvert the exploitation of the poor by loan sharks. Mohammad Yunus started an experiment around 1974 and he discovered that very small loans could make a significant difference in poor person's ability to survive. But traditional banks were not interested in making tiny loans to people who were considered poor repayment risks. In 1976 Mohammad Yunus founded the Grameen Bank to make loans to the poor Bangladeshis. John Hatch of Bolivia made the idea of 'village banking'. His vision was "Give poor communities the opportunities and then get out the way". Thus in 1980s FINCA International continued the successful trend of microcredit in Bolivia. Founder of FINCA John Hatch had worked on other international credit programs and started doing microcredit on his own. He also introduced microcredit to El Salvador in 1985. In El Salvador the program focused on women. In 1971, Al Whittaker established Opportunity International's first US office in Washington DC. The first microloan was made in Colombia to expand spice and tea business. About the same time Australian Philanthropist, David Bussau, began making microloans in Indonesia. These two men formed the global organization, Opportunity

International that provides opportunities for people in chronic poverty to transfer their lives by creating jobs, stimulating small business, and strengthening communities. Opportunity Internationals are also working in Australia, Great Britain and Canada. Due to the continuous progress and expansion of microcredit in the world microcredit summit was called in New York City in November 2002. More than 2000 delegates from 100 countries participated with the goal of reaching 100 million of the world's poorest families. Calling for building inclusive financial sectors and strengthening the powerful but often untapped, entrepreneurial spirit existing in communities around the world, The Economic and Social Council of the United Nations proclaim the year 2005 as the International Year of Microcredit.

The Press Release of Nobel Committee states: The Norwegian Nobel Committee has decided to award the Nobel Peace Prize for 2006, divided into two equal parts, to Muhammad Yunus and Grameen Bank for their efforts to create economic and social development from below. Lasting peace can not be achieved unless large population groups find ways in which to break out of poverty. Microcredit is one such means. Development from below also serves to advance democracy and human rights. Mohammad Yunus has shown himself to be a leader who has managed to translate visions into practical action for the benefit of millions of people, not only in Bangladesh, but also in many other countries. Loans to poor people without any financial security had appeared to be an impossible idea. From modest beginnings three decades ago, Yunus has, first and foremost through Grameen Bank, developed microcredit into an even more important instrument in the struggle against poverty. Grameen Bank has been a source of ideas and models for the many institutions in the field of microcredit that have sprung up around the world.

Every single individual on earth has both the potential and the right to live a decent life. Across cultures and civilizations, Yunus and Grameen Bank have shown that even the poorest of the poor can work to bring about their own development. Microcredit has proved to be an important liberating force in societies where women in particular have to struggle against repressive social and economic conditions. Economic growth and

political democracy cannot achieve their full potential unless the female half of humanity participates on an equal footing with the male.

Yunus's long-term vision is to eliminate poverty from the world. That vision cannot be realized by means of microcredit alone. But Muhammad Yunus and Grameen Bank have shown that, in the continuing efforts to achieve it, microcredit must play a major part".

4.2 Necessity of Microcredit

Traditional financial institutions have failed to provide financial services to the poor. Providing the poor with access to financial services is one of many ways to help increase their incomes and productivity. "Micro-credit and cooperative programs have been developed to fill this gap. Their purpose is to help the poor to become self-employed and thus to escape from poverty. Many of these programs provide credit using social mechanisms, such as group-based lending, to reach the poor and other clients including women, who lack access to formal financial institutions. With increasing assistance from the World Bank and other donors, microfinance is emerging as an instrument for reducing poverty and improving the poor's access to financial services in low-income countries.

Poverty is often the result of low economic growth, high population growth, and extremely unequal distribution of resources. The proximate determinants of poverty are unemployment and the low productivity of the poor. When poverty results from unemployment, reducing poverty requires creating jobs; when poverty results from low productivity and low income, reducing poverty requires investment in human and physical capital to increase workers' productivity. In many countries, such as Bangladesh, poverty is caused by lack of both physical and human capital. Consequently, the best way to reduce poverty is to deal with problems: increasing productivity by creating employment and developing human capital.

Lack of savings and capital make it difficult for many poor people who want jobs in the farm and non-farm sectors to become self-employed and to undertake productive employment-generating activities. Providing credit seems to be a way to generate self-employment opportunities for the poor. But because the poor lacks physical collateral, they have almost no access to institutional credit. Informal lenders play an important role in many low-income countries, but they often charge high interest rates, inhibiting poor rural households from investing in productive income-increasing activities. Moreover, although informal groups, such as rotating savings and credit associates, can meet the occasional financial needs of rural households in many societies, they are not reliable sources of finance for income-generating activities. Micro-credit programs are able to reach the poor at affordable cost and thus help the poor become self-employed.

Proponents of micro-credit consider increasing the poor's access to institutional credit is an important means of ending poverty. They argue that by virtue of their design such programs can reach the poor and overcome problems of credit market imperfections. In their view improved access to credit smoothes consumption and eases constraints in productions, raising the incomes and productivity of the poor. Empirical studies support this view to some extent: credit market interventions improve both the consumption and production of the poor who otherwise lack access to credit. According to proponents of micro-credit, when traditional banks and financial institutions fail to meet the needs of women and the poor, alternative institutions should be developed to meet these groups' demand for financial services" (Khandker, 1999).

Yunus (2003) states, "Independent studies show that micro-credit has a host of positive impacts on families that receive it. A study by Khandker (1998) of the World Bank reported that 5 percent of Grameen Bank families move out poverty each year. A World Bank study by Khandker (2003) shows that micro-credit programs have a greater impact on extreme poverty than on moderate poverty. The results of this study strongly support the view that micro-credit not only affects the welfare of participants and non-participants but also the aggregate welfare at village level.

The role of micro-credit in disaster situation and post conflict areas has been well documented, enabling families in those areas to rebuild economic activities and livelihoods when these services are flexible, convenient and easily accessible. Studies have also shown that micro-credit programs improve the coping mechanisms of the poor.

This is demonstrated very clearly during times of disaster, such as during the floods in Bangladesh in 1998. A large number of impact studies have been made on Grameen Bank from different perspectives. They all came up with findings showing significant impact on its members across a wide range of economic and social indicators, including increased income, improved nutrition, better food intake, better consumption of clothing, better housing, lower child mortality, lower birth rate, higher adoption of family-planning practices, better healthcare, better access to education for the children, empowerment of women, participation in social and political activities, etc.”

Salehuddin (2003) has opined that in recent years, micro-credit, or microfinance in its wider dimension, has become a much favored intervention for poverty alleviation in the developing countries and least developed countries. There is scarcely a poor country and develop-oriented donor agency (multilateral, bilateral and private) not involved in promotion (in one form or another) of a microfinance program. Many achievements are claimed about the impact of microfinance programs, and an outside observer cannot but wonder at the range of diversity of the benefits claimed.

With an estimated 1.3 billion people of the world (approximately one third of the world's population) living on incomes of less than \$1 a day, the governments of the poor countries face an enormous challenge to reduce poverty. This is particularly so in the countries of South and East Asia where the majority of the world's poor live. Various studies demonstrated that rapid and sustainable poverty reduction depends on the interaction of a wide range of policy measures and interventions at macro, meso and micro levels. The availability of microfinance, broadly defined as the provision of

financial services such as savings and credit to the poor households, is necessary but not a sufficient condition for rapid poverty reduction.

Nevertheless, microfinance can play an important role. One element of an effective strategy for poverty reduction is to promote the productive use of poor's labor. This can be done by creating opportunities for wage employment, by raising agricultural productivity among small and marginal farmers and by increasing opportunities for self-employment. Microfinance is particularly relevant for increasing the productivity of self-employment in the informal sector of the economy. In an environment where economic growth is occurring, microfinance also has the capacity to transmit the benefits of growth more rapidly and more equitably through the informal sector. It is well documented that for many micro-entrepreneurs, lack of access to financial services is a critical constraint to the establishment or expansion of viable micro-enterprises. Microfinance may also enable small and marginal farmers to purchase the inputs they need to increase their productivity, as well as finance a range of activities adding value to agricultural output and in the rural off-farm economy. Access to savings facilities also plays a key part in enabling the poor to smooth their consumption expenditures and to finance investments, which improves productivity in agriculture and other economic activities.”

It is mentioned in PRSP (2004), “Micro-credit is an effective and powerful tool for rural development, income generation, food security, human resource development and ultimately poverty alleviation. The main constraints and barriers that prevent the very poor benefiting from the current micro-credit system are (i) lack of multiple income generating sources and hence the problem in repayment of a loan, (ii) acute seasonal shortfalls in income, (iii) group members’ screening out of perceived “higher-risk” members, (iv) adverse households demographics and (v) a higher incidence of ill health.

To facilitate the operation of micro- credit programs and disbursement of public sector funds for these programs, the Government has adapted an “Integrated policy paper” on utilization of a Revolving Loan Fund (RLF) under micro-credit programs.

Providing microcredit to the poor has become an important antipoverty scheme in many countries. Micro-credit helps become self-employed and reduces poverty. But microcredit programs are just one of many ways of reducing poverty.”

Microcredit to agriculture especially for landless, marginal and small farmers is now burning issue. With increasing commercialization of agriculture and technological change, the need for institutional credit of small farm holders has become more compelling today than a decade ago. Rapidly expanding microcredit programs, which mainly target absolutely and functionally landless rural households for promoting mostly non-farm income generating activities, has possibly overshadowed the enormous potentials of small farm holders to contribute in agricultural growth process as recipients of credit (Khan, 1999).

Hossain (1999) said, “In Bangladesh it is not only the landless that is understandably poor in rural areas, there remains a significantly large group consisting of small and marginal farmers owning more than half and less than 1.5 acres of land who could be the poor. This segment of people is gradually sliding towards landless and consequently becoming poverty stricken. The quality of land has important bearing on the income that could be derived from even a small piece of land. A farmer with 50 decimals of land with irrigation input and other required facilities could be better off than a farmer with an acre of low quality. For proper running of the farm activities, there is a serious shortage for working capital in agriculture. But ironically, they are largely bypassed by the nationalized and private commercial banks mostly due to their lack of influence and lower socio-economic strata. The reality is that most of the small and marginal farmers eventually rely on local moneylenders. Usually, land is required to mortgage for loan. The moneylenders charge notoriously high rate of interest and they prefer to get the money back as soon as the harvest is started. Again prices of agricultural produce remain relatively low at the harvest time. On the other hand, small and marginal farmers are compelled to sell their produce soon after the harvest for making repayments of loans as well as for meeting other expenditures. In case of crop failure, small and marginal

farmers usually fail to make payments in time, which in turn results in distressed sale of their land and other assets. This process of landlessness needs to be contained through providing microfinance facilities to small and marginal farmers.

Despite of relative efficiency of using scarce resources e.g. land and finance capital and higher crop yield, small and marginal farmers have long been neglected in terms of access to institutional credit. The need for institutional credit of small farm holders has become more compelling today than a decade ago, because of increasing commercialization of agriculture and technological change. Landless rural households are receiving micro-credit for promoting mostly non-farm income generating activities to contribute in agricultural growth process.” About the necessity of micro-credit in agriculture it is mentioned in PRSP- “To increase crop production, timely availability of quality and adequate inputs, easy access to agriculture credit, especially for marginal and small farmers, development of an appropriate infrastructure for marketing, and storage and communication facilities have been recommended.

The thematic group report on Agriculture is divided into four major areas relating to crops, livestock, fisheries and land issues. The report argues that agricultural growth is to be achieved through increased efficiency and technological process including those in ICT and biotechnology, crop and non-crop diversification and intensification of rice production. The prerequisites for these to happen are: effective water management, improved rural infrastructure and institutions, strengthened research and development efforts, enhanced credit access and expanded domestic and export marketing and distribution channels.

Self-employment with higher productivity will require greater access to productive assets. Credit may act as an important input in this process. During the last two decades a large number of microfinance institutions are providing credit to the poor. MC can be more effective if this is accompanied by other inputs, including training and skill

development, transport facilities and marketing facilities. In addition to micro- credit, larger loans should be provided for enterprises using hired labor. This will generate larger demand for hired labor, which in turn is expected to a positive impact on the wage rate.

Other broad based supports are also under consideration for the development of agriculture and agriculturists in a sustainable manner. These include getting seed, fertilizer, diesel and other inputs at right price and time, expanding output price support, making rational choices about input subsidies on critical examinations of their effects on small holders' production, providing credit for small farmers, subsidizing the installation and maintenance of electricity connections to irrigation pumps, maintenance of rural roads, enabling storage, processing and marketing of perishable high-value farm products in the private sector, and enhanced support to technology research and extension, and, agricultural education with particular focus on quality improvement in all production environments.

The flow of rural credit from nationalized banks has been drastically reduced over the years. The closure of many loss-making bank branches has also slowed down credit delivery in rural areas. The majority of small holders have very little access to the credit facilities of the Government (e.g. BKB or PKSP). There should be a strong monitoring system developed to monitor present credit delivery to farmers and performance of delivered credit. The private banks do not have any rural credit program at all. Micro-credit programs of NGOs are limited to micro enterprises and bypass agricultural lending. Against this backdrop, the Government has put emphasis on expanding credit flow for the farmers and rural entrepreneurs. The most promising areas for investment include small businesses as well as high value agriculture, i.e. export quality rice, vegetables, fruits, rural aquaculture, poultry and dairy enterprises.

The up-scaling of microcredit is needed to continue support to mature clients, new entrepreneurs and tomorrow's poor. Since micro-credit alone is not sufficient to up-scale poverty reduction, micro-credit institutions should integrate with technology, information

and marketing services. This will require greater attention from the Micro Credit Institutions for risk management.” So farmers need micro credit for improved seed, land preparation, use of chemical fertilizer and pesticides, irrigation, cash expenses, technology application, rescue from distressed sale etc.

4.3 Microcredit Management

Microcredit management in Bangladesh is divided into many flows. Microcredit/Microfinance disbursing institutes/ agencies are:

- (1) Microfinance NGOs (about 725 in number)
- (2) Specialized Institutions - a) Grameen Bank b) PKSF
- (3) Banks - a) State owned/controlled banks
 - Nationalized Commercial Banks
 - Agricultural Banks (BKB, RAKUB)
 - Others (Ansar-VDP Bank, Basic Bank)b) Private Commercial Banks
- (4) Administrative Ministries/ Divisions
 - a) Rural Development and Cooperative Division
 - BRDB, BARD, RDA
 - b) Ministry of Social Welfare
 - c) Ministry of Youth and Sports
 - d) Ministry of Agriculture
 - e) Ministry of Women and Children Affairs
 - f) Ministry of Labor and Employment
 - g) Ministry of Liberation Affairs
 - h) Others.

In the ownership view microcredit /microfinance institutes and agencies can be shown in three categories: (1) Government owned and Controlled.

- (2) Semi-government owned/ Autonomous
- (3) Non-government Organizations

Administrative ministries/divisions operated credit may be treated as Government owned and Controlled credit. Specialized institutions, Nationalized Commercial Banks, Agricultural Banks and other specialized banks are Semi-Government Owned and Controlled MFIs. Private commercial banks and NGOs are Non-Government Organization Owned MFIs. Interest rate, collateral, location of credit point, group formation, capacity building of the farmers etc are the points of difference among the categories.

Interest rates of the microcredit practitioners and other institutions are different. Rates can be presented by nature of interests:

- (a) Interest free credit: Some government special credit programs are interest free. Different ministries/ divisions are operating these programs through different departments. These are one kind of poverty reduction emergency initiative or employment generating activities.
- (b) Soft interest rate: Around 10% interest rate can be treated as soft rate. But it needs collateral either property or person. Commercial banks or government programs charge low interest rate.
- (c) High interest rate credit: NGOs charge interest normally higher than 15%. It is flat rate. NGO operated credit needs to pay installment after one week of credit receipt. So actually interest rate reaches more than 20%.

Sources of fund of the microcredit practitioners are different. Large NGOs have sufficient fund of their own. They made profit and collected fund from national and international sources. They are crediting & investing and making profit and also wholesaling fund to the small NGOs. Some small NGOs have a little capital of their own. They are lending fund from large NGOs, getting money from internal sources, like PKSF, banks, government projects etc. Commercial & specialized banks and specialized institutions are using its own fund for crediting. They also get fund from different government programs. Banks are crediting to the farmers directly by the help of their own employee and wholesaling fund to the NGOs charging minimum interest. They also disbursing fund to

the selected NGOs as matching fund according to the agreement signed with Bangladesh Bank or memorandum of understanding with donors. IFAD and some other international organizations are giving soft termed fund to the selected NGOs through concern government departments and autonomous organizations like PKSF. Different types of NGOs are working in Bangladesh and to agriculture sector. Some NGOs are nationwide multiple program based, some have national program but single sector covering, some NGOs are local level with a small organizational capacity. Some NGOs are sector based and some touch different sectors. Some NGOs incepted after liberation and some are recent.

About microcredit management Salehuddin (2006) said, “The mechanism of channeling funds, especially government and donor funds, to microcredit institutions through apex funding organizations can prove to be efficient, quick and cost effective. Therefore there is a need to create such microcredit funds (MCFs) at the national and sub-regional level. MCFs can perform to major functions: financial intermediation and development of sustainable microcredit institutes. The institutional structure of such microcredit funds has to effectively resolve the legal/ownership issue, governance issue, management issue and autonomy of the MCF. The ownership structure should include a judicious mix of the state, civil society and private sector. In order to keep the fund free from political interference and bureaucratic tangles, the autonomy of the fund must be recognized by the government and all other stakeholders. It must be remembered that autonomy does not come as a ‘gift from heaven’; it has to be derived from the political commitment of the government. This a difficult, but not impossible task, as the case study of Palli Karma Sahayak Foundation (PKSF) in Bangladesh shows. A major advantage of autonomous microcredit funds is their ability to screen and monitor a large number of microcredit programs (MCPs) according to same standard criteria, compared to often inconsistent ‘ad hoc’ evaluation of individual MCPs by donor and government agencies. Funding sources of MCPs may include the government, donor agencies, international financial institutions, the central bank and commercial banks within a country. The ‘necessary’ condition of funding is that the government of a particular country should commit its own resources, there by making a firm pledge to help the poor through an autonomous

microcredit fund. The microcredit funds should have pragmatic standards and procedures for evaluating the partner organizations in such areas as: accounting and auditing, default management, management information system, human resource development and sustainability. The case studies of PKSF in Bangladesh, Fondo de Capital Social (FONCAP) in Argentina and Local Initiatives Department (LID) in Bosnia-Herzegovina bring out the salient features of microcredit funds. Both the “process” and “output” aspects are briefly analyzed in the three case studies that are diverse in nature and in geographical setting. However, there are some common features present in the three case studies, namely: a commitment of the government and other stakeholders to microcredit operations, some degree of autonomy of the funds, quick and cost-effective implementation systems, good management and reporting systems and evaluation of partner organizations based on performance. No system is perfect, and the preconditions to set up a system may not be perfect, but one must make a bold decision to introduce an innovative practice like that of a microcredit fund which has already proved to be the best practice in some places on the globe. The attacks on autonomous funds have already been challenged by realities in the field. These apex funds are proving their enormous potential to help the forgotten poorest people on earth”.

Murshed (2006) stated about macro-management of microcredit, “Bangladesh is widely considered micro-finance’s ‘natural home’ or indeed its ‘social laboratory’ and besides having a positive impact on social indicators at home, it has gone a long way since it burst onto the global scene, thereby helping boost the country’s image abroad. No wonder Bangladesh hosted the four-day star-studded microcredit summit for the Asia-Pacific region week in the city aiming to devise a strategy for reaching the microcredit to 100 million of the world’s ultra poor. Anyone could not but regard this as recognition of Bangladesh’s pioneering role in establishing microcredit financing as a key instrument for alleviating poverty and providing economic opportunity, especially to women. The high-profile conference was an opportunity for the Bangladesh microcredit sector to shine. We have shown the world that, through microcredit, self-reliant economic activity can be organized among the poorest of the poor. Nevertheless, it is also true that experience has shown that while microcredit is a useful tool to fight poverty, it alone is

not the answer. Contrary to some microfinance evangelists' belief, microcredit is also no magic for development.

The international summit placed to increase efforts to provide microloans to the ultra poor and fulfill the first two millennium development goals (MDGs) of halving the world's poor living on less than \$ 1 a day and reducing the number who suffer from hunger by 2015. It arrived at a consensus on, among other things, legal status to microfinance institutions (MFIs) that remained out of formal financial system. It called for reduction of interest rates for small credit and operational costs, improvement of governance and bringing transparency in MFIs for creating better access to finance for the poor. It stressed on introduction of a regulatory framework to make MFIs more efficient and an independent commission as a watchdog for monitoring microfinancing by NGOs.

Perhaps the most important change brought about by microcredit is one not told through conventional poverty statistics at all. Thanks in no small measure to microcredit, the poor of Bangladesh have undergone something of a personality revolution, more assertive, proactive on opportunities, clearer on life-goals. And the poor proved to be bankable. However there is criticism on high interest rates on microloans but the poor find the microcredit a far better option than traditional money-lenders or village kabuliwallas advancing loans to the needy, or the inaccessible formal banks. In other words, the poor value having access to credit much more than the rate of interest (a dying man does not care how much a coramine injection costs!). There is also a perceived abandonment of 'social mobilization' in favor of 'quick credit disbursal' by the microcredit practitioners. In early stages, social mobilization in the form of a long gestation period proved necessary to confront social resistance. Two decades down the line, microcredit is a widely accepted social reality. However, regarding the competition between large MFIs going for immediate disbursal and locally-based smaller ones undertaking a gestation phase prior to disbursal, there is no easy answer since it's the borrower interest that must dictate the process. There must be a level playing field which means making sure that smaller MFIs have preferential access to low-cost funds. The widest criticism of

microcredit has been its extreme neglect, though perceived, of the extreme poor but they all are not willing clientele for microcredit. They are unprepared to bear the rigorous repayment discipline of microcredit and instead look for wage employment or safety net programs. In fact, the existing poverty reduction strategies including those of microcredit so far achieved precious little, otherwise why would still 60 per cent of the our populace be mired in poverty since Robert McNamara, the president of the World Bank in the 1970s, launched its alleviation programs? There is also a growing problem of inequality because of mal distribution of growth dividends. In fact, poverty is a multidimensional concept. The literature by and large argues that microcredit has contributed to non-income dimensions of poverty. Therefore, it is time for the microcredit graduates to look for new direction for microfinance in the country in order to generate further employment and pro-poor growth. The present growth goodies do not reach the target groups, as the microcredit does not. Sen (1999) wrote: “The availability and access to finance can be a crucial influence on the economic endowments or entitlements that economic agents are practically able to secure. This applies all the way from large enterprises (in which thousands of people may work) to tiny establishments that are run on microcredit. A credit crunch, for example, can severely affect the economic entitlements that rely on such credit.” And the impact analysis suggests more innovations when designing these for the hard-core poor or the marginalized. In short, fighting poverty remains to be an intensely a human challenge and the lessons and realization need constant nurturing. Besides helping develop a number of informal enterprises, microfinance has since changed the rural power structure, which has been undergoing significant phases due to the presence of hundreds of MFIs. The Grameen model has further been developed and adjusted by them. For explaining the relatively high level of poverty reduction in the last decade, we have so far not recognized well two complementary factors: growth-poverty linkage and the positive role played by NGOs.

In Bangladesh women constitute about half of the population. The microfinance revolution started among rural women in the 1970s. Since then the realization has gradually dawned on all concerned that a society cannot afford to waste half of its potential resources. In fact, the impact of microfinance on women and their organizations

shows that the MDG to promote gender equality is the master key to achieving its ends. They are the strategic agents in this regard. Entrepreneurial qualities are same for men and women to succeed as entrepreneurs. Economic and social environment, educational process, family background and community priorities all play a role in the making of the entrepreneur. Compared to men, women are better re-payers of loans but they have to put in more labor and combat social obstacles to succeed and continue with their ventures by keeping pace with their personal, family and social life. Women's relative position in the household has also been affected by microfinance program participation. It has helped change household processes causing those to be more gender equitable than before; it has improved women's decision-making power on household expenditures and fertility regulation, and their status in the family and the society, and their relations with husband and their own self-esteem.

4.4 Historical Perspective of Microcredit in Bangladesh

It is difficult to mention the actual starting time of microcrediting in Bangladesh. Microcredit is the former agriculture credit or cooperative credit through its moderate form is commonly known as microfinance. Poet Rabindranath Tagore said, "Lacking money is not enough to define poverty. Lack of confidence keeps people poor. They can never dream of being rich". Tagore (1861-1941) felt the importance of credit in his time also. Starting from the beginning of nineteenth century, the historical development of providing credit can be mentioned into the following.

- (1) Pre-independence period (up to 1971):** Pre-independence long period i.e. British colonial (up to 1947) and Pakistan Period (1947-71) was cooperative movement period. During this period the major emphasis was given on the development of cooperative which started in 1904. The British Government had given the regulatory framework through enacting new acts like: The Agriculture Loan Act, 1885, Usuring Loan Act, 1933, Bengal Money Lenders Act, 1933, Debt Settlement Board, 1935 etc. During the Pakistan Period the main source of rural finance was Krishi Bank (Agriculture Development Bank). Japanese agricultural

development experience was the base of this system. Rural finance supplied by Agriculture Development Bank was diversified and agro-season based though it was criticized as that the loan top down and avoid of need based. It was trickle down approach with subsidized lending. The cooperative system was formulized after the successful experience at the then Pakistan Academy for Rural Development (now BRDB) by late Akhtar Hamid Khan in Comilla. Integrated Rural Development Board (IRDB, now re-named BRDB), introduced two-tier cooperatives and arranged rural credit.

(2) Bangladesh Period (1971-90): During the early years of independence, NGOs movement oriented with rehabilitation spirit. This period may be divided into two duration i.e. (i) Bangladeshi Rehabilitation Period (1971-75) and (ii) NGOs Development Period (1975-90). Just after independence banks were nationalized. Public sector emphasis remained on the development of cooperatives. The new government of Bangladesh nationalized all commercial banks and financial institutions. Public sector emphasis remained on the development cooperatives. Donors extended continuous financial support to the NGOs became the cause of the growth of NGOs. The number of local and foreign NGOs reached 45 and 56 respectively during the year 1975. From 1976 NGOs introduced microcredit as poverty alleviation initiatives. This is the evolutionary era of NGOs. At the end of 1990 local NGOs increased to 395 and foreign NGOs were 99. Grameen Bank (GB), BRAC and other large MFIs started targeted lending, training and social mobilization. Some NGOs also started only social mobilization instate of financial services. Thus NGOs movement gained substantial momentum envisaging poverty alleviation initiatives.

(3) Rapid Expansion Period (1990-95): Number of local and foreign NGOs increased to 882 and 132 respectively at 1995. But the most significant improvement during this period is that GB expanded reaching 2 million clients, where BRAC expanded to 1 million. Other incoming NGOs like ASA moved from social mobilization to credit entailing simplified GB model, increasing

efficiency with innovations and started growing rapidly in scale and sustainability. In this period foreign funding to NGOs was almost doubled i.e. increased from 107 million USD in the year 1990-91 to USD 210 million in the year 1995-96. The Government of Bangladesh (GoB) established the Palli Karma Sahayak Foundation (PKSF) for wholesaling fund and for building capacities of the NGOs. This period can be called as the milestone period of microcredit movement history of Bangladesh.

(4) New Dimension (1995+): During this period Micro Finance Institutions (MFIs) who registered under cooperatives act were allowed to mobilize savings from the public. In the year 1998-99 the number of local NGOs increased to 1215 and foreign NGOs to 147 but in the year 2011-12 it is 2414 and 249 respectively. Up to August 2012 the total number of NGOs in Bangladesh is 2674.

Table 4.1: NGOs Development/Growth

year	Number of NGOs		Total (Number)
	Local	Foreign	
1947	7	2	9
1970	21	19	40
1980	107	63	170
1985	157	79	236
1990-91	395	99	494
1991-92	523	111	634
1993-94	683	124	807
1994-95	790	129	919
1995-96	882	132	1014
1996-97	997	135	1132
1998-99	1215	146	1361
1999-2000	1345	167	1512
2000-01	1446	173	1619
2001-02	1504	173	1677
2002-03	1619	179	1798
2003-04	1703	184	1887
2004-05	1800	186	1986
2005-06	1868	190	2058
2006-07	1998	198	2196
2007-08	2113	206	2319
2008-09	2190	221	2411
2009-10	2303	230	2533
2010-11	2360	240	2600
2011-12	2414	249	2663
2012-13 (up to Aug, 12)	2425	249	2674

Source: ADB, NGO Affairs Bureau, Hussain (2001).

4.5 Microcredit Situation in SFYP

Government of Bangladesh has taken initiatives to overcome poverty using microfinance and microcredit under Sixth Five Year Plan (2011-2015). The initiatives are mentioned below.

Micro Finance Addresses Needs of the Ultra Poor (UP)

Targeting ultra poor is another frontier of micro finance movement in Bangladesh. More than 20 percent of rural population lives in extreme poverty. These households live below lower poverty line, which is defined as the line where average food consumption per capita is equal to average total consumption implying that the households did not have any any-food expenditure. It is also defined in terms of minimum food calorie, 1805 kilo calorie. These households are also termed as ultra poor. MFIs have been addressing the needs of the ultra poor through different programs.

Beggars, destitute, landless, daily wage earners, bonded labor, female headed poor households, physically handicapped, seasonal labor, poor households living in char and/or flood prone or river erosion areas and households with no regular income flow are generally under the UP programs. Generally they are in structural poverty. In case of structural poverty, special focus is needed to push them forward.

MFIs in Bangladesh have been pursuing flexible system to provide financial services to the ultra poor. There are variations in approaches as practiced in Bangladesh. Although generally group approach is pursued, most MFIs tend to follow individual approach. Flexible loan contract as well as loan interest rates are offered. Common lending interest rate is 20 percent. In case of ultra poor programs interest rates vary between zero and 15 percent. Repayment installment system is flexible. Flexible payment system based on the ability of ultra poor is followed. Like traditional micro finance programs, savings is the dominating element. The major MFIs in Bangladesh have been implementing separate programs for the ultra poor. BRAC has an approach with assets transfer and training support in addition to daily subsistence allowance. Grameen Bank has Beggars' program

(interest free flexible loan repayment system). It has a credit guarantee scheme under which UP trader's trade credit for goods worth max Tk.2000 (\$30). The supplier of credit gets GB guarantee. ASA has a special program for the UP which is offered through specialized branches. Loan contract is flexible –repayment schedule. PKSf has been implementing hardcore (HP) program through its partners with flexible terms and conditions.

Bangladesh MFIs have made significant progress in reaching out the ultra poor. Around 4 percent of the members are ultra poor members when micro finance coverage of ultra poor is compared with the total number of members mobilized. Around 1.38 million ultra poor 405 members have been brought under micro finance net by the end of 2008. Of them around 80 percent were borrowers. Loans outstanding amounted to Tk. 2.25 billion. The design of the ultra poor programs enables its members to save. Around 29 percent of the loans outstanding were member net savings. This reflects that even the ultra poor can save if appropriate instruments are available.

Micro finance has expanded tremendously both horizontally and vertically. With wider branch network, MFIs have been able to expand financial services to the millions of poor members and borrowers. Financial products are diversified – from traditional small business to livestock development and manufacturing. From the portfolio mix of the lenders, one is able to derive information on demand side. Livestock has a higher demand. This is less risky. Small business remains prominent sector. Demand for loans for financing these sectors has grown over time. Increase in the supply of loans is a testimony of such higher demand.

Role of Micro Finance in Reducing Seasonal Poverty and Vulnerability

Poor households are vulnerable because of idiosyncratic risk and covariate risk. The presence of these risks affects both poor and non-poor. In either of the cases, it makes them vulnerable. In some cases, covariate risk, like flood, cyclone, tornado and other natural disaster, may contribute to seasonal poverty. In this section, we use the term

‘vulnerability’ in terms of consumption vulnerability, income vulnerability and exposure to different shocks. We present two evidences – one on monga where consumption vulnerability is extreme, and the other one on exposure to different shocks, based on a national survey. Both the surveys were conducted by Institute of Microfinance.

Monga (famine like situation), caused by flood or draught, in north-western Bangladesh is frequent. It is essentially caused by inadequate employment opportunities for the poor during September-November of every year when there is no farming. It is equally observed in Southern Bangladesh where intensity of covariate risk is colossal, caused by cyclone, for example. In the northwestern region of Bangladesh, intensity of poverty increases during monga, although poverty is structural in nature. The Government of Bangladesh has been expanding social safety net programs like food for works programs, 100-day employment guarantee scheme, old age pension scheme. Despite expansion, its ability to outweigh marginal loss from covariate risk is limited as not all poor are under these programs and the amount of benefit is small. In such a situation, more long term interventions are required. In the case of monga type of situation, off-farm economic activities need to be created so that farm-based employments can be largely substituted by off-farm based employment opportunities. In the case cyclone driven covariate risk requires larger interventions. In either or both the cases, two financial services will be required – one, provision of micro credit, and second, provision for micro insurance.

Micro Finance in Bangladesh: Present Scenario

Bangladesh has experience of over two decades in micro finance. Some 750 micro finance institutions with a network of some 16000 branches have been operating. In 2008, annual disbursement was around Tk.300 million (US\$4.2 billion), loans outstanding of Tk.220 billion (US \$3.3 billion) and net member savings of Taka 140 billion (US\$2 billion). Annual loans disbursement has grown during the past five years at a rate of 20 percent. Average loan size is around Tk.23,000. Micro credit is diversified in nature. Micro enterprise loans, relatively large loan varying between Tk.30,000 and Tk.500,000 constitute around 14 percent of the loans. Around three million borrowers are

micro enterprise borrowers. In addition, micro credit is targeted for ultra poor. More than 12 percent of the borrowers are ultra-poor.

Although poor households benefit from micro credit the larger effect of micro credit can be found only when vulnerability of poor households is minimized. The poor are vulnerable to seasonal poverty and different shocks including lumpy expenditures for children, marriage and major medical treatment. Seasonal poverty arises because of natural disaster such as munga in the greater Rangpur region and Sedor in Southern region. Vulnerability to shocks is common. The net gains from micro credit are, in case of any covariate shock of higher magnitude like Sedor, not sufficient to cope with vulnerability to consumption and income loss. In other cases, micro credit has contributed to minimizing vulnerability to consumption and income. The less vulnerable are the households with off-farm self-employment. In the greater Rangpur region, during the period of munga, households with self-employment had twice more employment days than the households depending on wage employment only. Micro credit does contribute to off-farm employment creation. It is not only the natural shocks that the poor are exposed to. They are exposed to idiosyncratic shock like health related shocks. Often we do not find negligible net economic impact of micro credit from one point to another point. Idiosyncratic shocks like lumpy medical expenses or cost of marriage reduce net gains from micro credit. Idiosyncratic shocks are costly and they create both short and long run burden. Micro credit reduces such vulnerability of the households.

Access to Rural Credit

Although non-government micro finance programs dominate micro credit market structure, the Gov micro credit programs are no less important. The noted sources are Bangladesh Rural Development Board (BRDB) and Palli Daridra Bimachan Foundation (PDBF), organizational transformation of BRDB's RD-12 program. BRDB has been promoting rural development through providing both rural finance including micro finance, and skill development training. It has been contributing substantially.

Nevertheless, both PDBF and BRDB have expanded credit substantially during the past years.

Recognizing the strong social capital and other qualities of poor people and considering the potential of micro savings in developing the asset base for the poor, the Government has designed and developed the Project “One House – One Farm” popularly known as “Ekti Bari –Ekti Khamar”. The project components include: formation of comprehensive village development cooperative societies, introducing contributory micro savings to attract poor people for making small savings through incentives, providing seasonal microcredit to support micro-investment in the farm sector, development of farm-based volunteers mainly in the field of homestead agriculture, poultry, fish culture, livestock farming, forest nursery and horticulture. This programme will develop cooperative marketing to ensure proper prices for the farmers and promote food processing and other agriculture product processing at the grassroots level. Efforts will be made to develop community food storage system to ensure food supply and food security at lower cost at the community level.

Main Issues and Challenges in Microcredit

Microcredit has helped address poverty by providing loan in small amounts without collateral and has helped in particular women who are the target borrowers of micro lending. Over the years, various challenges with regard to microcredit have emerged. These are: (i) prevalence of high interest rates which are being reduced, but further reduction of interest rate is necessary; (ii) vicious cycle of microcredit - the poor are borrowing from one microcredit organization to repay another; (iii) microcredit programs have not been very successful in including the hardcore poor; (iv) rate of graduation to above the poverty line among the microcredit borrowers is low, indicating persistent dependency on microcredit; (v) most of the microcredit recipients being women, bear the burden of repayment; (vi) microcredit organizations compete with each other and often put pressure on the potential clients to borrow; (vii) profitability of micro enterprises is small and often is not sustainable on a longer basis because of enterprise decapitalization,

saturation of markets for products that are traditionally produced by microcredit borrowers, weak coordination among NGOs and MFIs and a weak financial system. Moreover, the dominance of weekly payment system attracted the micro-credit investment in the non-farm sector and farm sector remained unsaturated. Seasonal micro-credit is needed to saturate the farm sector.

Strategies for Microcredit Expansion in SFYP

The Sixth Plan's micro credit expansion consists of the following:

- Formal rural credit should be expanded from the present level of Tk. 7000 crore. It has been growing every year at an annual growth rate of around 10 percent. This is quite low. This has to be enhanced, and it should grow at 15% annually in order to create more demand for credit to finance off-farm economic activities including SMEs.
- There is a formal market failure to address demand for credit of poor households. Public sector banks are inefficient and costly, and are not able to expand financial services to poor households for their high transaction costs and perceived associated risk of non-recovery of loans. Under these circumstances and in view of the successful experiences of micro financial institutions (MFIs), the Government will emphasize on expanding financial services to poor households with equal opportunity for women through micro finance institutions because of their wider network and commitment.
- Greater emphasis will be placed to increase the coverage of the program to a larger number of deserving households; introduce a uniform approach of operation both by NGOs and the public sector; and strengthen the regulatory framework for streamlining the activities of the microcredit program in the country. The Government would channel more resources for microfinance operations, minimize interest rate and increase effectiveness of microcredit for poverty alleviation, avoid overlapping and reduce seasonal vulnerability through microcredit. Local governments will be involved in microcredit delivery.

- A Microfinance Regulatory Authority (MRA) has been established to provide appropriate regulatory framework. A national microcredit policy will be framed to provide guidelines about the operation of microcredit. It is also necessary to rationalize interest rates. Necessary mechanism will be devised to ensure that microcredit reaches the ultra poor and the hard to reach areas especially those located in regions with higher incidence of poverty.
- Up-scaling microcredit is a natural consequence of microcredit program as the progressive microcredit recipients demonstrate their entrepreneurial ability to handle larger size loans requiring expansion, deepening and diversification of loan products. Some of the microcredit organizations, notably some partner organizations with support of PKSF, have increased their loan ceilings to Tk. 300,000 for microenterprise program and to Tk. 30,000 for all other programs. The microenterprise loan not only helps reduce poverty of the borrowing household but also creates employment opportunity for other poor people. It is expected that as more and more borrowers graduate out of the regular microcredit program the demand for larger size loans will increase. The Sixth Plan will facilitate this transition to scale up.
- Special emphasis will be placed on micro enterprise development. Micro enterprise development can be engined of rural economic growth provided appropriate interventions are introduced. Credit as well as access to information and training will be required for micro enterprise development. Particular attention will be given to women who are lagging behind in micro enterprise development; and they will be provided with a better access to business and vocational training, micro enterprise credit and better market information.
- Skill development of borrowers would contribute to income growth and efficiency in micro credit market. MFIs would be involved in the process. Formation of Savings Groups will be encouraged.
- Access to better information for microcredit borrowers will improve the productivity of credit. Special effort will be made to target the benefits of the ICT expansion program for these borrowers.

Chapter V

Microcredit in Public Sector

Chapter V: Microcredit in Public Sector

5.0 Sources of Public Sector Microcredit

5.1 Selected Microcredit Statistics of GOs and NGOs

5.2 Microcredit Situation in Public Sector

5.2.1 Government Initiatives

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5.2.3 Microcredit Programs of the Scheduled Banks

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5.2.5 Microcredit Situation in the PRSP

5.0 Sources of Public Sector Microcredit

Sources of microcredit can be mentioned as – organized and non-organized. Traditional non-organized source, local money lenders use to meet the credit demand over the years. Government, as a public sector, provides microcredit through different ministries/divisions and departments. Government also takes special initiatives/programs of microcredit as a poverty reduction tool. Both state-owned or private-owned banks and specialized banks/institutes also provide microcredit. The largest source of microcredit is microfinance institutes (MFIs) i. e. NGOs. Microcredit providers, both public and private sectors wholesale credit or retail and some organizations do the both.

5.1 Selected Microcredit Statistics of GOs and NGOs

Credit and Development Forum (CDF), the national microfinance network in Bangladesh, collaboration with Institute of Microfinance (InM) collects national level microcredit statistics and publishes Bangladesh Microfinance Statistics. Bangladesh Microfinance Statistics contains information from all vital aspects of MFIs' performance and comprehensive coverage of information considering the size and volume of microfinance activities of MFIs in Bangladesh.

Table: 5.1 Selected Microfinance Statistic at the National Level

(Tk. In million)

Items	2012		2011		Growth in Disbursement in 2011 Over 2011 (%)
	Annual Disbursement	Loan Recovery Rate (%)	Annual Disbursement	Loan Recovery Rate (%)	
Annual Loan Disbursement by (1) MFI-NGOs (2) GB (3) PDBF (4) RDS (IBBL) (annual disbursement)	518,171.23	98.00	454,489.12	98.00	14.1
2. Specialized Institutions (PKSF)	23,649.41 (wholesaling) Annual	98.16	21,648.98 (Interest rate 5-7%)	98.00	9.24
3. Banks					
3.1 Stately-Owned Commercial Banks	22,060.89 (up to June, 2012)	Interest rate 10-13%	2397.99 (2011-12)		Interest rate 10-12.5%
3.2 Specialized banks	3,777.54 (wholesaling)	61.57 (7-13%)	As on Dec, 10 10,252.38	87.85 (11.5-15%)	numbers of NGOs 96
3.3 Privately owned commercial and overseas banks	23,646.56 (wholesaling)	72.30% (Interest rate 12-13%)	As on Dec,10 (disbursement) 32,229.09	83.51% (10-12.5%)	Numbers of NGOs 70
4. Administrative Ministries/Divisions (total)	100181.63 (up to June, 2012)	89.00	14276.6 (2011-12)	93.00	
i) BRDB	Not wholesaling		81,527.66	85.00	
ii) Palli Daridra Bimochon Foundation (PDBF)	5,539.60	98.00	4,818.80	98.00 (12-12.5%)	14.96
iii) Department of Youths Development	Not wholesaling		9,645.66	90.00% (10%)	

Source: Bangladesh Microfinance Statistics, Credit and Development Forum (CDF) and Institute of Microfinance (InM), 2012, Bangladesh Economic review, 2012

Note:

- Cumulative disbursement figures reported in the table may be higher because of the existence of many unreported MF-NGOs in the microfinance sector
- Cumulative loan disbursement refers to the total amount of loans disbursed since the beginning of the lending activities of the MFIs.
- PKSF only wholesale loan and don't have any retailing program.
- Sonali, Agrani, Janata, Rupali, Pubali, and Bangladesh Krishi Banks are stately owned commercial banks.
- Pubali Bank Limited doesn't have retailing program and wholesaled loan only.
- Mutual Trust Bank Limited, Dhaka Bank Limited, Mercantile Bank Limited, Standard Chartered Bank, Bank Asia Limited, Jamuna Bank Limited, Islami Bank Bangladesh Limited, Social Islami Bank Limited and NCC Bank are privately owned commercial & overseas banks. IBBL and SIBL didn't wholesale loan and Mutual Trust Bank Limited, Dhaka Bank Limited, Mercantile Bank Limited & Standard Chartered Bank didn't retail loan. So, only Bank Asia Limited, NCC Bank Limited and Jamuna Bank Limited have both wholesaling and retailing program.
- Specialized banks refer BASIC Bank Limited, BRAC Bank Limited and Ansar VDP Unnayan Bank Limited.

The annual disbursement by MFI-NGOs, GB, PDBF and RDS (IBBL) for the year 2012 was 518,171.23 million taka and it was 454,489.12 million taka for the year 2011. The growth rate is 14.1%. But as of December, 2010 the cumulative loan disbursement of MFI-NGOs, GB, Palli Daridra Bimochon Foundation (PDBF) and RDS (IBBL) was 2,174,862.06 million taka and the annual disbursement of the year was 384,827.50 million taka where the numbers of NGOs were 773. At the previous year, the amount was 1,790,034.56 million taka and the growth rate was 21.50%. At the same time PKSF wholesaled 101,629.67 million taka among 263 NGOs at the 5-7% interest rate. Both the categories the recovery rate were 98%. Disbursement situation of stately-owned commercial banks, specialized banks, privately-owned commercial and overseas banks, BRDB, PDBF and Department of Youths Development is shown on the table 5.1. Recovery rate and the rate of interest are the important indicators of credit management. The recovery

rate of state-owned commercial banks is the lowest (66%), where as 98% for MFI-NGOs, PKSf and Department of Youth Development.

5.2 Microcredit Situation in Public Sector

5.2.1 Government initiatives

GoB has taken initiatives to transfer fund for increasing investment ability and microcredit fund to the institutions like Palli Daridra Bimochon Foundation (PDBF), Palli Karma Sahayak Foundation (PKSF), Municipal Development Fund (MDF), Social Development Fund (SDF), Bangladesh NGO Foundation (BNF), Infrastructure Development Company Limited (IDCOL) etc. Government allocated 343.57 crore taka in the budget of 2011-12. In the year 2009-10 allotment for microcredit program of PKSF and SDF has been increased 185.00 to 200.00 crore and 92.70 to 295.00 crore taka respectively. At the same time revolving microcredit fund has been increased in favour of Bangladesh Rural Development Board (BRDB), Directorate of Youth Development, Social Welfare Department, Women Affairs Department, Fisheries Directorate, Bangladesh Small and Cottage Industries Corporation (BSCIC) etc. For the implementation of direct and indirect poverty reduction steps GoB allocated 395.00 crore taka for microcredit program as social security and social empowerment sector.

Ministry of Social Welfare

Ministry of Social Welfare introduced special microcredit program and rehabilitation fund for acid burnt women and physical disabled under the project of Acid Burnt Women and Physical Disabled Rehabilitation Project. In the year 2010-11 taka 2.00 crore had been allocated and per acid burnt woman will get 10,000 taka. In the year 2011-12 taka 51.06 crore has been disbursed.

Training and microcredit for self-employment program for poor freedom fighter and their dependent.

Ministry of Liberation War Affairs with the help of BRDB is maintaining microcredit program for creating employment opportunities of the poor freedom fighters and improving their livelihood in the field level. Up to December, 2010 total 23,914 poor freedom fighters and their dependents has been trained up and total 25.00 crore taka has been released for this purpose. In the year 2011-12 taka 35.59 crore has been disbursed.

Going Back to the Village

GoB initiated a program for going back the slum dwellers to the own village areas. For creating income generating activities by production credit program has been started by Bangladesh Krishi Bank (BKB). Taka 5.00 crore has been released for the year 2009-10.

Karmasangthan Bank (Employment Bank)

Karmasangthan Bank is working for the unemployed educated youths both male and female providing microcredit to enable them self-sufficient aiming reduction poverty. Karmasangsthan Bank distributed 961.57 crore taka up to December, 2010 and rate of return is 90%. Number of beneficiaries is 1.96 lac and has created employment for 6.99 lac persons. Up to June 2012 taka 1476.72 crore has been disbursed.

Microcredit Assistance for Optional Retired or Dismissed Labor of Industries.

Karmasangthan Bank is implementing a program aiming to provide training and creating further employment opportunities for the industrial optional retired/ dismissal from service labor and other staffs under the agreement signed between the Ministry of Labor and Employment and the above bank. Through this program up to December, 2010 taka 80.52 crore has been distributed among 14,700 persons and the recovery rate is 77% and it increased to 83.02 crore taka up to June 2012.

Credit Program to Agro-based Industry

Karmasangthan Bank according to the agreement with the Ministry of Finance is giving assistance to agro-based industries. Under this program up to December, 2010 taka 53.78 crore has been disbursed in favor of 1999 entrepreneurs and the recovery rate is 90%.

Programs of the Ministry of Women and Children Affairs

Ministry of Women and Children Affairs is implementing different development projects for poverty alleviation and creation of employment opportunities to the rural poor and helpless women. Microcredit program is one of the components of those projects. Up to 2010-11 fiscal year 61.30 crore taka has been distributed among 60,588 women and the cumulative expenditure to this sector is taka 90.76 crore but it reached to taka 294.3 crore up to June 2012.

Jatiyo Mohila Sanstha (National Women Association) has taken initiative to create self-employment opportunity for the women with microcredit. Under this project government allocated 13.50 crore taka as revolving fund and the per capita credit ranging is 5000 to 20000 taka. Up to June 2012 taka 37.51 crore has been disbursed.

Rural Development and Cooperatives Division

Under the Rural Development and Cooperatives Divisions of the Ministry of Local Government, Rural Development and Cooperatives different directorate/ departments have taken steps for poverty alleviation, employment generation and human resources development.

Cooperatives Directorate

Cooperatives Department forms different professional cooperative societies for poverty alleviation through self-employment generation creation. Agriculture cooperative societies are one of them. Bangladesh Samabaya Bank (Bangladesh Cooperative Bank), the specialized bank for this sector, supplies microcredit to those cooperative societies. The working capital of this bank is now 3095.32 crore taka.

Bangladesh Rural Development Board (BRDB)

Bangladesh Rural Development Board, a nation wide government department is engaged in rural development and poverty reduction. BRDB has started poverty reduction program through microcredit and human resources development. Different projects are running under poverty reduction activities. BRDB under its different projects has distributed 8136.09 crore taka and the recovery rate is 94%.

Ministry of Social Welfare

Ministry of Social Welfare is working with the vast number of disabled, orphan, poor, ultra-poor, helpless and backward people of the country for their poverty reduction, building capability, social safety net etc. Under the Ministry, Social Welfare Department is implementing different projects and programs. The cumulative investment of this revolving fund is taka 698.53 crore and recovered amount is taka 571.83 crore. Up to January, 2011 under these programs 28.91 lac have been benefited.

Palli Daridra Bimochon Foundation (PDBF)

By organizing the under privileged rural people giving credit, expertise development, upgrading leadership and social development training and empowerment of women are the objectives of PDBF. PDBF is working in the densely poor populated areas of the country. Up to January, 2011 taka 4036.00 crore has been distributed as microcredit and the recovery rate is 98%. 95% beneficiary of the foundation is women.

Palli Karmasahayak Foundation (PKSF)

Microcredit wholesaling organization, PKSF diversified its credit activities into eight sectors (1) rural microcredit (2) urban microcredit (3) microcredit for ultra poor (4) micro entrepreneur credit (5) seasonal credit (6) microcredit program to agriculture (7) greater Rangpur monga prone area microcredit program (8) learning and innovation fund as

poor-friendly credit. PKSF has disbursed 10190.80 crore taka to its 265 associated organization up to December, 2011. Associated organizations has distributed as revolving credit taka 60794.27 crore among 84.16 lac poor people in which 91% is women.

Table: 5.2 PKSF's microcredit distributions Situation

descp	Cumm Jun, 03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11 Dec 10	Cumulative Up to June 2012
Distb(in crore taka)	1506.96	340.56	366.00	692.61	1350.70	1408.08	1819.53	1941.70	764.66	13677.42
Recov(in crore taka)	559.11	243.00	342.13	437.57	638.94	1009.88	1352.92	1678.20	899.98	10293.72
Recov. %	98.17	97.40	96.96	96.71	98.37	97.87	98.21	98.55	98.03	98.50
Asso. Org. (nos)	213	219	231	243	248	257	257	262	265	271
Benefi.(nos)	4485832	5104940	5522406	6207971	7723451	8283814	8262465	8386214	8062592	6651310
female	3999332	4621060	5033129	6207971	7067877	7610581	7597067	7723712	7376636	6088260
male	486500	483680	489277	570291	655574	673233	665398	662502	685956	563050

Source: Bangladesh Economic Review, 2011 and 2012

5.2.2 Microcredit Programs of Ministries/Divisions

Government of Bangladesh is distributing microcredit aiming poverty alleviation through different ministries/ divisions or agencies. Up to December, 2010 cumulative disbursement amount is 81537.48 crore taka and recovered amount is 70830.09 crore taka.

Table: 5.3 Different Ministries/Divisions Microcredit Situation
(in crore taka)

Min/Div	organs	Cum Jun 03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	Cum. Up to June 2012
Finance Division	Finance Division (RAKAB)									
	Disb	74.88	17.97	30.73	29.23	14.99	17.71	18.61	17.68	344.51
	Rec	96.13	12.47	14.53	21.25	13.22	14.22	17.4	8.45	255.06
	Rate (%)	77.29	69.39	47.28	72.69	88.19	80.29	93	48.35	74
Rural Developm ent And Cooperati ves Division	BRDB									
	Disb	3372.21	419.44	654.86	683.77	682.73	796.06	674.44	382.71	9272.84
	Rec	2895.24	380.35	474.18	720.04	887.07	680.52	634.01	348.26	8339.63
	Rate (%)		91	89	94	93	94	93	109.89	90
	BARD									
	Disb	77.75	7.07	3.11	1.45	0.15	0.23	6.151	1.26	167.1
	Rec	73.36	9.00	5.25	1.77	0.14	0.22	5.295	1.77	167.84
	Rate (%)		127.3	168.01	122.3	96.1	99.99	86.08	140.47	99.55
	RDA									
	Disb	8.26	1.43	1.94	1.99	2.26	3.57	5.6	3.12	44.34
	Rec	7.86	1.22	1.39	1.98	2.16	2.69	5.09	2.97	38.32
	Rate (%)		85.31	71.62	99.58	74.46	81	74	83.43	86.4
Ministry of Women and Child Affairs	Women Affairs Department									
	Disb		11.13	23.99	27.65	17.38	46.81	54.09	54.0923	294.3
	Rec		10.34	13.299	25.08	17.27	27.64	31.72	31.72	197.07
	Rate (%)		92.92	55.43	90.71	99.38	58.64	58.64	58.64	66.96
	Jatiya Mohila Sangstha (National Women Organization)									
	Disb	20.47	0.66	5.26	3.58	2.95	1.99			37.51
	Rec	20.23	1.04	4.22	3.33	1.72	1.25	0.03		40.39
	Rate (%)	98.80	157.58	80.26	93	58.64	57.97			107.7
Ministry of Social Welfare	Social welfare Department									
	Disb	517.56	54.88	44.59	61.86	41.02	67.54	68.18	24.38	1002.38
	Rec	472.56	49.60	40.30	43.61	34.99	56.31	56.26	24.11	836.30
	Rate (%)		73	90	71	85	83	89	99	83.43
Ministry of Livestock and Fisheries	Fisheries Department									
	Disb			2.50	2.00		0.00		23.8	58.30
	Rec					1.02	2.08		13.01	16.11
	Rate (%)					68.97	71.50		54.66	27.63
	Livestock Department									
	Disb	18.44	23.93	18.81	5.49					99.64
	Rec	12.68	2.30	4.66	6.61	10.74	16.71			66.64
	Rate (%)	68.76	9.61	24.80	12.60	25.40	41.50			66.88
Ministry of Industries	BSCIC/Bosic									
	Disb	157.67	29.22	25.94	22.07	13.71	4.32	5.78	1	263.03
	Rec	126.75	27.46	23.26	22.71	19.67	10.57	6.80		251.14
	Rate (%)		93.98	89.67	102.89	143.47	243.54	163.27	82	95.47

		SAROTAS Trust								
	Disb	14	7.64	9.75	9.41	9.26	3.6396	7.3295	7.85	83.02
	Rec	12.09	4.11	6.36	8.33	8.31	3.5287	7.256	8.25	73.55
	Rate (%)		53.80	64.96	89	90	96.95	98.997	105	87.00
Ministry of Agriculture	Cotton Development Board									
	Disb	3.3	0.263	0.264	0.213	0.2942	0.3382	0.341	0.429	6.0824
	Rec	3.48	0.28	0.25	0.22	0.31	0.3512	0.2594	0.451	7.1432
	Rate (%)		105.70	101.6	101.6	104	104	76.07	102.56	104.42
	Department of Agriculture Extension									
	Disb	159.07	147.46	69.77	27.82	35.38	31.15	18.43	1.13	490.21
	Rec	116.46	99.53	52.25	20.38	34.00	48.16	37.17		407.95
Rate (%)		67.53	75	73	96	154.61	201.67		83.22	
Ministry of Land	Disb	68.43		8.70	10.14	5.50	8.75	4.33	5.25	212.52
	Rec	55.43		7.22	6.37	3.82	5.60	3.11	3.18	90.04
	Rate (%)	81		82.99	62.82	69.45	63.93	71.67	63.59	74.09
	Disb	54.85	1.33	3.37	6.00	16.32	31.95	93.13	43.74	250.69
	Rec	22.72	1.03	2.66	3.31	9.28	21.8	85.09	31.57	185.49
	Rate (%)	47.26	77.44	96.00	88.89	98	84	94.63	92.50	85
Ministry of Youth and Sports	Directorate of Youth Development									
	Disb	511.63	34.65	62.87	77.77	60.02	61.75	44.72	38.73	1079.51
	Rec	427.97	33.27	44.98	57.37	74.46	61.16	56.37	32.60	942.32
Rate (%)	83.65	96.01	71.54	73.76	124.06	100.67	126.05	84	87.26	
Ministry of Jute and Textile	Bangladesh Handloom Board									
	Disb	21.58	8.07	9.16	4.68	3.31	0.60	47.698		51.81
	Rec	7.01	3.62	3.12	3.60	4.08	2.34	24.893		31.44
	Rate (%)		44.86	34.06	55.11	57.95	43.41	333		60.68
	Disb			10.16	3.86	8.60	2.08	1.58	30.21	30.14
	Rec			0.41	1.97	2.82	2.82	2.71	10.68	8.64
Rate (%)			27	38	42	42	32	50	49	
Total	Disb	17184.34	4813.513	5942.554	6475.193	6386.3842	9659.158	10854.9	7676.25	100481.63
	Rec	17000.1	3770.94	3869.079	5109.31	5797.25	6956.77	9394.818	7034.37	88934.97 (88.77%)

Source: Bangladesh Economic Review, 2011 and 2012

5.2.3 Microcredit Programs of the Scheduled Banks

Four commercial banks and two specialized banks' cumulative microcredit disbursement up to June, 2012 is 22060.89 and recovery is 21545.54 crore taka. The rate of recovery is 97.66%.

Table: 5.4 Microcredit disbursement situations of scheduled banks

Banks	Cum Up to 2003	03-04	03405	05-06	06-07	07-08	08-09	09-10	10-11 Up to Dec 10	Cum up to June 2012
Sonali Bank										
Disb (crore taka)	5703.04	460.18	485.90	456.62	410.02	557.08	617.44	755.57	366.52	10567.63
Rec* (crore taka)	7456.47	547.79	425.06	486.37	677.00	921.23	743.66	678.28	456.19	11629.19
Rec rate (%)	141.22	119.04	87.48	106.52	165.11	34.30	30.46	29.61	20*	75
Bene(nos)			189560	201841	199190	179188	208478	251856	70081	62,09,317
Agrani Bank										
Disb (crore taka)	1301.28	44.08	100.34	182.07	210.60	290.40	339.66	487.92	33.61	3837.37
Rec (crore taka)	1269.43	51.65	97.47	212.09	268.39	288.73	336.82	400.37	66.6	3870.09
Rec rate (%)	110.14	117.17	97.14	116.49	127.44	99.43	99.16	82.06	96	100.85
Bene(nos)	2961685	23099	42435	104387		115383	139903	158978	5954	3551824
Janata Bank										
Disb (crore taka)	1641.551	227.47	190.75	193.75	290.16	497.93	560.94	631.61	304.04	5686.06
Rec (crore taka)	1562.54	163.52	106.54	106.54	249.81	355.90	412.83	400.24	300	4423.42
Rec rate (%)	105.51	71.89	54.99	54.99	86.09	71	74	63	99	78
Bene(nos)	705491	129908	101220	100073	145080	124483	124653	130921	81601	632506
Bangladesh Krishi Bank										
Disb (crore taka)	914.22	68.16	58.86	57.02	54.51	53.43	47.82	98.49	46	1459.99
Rec (crore taka)	781.62	46.6	37.27	43.24	51.84	51.46	45.56	76.02	26.75	1230.11
Rec rate (%)	83.30	68.37	63.32	75.83	95.10	96.31	95.27	77.19	58.15	84.25
Bene(nos)	1474918	60987	59117	50083	52028	47761	49356	35044	45578	1912408
Rajshahi Krishi Unnayan Bank										
Disb (crore taka)	140.4	17.97	30.73	29.23	14.99	17.71	18.03	18.61	17.68	344.51
Rec (crore taka)	48.37	12.47	14.53	21.25	13.22	14.22	15.79	17.4	8.45	255.06
Rec rate (%)	34.45	69.39	47.28	72.70	88.19	80.29	88	93		74
Bene(nos)	176078	18597	47834	30033	16634	15818	16239	13779	5686	351252
Rupali Bank										
Disb (crore taka)	23.78	17.97	30.73	29.23	14.99	17.71	18.03	22.69	11.4	165.33
Rec (crore taka)	20.99	2.05	5.27	10.15	11.95	12.16	14.79	18.89	11.98	137.67
Rec rate (%)	102.83	39.65	34.49	63.08	108.44	71.65	87.62	83.25	105.08	83.27
Bene(nos)	31550	2427	5402	5431	2804	4242	3458	5672	3620	77640
Total										
Disb (crore taka)	12266.37	867.11	985.2	1116.85	1201.9	1723.92	1600.77	2646.54	779.25	22060.89
Rec (crore taka)	11139.42	875.73	783.61	1091.73	1540.6	1932.43	1906.27	1591.2	869.97	21545.54 (97.6%)

Source: Bangladesh Economic Review, 2012

5.2.4 Agricultural Credit

In favour of Bangladesh Government, Bangladesh Bank keeps agricultural credit statistic disbursed by nationalized banks and other credit institutions. Bangladesh Bank also keeps statistics of microcredit operations of the Grameen Bank and large NGOs. Bangladesh Bank does not show microcredit part in agriculture credit and agriculture credit in NGO operated microcredit. Microcredit in agriculture lies among the figures. But sometimes crops sectors' credit is shown on the table. Thus, time series data indicates credit trend. Table-5.2 shows agricultural credit statistic from 1981-82 to 2011-12. Overall disbursement of agricultural credit of 1983-84 (Tk-1005.30 crore) is more than double in comparison with year 1981-82 (Tk-423.84 crore). Up to 1984-85 private banks did not start agricultural credit. Nationalized banks' agricultural credit disbursement was increasing from 1981-82 to 1984-85 and 1999-00 to 2011-12. But it decreased in 1985-86 financial year and in the year 1986-87 it was zero. After 1987-88 agricultural credit disbursement newly started and increased year by year with some fluctuation. Agricultural credit of private banks was very little in amount up to 1993-94 (only Tk-3.78 crore). After 1994-95 though the amount was significant but ratio was not satisfactory. Specialized banks, like agricultural banks (BKB, RAKUB) credit ratio is always more than 50% of overall disbursement of agricultural credit. Other credit institutions' contribution in agricultural credit is significant but ratio did not continue the same. Credit demand for agriculture is increasing year by year and to fill up increasing demand overall credit disbursement is also increasing. The contribution of private banks in credit is significantly increasing and overall slope is up-warding. Because, IBBL is increasing investment in this sector and it is included in this sector.

Table: 5.5 Agricultural Credit Statistics

Year	Disbursement (Taka in crore)				
	Overall	Nationalized Banks	Specialized Banks	Private Banks (including Islami banks)	Other Credit Institutions (BSBL, BRDB)
1981-82	423.84	106.19	271.04	0.00	46.61
1982-83	678.55	218.46	400.81	0.00	59.28
1983-84	1005.30	324.05	592.43	0.00	88.82
1984-85	1152.84	386.20	614.73	0.00	151.91
1985-86	631.72	153.07	365.06	3.60	109.99
1986-87	667.28	0.00	441.91	3.46	91.27
1987-88	656.31	174.18	379.22	3.36	99.55
1988-89	807.62	237.54	486.84	3.33	79.91
1989-90	686.78	202.72	423.01	4.32	56.73
1990-91	595.60	178.66	361.23	3.50	52.21
1991-92	794.59	267.06	503.49	3.63	20.41
1992-93	841.85	258.87	563.41	3.78	15.35
1993-94	1100.79	345.26	742.34	0.00	13.19
1994-95	1605.44	457.13	958.09	115.06	75.16
1995-96	1635.81	437.84	951.01	154.10	92.78
1996-97	1672.43	446.62	958.06	155.13	112.62
1997-98	1814.53	443.65	1057.63	171.69	141.56
1998-99	3245.36	737.77	1906.84	239.44	361.31
1999-00	3473.88	537.47	1905.51	622.59	408.31
2000-01	3630.26	577.98	2189.88	610.59	251.81
2001-02	3151.33	598.96	2043.25	196.42	313.70

2002-03	3426.05	680.39	2243.10	147.68	354.88
2003-04	4226.15	905.06	2640.87	177.74	502.48
2004-05	5258.19	1142.14	3149.32	301.41	665.32
2005-06	5830.23	1192.43	3551.66	334.02	-
2006-07	5292.51	1027.80	3482.02	NA	752.12
2007-08	8580.66	1365.50	4061.12	2413.68	782.69
2008-09	9284.46	1588.89	4703.69	2292.89	740.36
2009-10	11116.80	1981.56	5627.29	2837.80	698.99
2010-11	10446.65	2213.73	6243.91	2974.31	670.24
2011-12 (up to Sep. 11)	2051.93	376.45	871.51	803.97	752.39

Source: Scheduled Banks Statistics, Bangladesh Bank, Quarterly July-September, 2011

5.2.5 Microcredit Situation in the PRSP

Bangladesh is the global centre of excellence in microcredit and its birthplace. The concept of microcredit is intended to create employment, support small entrepreneurs and support those living in poverty. The Second Poverty Reduction Strategy Paper (PRSP) in Bangladesh titled “Moving Ahead: National Strategy for Accelerated Poverty Reduction II (FY 2009-11)” mentions “The microcredit movement can be described as the privatization of public safety-net programs. Implementation of the microcredit program reduces the cost of the government’s anti-poverty program e.g. expenditure on health, welfare and education. The number of active borrowers has crossed 16 million, with a staggering 70 percent of poor households having access to such credit. Microcredit results in an increase in income/consumption and also has positive social impacts in terms of living conditions, access to basic services, health, education of children, and assets. Women participating in microcredit programs are significantly empowered in terms of mobility, awareness, household decision-making and decision to spend money”.

Bangladeshi Micro Finance Institutions (MFIs) are known for their pioneering, large-scale provision of collateral-free microfinance loans and serving, mainly to poor women. Although 3000 MFIs are in operation, the big four, namely Grameen Bank, BRAC, ASA and Proshika account for 86% of the active borrowers. The table below shows the summarized microcredit operations of the nine major NGOs.

Table: 5.6 Microcredit Operations of the Major Organizations (PRSP)

Year	Disbursement (in billion taka)	Beneficiaries (in thousand)
Cumulative up to 2001	1372.9	6616.4
2002	405.7	6206.1
2003	492.2	9109.3
2004	586.7	8507.8
2005	781.5	14536.1
2006	988.0	12716.2
2007	893.8	16062.2
Cumulative up to June 07	5520.7	17502.7

Source: 2nd PRSP-Moving Ahead

Different ministries/divisions/agencies of the government as well as cooperative societies have also undertaken a sizable number of microcredit programs alongside NGOs. Up to December 2010 the cumulative loan fund of the government agencies was taka 81537.48 crore and the total recovery was taka 70830.09 crore.

The 2nd PRSP, Moving Ahead mention the Challenges of Microcredit- “Over the years various challenges with regard to microcredit have emerged. These are mainly: (1) prevalence of high interest rates which are being reduced, but further reduction of interest rate is necessary; (2) vicious cycle of microcredit following, where the poor are borrowing from one microcredit organization to repay another; (3) microcredit programs have not been very successful in including the hardcore poor; (4) rate of graduation to above the poverty line among the microcredit borrowers is low, indicating persistent dependency on microcredit; (5) most of the microcredit recipients being women, they

bear the increased burden of repayment; (6) microcredit organizations compete with each other and often put pressure on the potential clients to borrow; (7) the profitability of micro enterprises is small and often is not sustainable on a long term basis because of enterprise de-capitalization, saturation of markets for products that are traditionally produced by microcredit borrowers, weak coordination among NGOs and MFIs and a weak financial system.

Government of Bangladesh (GoB) has a future action plan for microcredit and it is: Currently the emphasis is to increase the coverage of the program to a larger number of deserving household; introduce a uniform approach of operation both by NGOs and the public sector; and introduce a regulatory framework for streamlining the activities of the microcredit program in the country. The government would channel more resources for microcredit operations, increase effectiveness of microcredit for poverty alleviation, avoid overlapping and reduce seasonal vulnerability through microcredit. Local governments will be involved in microcredit delivery. A national microcredit policy will be framed to provide guidelines about the operation of microcredit. It is also necessary to rationalize interest rates and introduce one rate for the service charge for all GoB agencies, NGOs and banks. Idle funds of the banks may be diverted to the MFIs and NGOs. Necessary mechanism will be devised to ensure that microcredit reaches the ultra poor and the hard to reach areas especially those located in regions with higher incidence of poverty.

Up-scaling microcredit and enhancing its poverty reducing impact will be important in realizing the goals of accelerated poverty reduction. Up-scaling is generally understood as one broad micro-enterprise segment distinctly contracted to microcredit. The ground reality, however, indicates that up-scaling involves two distinct segments with two different types of challenges. The first segment involves a deepening existing microcredit i.e. rise from the current typical level of taka 5,000 to 20,000-25,000. The crucial point about this client segment is that demand for credit already exists but it is insufficiently serviced because of two factors: conservatism of the current MFI management and a lack of microcredit product diversification. Demand may retake to small-scale agro-technology, processing/storage, business in construction materials, maintenance of agro-

machinery, machinery rental and service, small transports, financing skill education as well as variety of non-farm activities.

The second type of up-scaling concerns a qualitatively different segment, that of micro-enterprises whose credit needs are perhaps more in the region of tk-50,000 to 5,00,000. From a lending organization's point of view, the critical point here is that demand can not be readily assumed in this segment: demand promotion through appropriate business development services may be as important a requirement as the credit itself. An important consideration here is whether the existing MFIs with their risk-average lending culture can undertake such a task or whether a new category of MFIs with a institutional culture may be required to service this segment. To achieve the goals of up-scaling and of sectoral consideration, it is also necessary to emphasize the importance of an enabling regulatory framework. A Microfinance Regulatory Authority has been established to provide an appropriate regulatory framework'.

Chapter VI

Microcredit in Private Sector

Chapter VI: Microcredit in Private Sector

6.0 Sources of Private Sector Microcredit

6.1 Selected Indicators of NGO-MFIs

6.2 Composition of Fund of the Microfinance Sector in Bangladesh

6.3 Microcredit Situation in Private Sector

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6.0: Sources of Private Sector Microcredit

NGOs, Grameen Bank, state-owned commercial banks, private commercial banks, and specialized programs of some ministries of Bangladesh government implement microcredit programs in Bangladesh. In the microfinance sector total loan outstanding is around TK 248 billion and savings TK 168 billion. The total clients of this sector is 35 million that accelerates overall economic development process of the country. Credit services of this sector can be categorized into six broad groups: i) general microcredit for small-scale self employment based activities, ii) microenterprise loans, iii) loans for ultra poor, iv) agricultural loans, v) seasonal loans, and vi) loans for disaster management. Loan amounts up to BDT 50,000 are generally considered as microcredit; loans above this amount are considered as microenterprise loans (MRA).

Up to August, 2012 the MRA had approved licenses in favor of 651 NGOs and as of September 02, 2013 total license issue reached to 692.

Bangladesh's microfinance sector shows strong resilience and continues to contribute towards enhancement of macroeconomic growth. Bangladesh microfinance sector is mature now and its assets constitute around 3 percent of GDP in 2011. Total outstanding loan of this sector (only licensed MFIs) has increased by 20.0 percent from BDT 145.0 billion in June 2010 to BDT 173.8 billion in June, 2011 disbursed among 20.7 million poor people, helping them to be self-employed and accelerating overall economic development process of the country. The total savings has also increased by 23.25 percent to BDT 63.3 billion in June 2011 compared to previous year from 26.1 million clients, over 93 percent of them are women (MRA).

Table No: 6.1 Basic Statistics of NGO-MFIs in Bangladesh

Particulars	June, 2008	June , 2009	June, 2010	June, 2011
1. No. of Licensed NGO-MFIs	293	419	516	576
2. No of Branches	15,077	16,851	17,252	18,066
3. No. of Employees	98,896	107,175	109,597	111,828
4. No. of Clients (Million)	23.45	24.85	25.28	26.08
5. Total borrowers (Million)	17.79	18.89	19.21	20.65
6. Amount of Loan Outstanding (Tk. Million)	134,680.96	143,134.03	145,022.66	1,73,797.60
7. Amount of Savings(Tk. Million)	47,386.19	50,610.04	51,362.93	63,304.44

Source: Microfinance Regulatory Authority, 2012

Table 6.1 shows that the sector has created direct job opportunities.

Table No: 6.2 Size-Wise Loan Outstanding and Savings Compositions (as of 30 June, 2011)

Categories	Range of Borrowers	No of MFIs	No of Borrower	Total Loan Outstanding (BDT Million)	% of Total Outstanding	No of Savers	Total Savings (BDT Million)	% of Total Savings
Very Small	Up to 1000	85	63973	492.48	0.28	87660	192.20	0.30
	1001-2000	177	244974	1566.68	0.90	351054	741.81	1.17
	2001-6000	120	422745	2914.21	1.68	566864	1282.30	2.03
	6001-10000	46	364848	2987.90	1.72	469938	1128.09	1.78
Small	10001-50000	103	2218532	19946.10	11.48	2861318	6738.03	10.64
Medium	50001-100000	23	1571226	13805.22	7.94	1875363	4713.86	7.45
Large	100001-1000000	19	4600621	39483.64	22.72	5527971	14652.13	23.15
Very Large	1000001-Above	3	11162371	92601.36	53.58	14274780	33856.028	53.51
		576	20649290	173797.60	100	26014948	63304.44	100

Source: Microcredit Regulatory Authority, 2012

Table 6.3 shows the market scenario of NGO-MFIs in Bangladesh. Two of the largest MFIs, viz., BRAC & ASA, are each serving over five million borrowers. There are a few more developing fast. On the other hand the smallest 428 NGO-MFIs have contributed

only 4 percent of total loan outstanding and 5 percent of total savings. Institutional concentration ratio is highly skewed in favor of large MFIs: just 22 institutions are in control of 76 percent of the market share while three largest organizations have control of over 50 percent in terms of both clients and total financial portfolios (MRA).

Table No: 6.3 Scenario of Micro Enterprise Loan

1. NGO-MFIs	Total Number of Borrowers	%	Total Loan Outstanding (Tk Million)	%
2. BRAC	249585	1.30	19128.64	11.27
3. ASA	140496	0.73	9194.57	5.42
4. Buro Bangladesh	4857	0.03	187.45	0.11
5. Jagoroni Chakra Foundation	15008	0.08	1067.96	0.63
6. Padakkhep Manobik Unnayan Kandra	8570	0.04	561.26	0.33
7. RDRS Bangladesh	3029	0.02	141.12	0.08
8. Shakti Foundation	3885	0.02	149.10	0.09
9. Society for Social Service	15552	0.08	1155.40	0.68
10. TMSS	8816	0.05	621.12	0.37
11. UDDIPAN	7310	0.04	663.40	0.39
12. Top 10 MFIs	457108	2.37	32870.01	19.37
Total 576 MFIs	617706	3.21	40059.84	23.60

Source: Microcredit Regulaory Authority, 2012

6.1 Selected Indicators of NGO-MFIs

Table 6.4 shows the indicators of microfinance in Bangladesh. It is increasing over the years. In 2006 savings per member was Tk. 1,207 which stands at Tk.2495 in 2011 – an increase to more than double within the last five years. The loan outstanding per borrower also increased over the years and average growth rate of loan outstanding per borrower is around 17 percent in 2011 compared to the previous year. Within last five years the loan outstanding has increased by more than 100 percent. It is assumed that these two indicators show the increase income level of the poor. As a result, borrows demand for higher amount of credit is increasing from MFIs. The total number of branches of MFIs has increased at a much higher rate in 2011 compared to the previous year, the number of members and borrowers per branch has decreased. Substantial rate of increase in the sizes of loans per borrower and savings per member has resulted in a rise in the total loan outstanding and savings in the sector. Consequently outstanding loan and saving per branch has also increased. The loan outstanding amount per branch which was TK 8.42 million in 2010 has increased by 14.4 percent in 2011 (MRA).

Table No: 6.4 Selected Indicators of NGO-MFIs in Bangladesh

Particulars	June '06	June '07	June '08	June '09	June '10	June '11
1. Savings per member (Tk.)	1,207.34	1,332.66	1,448.36	1,735.52	2,097.83	2494.49
2. Outstanding loan per borrower (Tk.)	4,377.11	5,048.38	5,614.55	6,188.01	7,558.92	8807.69
3. Borrower to client (member) ratio	75.1%	81.6%	81.2%	78.9%	78.0%	78.8%
4. Savings to Outstanding loan ratio	36.7%	32.3%	31.78%	35.5%	35.6%	35.9%
5. Borrower per Branch	1,413	1,484	1,496	1,036	1,115	1093.33
6. Member per Branch	1,883	1,817	1,843	1,312	1,429	1387.87
7. Outstanding loan per branch (Million Tk.)	6.19	7.49	8.4	6.41	8.42	9.63
8. Savings per Branch (Million Tk.)	2.27	2.42	2.67	2.28	2.99	3.46

Source: Microcredit Regulatory Authority, 2012

6.2 Composition of Fund of the Microfinance Sector in Bangladesh

Over the time, the fund Composition of NGO-MFIs is increasing. In 2010, the growth was 10.49 percent, which further increased to 20.6 percent in 2011. Total fund in this sector was Tk. 152.3 billion in 2010 which rose to Tk.183.6 billion in 2011. Savings from the clients and surplus income from microcredit operations appeared as two major sources of fund for NGO-MFIs and are the main strength for their future growth. The clients' savings has increased from 31.11 percent to 34.46 percent in 2011 (MRA).

Table No: 6.5 Composition of the fund of microfinance sector

Source of Fund	June, 2008		June, 2009		June, 2010		June, 2011	
	(Million Tk.)	(%)	(Million Tk.)	(%)	(Million Tk.)	(%)	(Million Tk.)	(%)
1. Clients' Savings	36,397.32	29.66	40,526.91	29.73	47,436.35	31.15	63295.88	34.46
2. Loan from PKSF	22,708.58	18.50	22,666.20	16.63	24,484.12	16.08	31767.84	17.30
3. Loan from Commercial Banks	23,487.03	19.13	23,896.37	17.53	23,006.41	15.11	23577.85	12.84
4. Donors' Fund	4,549.07	3.71	4,110.29	3.02	4,109.29	2.70	7008.37	3.82
5. Cumulative Surplus	31,170.02	25.39	36,261.74	26.60	42,339.27	27.80	50298.66	27.38
6. Other Funds	4,435.49	3.61	8,847.97	6.49	10,907.40	7.16	7727.32	4.21
Total	122,747.51	100	136,309.48	100	152,282.84	100	183675.92	100.00

Source: Microcredit Regulatory Authority, 2012

The commercial banks are considered a potential source of fund of microfinance, but its share of the total source of fund did not increase over the last three years. It is said that the borrowing cost from commercial banks is very high, due to high interest rate charged which discourages NGO-MFIs to avail this as a source of fund.

6.3 Microcredit Situation in the Private Sector

6.3.1 Microcredit of the Large NGOs (including GB)

Bangladesh Bank also keeps Grameen Banks and large NGOs' credit operation statistics. Others large NGOs mentioned here are BRAC, ASA, TMSS and BURO Tangail. Table-5.4 shows that Grameen Bank's credit amount is the highest among the mentioned NGOs. A huge number of NGOs, MFIs, GB, the specialized programs taken under different ministries, banks and other organizations are implementing microcredit programs. Though more than thousands organizations are engaged in microcrediting, only ten large organizations (MFIs) like, BRAC, ASA, TMSS, BURO Tangail, Proshika, Jagoroni Chakro Foundation, Shakti Foundation, Padakkhep Manabik Unnayan Kendra, CARITAS Bangladesh, RDRS and GB represent the lion share of the total sector. It is seen on the table 5.4 that the disbursement of credit of FY-11 reduces by 5.82% in comparison with the previous years. The recovery of credit also reduces 7.45% at FY-11 with comparison to FY-10. But both the cases it was more at the FY-10 with comparison to FY-09.

Table: 6.6 Microcredit Operations of the Grameen Bank and Large NGOs

(Billion Taka)

Large NGOs	FY09	FY10	FY11
1. Total Disbursement	219.54	252.94	238.23
i) Grameen Bank	71.85	87.54	102.96
ii) BRAC	80.93	75.10	74.94
iii) ASA	54.61	72.92	44.83
iv) TMSS	6.55	7.60	9.74
v) BURO Tangail	5.60	9.78	5.76
2. Total Recovery	221.41	229.68	212.58
i) Grameen Bank	61.05	76.75	92.76
ii) BRAC	78.77	75.91	72.13
iii) ASA	68.83	61.39	40.36

iv) TMSS	6.80	6.79	1.61
v) BURO Tangail	5.96	8.80	5.72
3. Total Outstanding Loans	129.46	150.05	167.95
i) Grameen Bank	50.71	61.50	71.69
ii) BRAC	45.40	44.59	40.49
iii) ASA	26.67	35.12	44.70
iv) TMSS	3.43	4.25	5.37
v) BURO Tangail	3.25	4.49	5.60
4. Total Loans Overdue	4.91	5.59	7.18
i) Grameen Bank	1.37	1.10	0.75
ii) BRAC	2.40	3.24	3.00
iii) ASA	0.97	0.95	0.96
iv) TMSS	0.09	0.14	0.18
v) BURO Tangail	0.08	0.16	0.29
5. Total Overdue as Percentage of Outstanding	3.79	3.73	4.28
i) Grameen Bank	2.70	1.79	1.05
ii) BRAC	5.29	7.27	12.32
iii) ASA	3.64	2.71	2.15
iv) TMSS	2.62	3.29	3.35
v) BURO Tangail	2.46	3.49	5.18

Source: Bangladesh Bank, Annual Report 2010-11

6.3.2 Microcredit Situation of Some Private Organizations

NGOs are working as a development partner of the government in the field of poverty alleviation. Microcredit Regulatory Authority (MRA) is empowered for monitoring and supervision to the microcredit organizations. MRA also maintaining related statistics and information of NGOs. According to the statistics given by MRA up to 2009 year 21 large NGOs including Grameen Bank of the country provided microcredit service of 26,000 crore taka among 2.426 crore beneficiaries. In this time the cumulative disbursed credit amount is taka 73,232.36 crore to the members. The recovery rate was 99.24%. At that

time the credit balance of those organizations was 14,731.79 crore taka and the savings balance is 10,505.56 crore taka. Up to December, 2009 the number of credit holders was 2.654 crore and the amount of savings balance was 11,876.99 crore taka. But the information given by MRA of 2010 is different from 2009's data. Accordingly to MRA 30 MFIs excluded Grameen Bank disburse 21,340 crore taka as microcredit. Up to June 2010 the number of microcredit holder is 15.25 crore. CDF statistic shows that up to December 2009 Grameen Bank and other 744 MFIs distributed 1,73,146.55 crore taka among 66.88 crore credit holder. At the same time the recovery amount is 1,55,575.64 crore taka (89.79). In 2011 thirty organizations (excluding GB) disbursed tk. 24,096.95 crore.

BRAC

Bangladesh Rural Advancement Committee (BRAC), one of the largest NGO in the country engages into different credit activities together with poverty alleviation, health, education and social development initiatives. BRAC supplies credit and training especially to the have not people and small group of people like, ultra poor char land people, poor women, retired or forced retired labor or staff from nationalized industries. BRAC's disbursed and recovered credit amount up to December, 2010 are taka 50,446.65 and 46,082.58 crore respectively. The number of beneficiaries are 83,59,993 in which 80,54,415 are women. Till June 2012 BRAC has disbursed an amount of tk. 64,211.63 crore to as many as 6,013,045 beneficiaries. The amount recovered against the amount disbursed stood at tk. 58,498.10 crore.

Association of Social Advancement (ASA)

ASA started its activities as specialized microcredit institution at 1992. Within very short period time it became the fast growing largest independent microcredit organization in the world., Up to December, 2010 its total credit balance including microcredit is 5300.00 crore taka. At the end of the year 2010, the cumulative disbursed principal amount is 41,121.00 crore taka and recovered amount is 37,479.00 crore taka. During the

period from July 1992 to June 2012 ASA's cumulative loan disbursement and recovery stood at tk. 54,958 crore and tk. 49,454 crore respectively.

Proshika

One of the large NGO Proshika was established in 1975 in Dhaka and Comilla districts. Proshika under its 14,10,500 projects up to December, 2010 disbursed 4,495.00 crore taka credit to 1.23 crore poor people which created income and employment opportunity. Proshika demands that with its credit assistance more than 12.36 lac families are now out of poverty. Up to June 2012, it has disbursed a total of tk. 4,806.26 crore.

Shakti Foundation

Established in the year 1992, NGO Shakti Foundation is working in the city areas of Bangladesh for the slum dwellers providing microcredit to the poor women. Foundation already disbursed 513.89 crore taka and recovered 413.96 crore taka up to December, 2010.

Thengamara Mohila Sobuj Sangha (TMSS)

TMSS is the largest women organization of the country working as an NGO established in 1985. The main target of this organization is empowering the deprived rural women through providing credit and development social position. TMSS is maintaining microcredit program throughout the country with its own fund as well as with funded from PKSF, World Bank, ADB, DFID, European Union and Bangladesh Bank. It disbursed 3888.02 crore taka and recovered 3457.08 crore taka to 7,31,234 beneficiaries.

Society for Social Service (SSS)

SSS, established in 1986, committed to alleviate poverty to the poor, neglected and under privileged male, female and the children of the society, established the rights, give

education and health awareness etc. Sustainable development of the poor providing microcredit is the another objective of the organization. SSS distributed microcredit cumulative amount up to December, 2010 is 2,714.22 crore taka among 3,53,981 people in which most of them are women. Up to June 2012, the cumulative disbursement and recovery stood at tk. 4,045.78 crore and tk. 3,489.48 crore respectively.

Shanirvar Bangladesh

Shanirvar Bangladesh started its activities in 1975 with the objective to provide credit to the unemployed people. Up to December, 2010 it distributed 886.86 crore taka and recovered 1044.61 crore taka and its number of beneficiaries are 16,06,144. During FY 2011-12 a sum of tk. 222.90 crore has been disbursed among 1,25,172 landless and recovered tk.187.70 crore.

Table: 6.7 Statement of main NGOs microcredit program
(In crore taka)

NGOs	2004	2005	2006	2007	2008	2009	2010	2011	2012	Up to June 2012 (cum)
BRAC										
Disb	13321. 16	3258.2 1	4261.5 4	6232.8 7	8428.9	7568.0 8	7375.8 8	8626.7 8	5138.23	64211.63
Rec	11873. 66	2926.8 4	3626.3 9	5036.9 3	7560	7658.9 9	7399.7 8	7727.2 6	4688.26	58598.10
Bene	196680 77	483709 9	531031 7	737084 7	809036 9	835999 3	805441 5	67703 38	601304 5	6013045
Female	185188 95	470823 4	514049 4	710815 5	779676 9	802726 2	761432 6	63029 46	557219 6	5572196
Male	294006	128865	169823	262692	293600	332731	440089	46739 2	440849	440849
ASA										
Disb	2403.92	3317.92	4131.61	5395.34	6084.18	6191.19	6866.72	8670.22	5276.13	54957.62
Rec	2208.40	2822.82	3712.00	5060.46	6068.08	6934.12	6377.82	5292.05	4793.88	49454.03
Bene	29,96,660	5988134	6455979	6674058	7276677	5498293	5656257	4935685	4955114	4955114

Female	2897503	3917566	4303787	4716922	5144662	4319440	5431002	4297896	4501373	4501373
Male	99157	2070568	2152192	1957136	2132015	1178853	1125255	637790	453741	453741
Proshika										
Disb	277.07	288.13	316.50	312.00	267.00	242.00	195	207	119	4806
Rec	350.61	330.70	343.09	298.00	284.00	353.00	225	238	136	4968
Bene	49710	20076	15030	8209	6723	1117*	171268	137929	70726	2812127
Female	36496	2149	11478	6759	3640	1769223	125708	89654	50704	1769223
Male	13214	17927	3552	1450	3083	1042904	45560	48275	20022	1042904
SSS										
Disb	84.78	165.52	260.77	354.06	432.69	546.36	613.8	748.61	946.53	4045.78
Rec	70.35	130.71	204.55	310.89	383.87	524.90	556.55	612.14	832.95	3489.48
Bene	133404	184591	260010	320110	362636	353442	369883	422075	423367	423367
Female	129154	179511	253387	311383	351050	338626	353981	401786	409188	409188
Male	4250	5080	6623	8727	11586	14816	15902	20289	14179	14179
Karitas										
Disb	60.43	106.18	118.24	147.78	140.20	153.46	154.38	237.04	137.26	1642.22
Rec	58.76	94.97	111.85	137.21	133.71	147.95	152.93	209.05	126.69	1492.10
Bene	(18657)	14936	4227	4362	9971	11932	41855	4345	16519	330566
Female	129154	179511	253387	311383	351050	338626	31311	4034	10863	259839
Male	4250	5080	6623	8727	11586	14816	10544	8379	5656	70727
TMSS										
Disb	168.32	292.11	409.79	514.80	571.93	660.01	768.65	991.45	1208.82	6254.82
Rec	148.75	220.02	359.99	457.69	548.15	606.34	682.85	870.65	1088.81	5534.73
Bene	23937	115470	68587	99826	89544	89544	6027	50134	368579	1149947
Shakti Foundation										
Disb	102.40	150.42	179.97	176.13	246.04	412.58	513.89	-	-	1933.18
Rec	63.62	88.93	165.15	168.31	205.50	330.53	413.96	-	-	2579.06
Bene	114701	157517	167113	156108	246609	246609	475976	-	-	1848154
BURO Bangladesh										
<u>Disb</u>	152.8	236.84	318.03	375.16	590.58	813.96	1090.86	1191.01	711.65	6865.32
Rec	132.52	196.00	277.45	337.27	465.26	728.50	939.86	1109.05	661.33	5125.28
Bene	221366	273286	331329	376710	602273	746938	985182	1043541	1082789	6281107
Shanirvar Bangladesh										
Disb	60.75	75.91	91.36	96.30	96.73	131.65	157.93	197.90	119.48	1361.89
Rec	43.38	61.54	70.94	75.91	84.57	110.90	133.44	161.93	101.80	1106.29
Bene	62915	94945	129894	101864	104702	123803	127176	124260	64870	1795274

Female	59775	90565	126332	98807	97342	103614	108105	107333	53872	1506107
Male	3140	4380	3562	3057	7360	20189	19071	16927	10998	2891167
Total										
Disb	3310.47	4633.03	5826.27	7371.57	8429.35	49709.52	17740.2	20870.0 1	13657.1	145078.47
Rec	3076.39	3945.69	5245.02	6845.74	8173.14	178954.2 8	16882.19	16220.1 3	12429.72	132247.07
Bene	3469335	6691438	7265056	7585139	8452526	1367529 1	1571696 4	1348830 7	12995009	25608701

Source: Bangladesh Economic Review, 2012

6.3.3 Microcredit Programs of the other Banks and Specialized Banks

Other non-scheduled private sector banks have their own microcredit activities. It is shown bellow.

Table: 6.8 Description of microcredit of other commercial and specialized banks

Banks	Numbers of beneficiaries			Distribution (Cum, June 2012), (Crore taka)	Recovery (%)
	Female	Male	Total		
Anser-VDP Bank	595872	255373	851246	1444.06	97.96
Social Islami Bank Limited	336	1347	1683	58.61	98
National Bank Limited	1332	21370	22702	4885.26	95.48
Islami Bank Bangladesh Limited	105550	554012	659563	4904.35	99
The Trust Bank Limited	96	27924	28020	2524.60	96
Basic Bank Limited	267210	62679	329889	347.99	95.85
Uttara Bank Limited	5961	97858	103819	3949.78	69.67
Pubali Bank Limited	50256	7983	58239	908.35	100
Total	1026613	1028546	2055161	19023	

Source: Bangladesh Economic Review, 2012

6.4 Inception of NGOs

Number of microfinance NGOs are increasing year after year. Before 1976 where MF-NGOs were only 2, after 2000 it became 148. Now total number of MF-NGOs is 721. Table- 5.3 shows that the highest inception period is 1995-2000.

Table: 6.9 Inception Periods of MF-NGOs
(Number of MF-NGOs)

Inception Period		
Before 1976	2(0.3)	2(0.3)
1976-1980	2(0.3)	2(0.3)
1980-1985	7(1.0)	7(1.0)
1985-1990	26(3.6)	25(3.5)
1990-1995	127(17.6)	143(19.9)
1995-2000	409(56.7)	396(55.0)
After 2000	148(20.5)	145(20.1)
Total	721(100)	720(100)

Source: (1) CDF, Microfinance Statistics, Volume 17, December 2004, Credit and Development Forum, Bangladesh.

(2) NGO Affairs Bureau

6.5 Social Capital and Microcredit

Background

Social Capital is a concept which refers to connections within and between social networks. Hanifan (1916) used this term in reference to social cohesion and personal investment in the community. In 1916, in defining the concept Hanifan contrasts social

capital with material goods by defining it as “I do not refer to real estate, or to personal property or to cold cash, but rather to that in life which tends to make these tangible substances count for most in the daily lives of people, namely, goodwill, fellowship, mutual sympathy and social intercourse among a group or individuals and families who make up a social unit. If he may come into contrast with his neighbor, and they with other neighbors, there will be an accumulation of social capital, which may immediately satisfy his social needs and which may bear a social potentiality sufficient to the substantial improvement of living conditions in the whole community. The community as a whole will benefit by the cooperation of all its parts, while the individual will find in his associations the advantages of the help, the sympathy, and the fellowship of his neighbors” (Hanifan, 1916).

Jane Jacobs, in the 1960s did not explicitly define a term social capital but used in a article with a reference to the value of network. But in 1972, sociologist, Pierre Bourdieu clarified the term in contrast to cultural, economic, and symbolic capital. In the late 1990s the concept social capital gained popularity, serving as the focus of a World Bank research program and the subject of several mainstream books.

Social capital refers to the social networks, systems of reciprocal relations, sets of norms, or levels of trust that individuals or groups may have, or to the resources arising from them. Its recent popularity can be traced to three authors – Pierre Bourdieu (1930-2002), James Coleman, and Robert Putnam – each of whom has a distinctive conception of social capital.

Bourdieu discusses a range of different kinds of capital (economic, cultural, social) which interrelate and may substitute for one another. In his later work, social capital is identified as the actual or potential resources which arise from being part of a network of relationships of mutual acquaintance and recognition. Bourdieu was chiefly concerned with the way in which powerful elites retained their privilege.

Coleman's (1988) conception of social capital arose out of his empirical work in the 1980s examining the links between social disadvantage, community, and schooling. His claim is that children who are part of a group with high social capital (for example, a Catholic school), have better educational outcomes, even in the context of social disadvantage. More generally, he defined social capital as the set of resources which are inherent in a group (for example, a family or a community organization), and which facilitate certain actions or members of the group (for example, social and cognitive development of a child).

For Putnam (1995), social capital refers to three features of social life – networks, norms, and trust – which enable participants to function more effectively in pursuing a common goal. In his much-quoted study *Bowling Alone* (2000), he documents the decline in civic engagement in the United States and points the finger of blame at the rise in television viewing. He also seeks to show that high levels of social capital are associated with a range of desirable societal outcomes, such as economic prosperity and low crime rates.

The relationship between social capital and human capital is unclear. Human capital is a concept used by economists and often measured by duration of schooling and labor market experience, or by educational qualifications. One interpretation holds that human capital is a private good (i.e. the benefits accrue largely to the individual), while social capital is a public or collective good (i.e. it is an attribute of a group). Another interpretation, not inconsistent with the first, is that the two forms of capital are complementary: high levels of human capital generate social capital, and social capital promotes acquisition of human capital.

Opinion is divided as to whether social capital is always positive. From the perspective of wider society, some forms of social capital are clearly damaging (for example, the Mafia), while others are a barrier to equal opportunities (for example, old boys' networks). Even these forms of social capital may, however, be beneficial for those who possess them.

Empirical evidence on the role of social capital in society is thin, although attempts to operationalize the concept are becoming more widespread. Meanwhile, the rich theoretical apparatus of writing on social capital seems to generate more controversies than it resolves. This may be because it is a 'broad church', able to accommodate diverse political perspectives. Neo-liberals in the World Bank can champion social capital as the missing link between free markets and economic growth, communitarians can point to the necessity of social capital for the maintenance of the social fabric, while radical egalitarians can argue that the destruction of social capital is yet another manifestation of the alienation inherent in capitalist society (Tania Burckhardt). The history related to the concept of social capital has a much longer time. Thinkers like James Madison and Alexis de Tocqueville explaining the relation between associational life and democracy were using similar concepts regularly by the 19th century, to integrate concepts of social cohesion and connectedness into the pluralist tradition in American political science.

The price for maintaining a society that encourages cultural differentiation and experimentation is unquestionably the acceptance of a certain amount of disorganization on both the individual and social level (Stein, 1960). All these reflections contributed remarkably to the development of the social capital concept in the following decades. The appearance of the modern social capital conceptualization is a new way to look at this debate, keeping together the importance of community to build generalized trust and the same time, the importance of individual free choice, in order to create a more cohesive society (Emanuele, 2010).

Definition

According to 'Investopedia Financial Dictionary: An economic idea' that refers to the connections between individuals and entities that can be economically valuable. Social networks that include people who trust and assist each other can be a powerful asset. These relationships between individuals and firms capital is a valuable mechanism in economic growth.

Social capital lends itself to multiple definitions. The multiplicity of uses for social capital has led to a multiplicity of definitions. Social capital has been used at various times to explain superior managerial performance, improved performance of functionally diverse groups, the value derived from strategic alliances and enhanced supply chain relations.

Putnam (1995) suggested that social capital would facilitate cooperation and mutually supportive relations in communities and nations and would therefore be a valuable means of combating many of the social disorders inherent in modern societies for example 'crime'.

Pierre Bourdieu (1993) defines social capital as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition. He also distinguishes between three forces of capital: economic capital, cultural capital and social capital. His treatment of the concept is instrumental, focusing on the advantages to possessors of social capital and the deliberate construction of sociability for the purpose of creating this resource.

James Coleman (1998) termed social capital functionally as 'a variety of entities with two elements in common: they all consist of some aspect of social structure, and they facilitate certain actions of actors--- within the structure --that is, social norms. He also mentioned that social capital is a neutral resource that facilitates any manner of action, but whether society is better off as a result depends entirely on the individual uses to which it is put'.

Putman (2000) has opined that social capital refers to the collective value of all social networks and the inclinations that arise from these networks to do things for each other. He also mentioned that social capital is a key component to building and maintaining democracy.

Francis Fukuyama points out that there is not an agreed definition of social capital, so explains it as ‘shared norms or values that promote social cooperation, instantiated in actual social relationships’. He mentions that social capital is a necessary precondition for successful development, but a strong rule of law and basic political institutions are necessary to build social capital. He also believes that a strong social capital is necessary for a strong economic growth.

The Social Capital Foundation (TSCF) mentions that social capital is a collective mental deposition close to the spirit of community.

Nahapiet and Ghoshal (1998) in their examination of the role social capital in the creation of intellectual capital, suggest that social capital should be considered in terms of three clusters: structural, relational, and cognitive.

So, social capital is concerned with social cooperation, collective mental deposition, social networks and inclination, mutual supportive relation.

Types of Social Capital

Social capital concept is the composition of two main components: bonding social capital and bridging social capital. Bonding refers to the value assigned to social networks between homogeneous groups of people. Bridging social capital refers to that of social networks between socially heterogeneous groups. Typical examples are that criminal gangs create bonding social capital, while choirs and bowling clubs create bridging social capital. Bridging social capital is argued to have is host of other benefits for societies, governments, individuals, and communities. The distinction is useful in highlighting how social capital may not always be beneficial for society as a whole, though it is always an asset for those individuals and groups involved.

Social capital also introduced as positive social capital and negative social capital. Horizontal networks of individual citizens and groups that enhance community

productivity and cohesion are said to be positive social capital. But self-serving exclusive gangs and hierarchical patronage systems that operate at cross purposes to societal interests can be thought of as negative social capital burdens on society.

Portes (1998) classified social capital as (1) Consummatory and (2) Instrumental. Consummatory or a behavior that is made up of actions that fulfill a basis of doing what is inherent. But instrumental, that is taught through ones surroundings

Credit Relationship

Social capital is an alternative of credit and also the collateral of credit. To meet demand for capital, borrowers need to go the near ones primarily, not the credit organization. Considering the mutual trust and cooperation, relatives, neighbors, friends, shopkeepers lend them cash or commodity very temporary basis. Normally they don't claim any additional amount for the loan. On the other hand, social interaction is one of the way getting loan.

Chapter VII

Impact Study

Chapter VII: Impact Study

7.1 Analysis of Collected Data

7.2 Supports Need to Improve the Livelihood

7.3 Microcredit Management Comparison

7.4 Credit Overlapping and Comparative Advantages

7.4.1 Advantages of Public Sector Credit Over Private Sector

7.4.2 Advantages of Private Sector Credit Over Public Sector

7.5 Hypothesis Analysis

7.6 Case Study

7.1 Analysis of Collected Data

7.1.1 Data Collection Information

Two areas, one village from Dhaka Division under Mymensingh district and another village from Khulna Division under Jessore district have been selected for collection of data. Randomly, as well as purposively selected these two areas are considered as the representative of microcredit village. Because, different public and private organizations i.e. government agencies, banks and NGOs are providing credit in the same areas. A huge number of NGOs are working as microcredit provider in rural and sometimes in urban areas. As safety net program and poverty alleviation initiative different government organizations are also supplying microcredit directly to the stakeholders. From the government sector two ministries have been selected randomly. Bangladesh Rural Development Board (BRDB) under Rural Development and Cooperatives Division of Ministry of Local Government, Rural Development and Cooperatives is assumed the largest microcredit provider as the government source. Among other sources Department of Youth Development of Ministry of Youth and Sports is playing an important role in the microcredit field providing credit to the male and female youths in different sectors. So, BRDB and Department of Youth Development have been selected from the government sector.

In the private sector, NGOs and banks are supplying microcredit where large and small NGOs are there and banks' contribution is significant. Pioneering microcredit institution Grameen Bank, the largest microcredit provider NGO Association for Social Advancement (ASA) and NGO Samadhan have been selected from private sector. Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (RAKUB) are contributing to rural economy providing agricultural credit which is partially microcredit and Islami Bank Bangladesh Limited (IBBL) and Al Arafah Islami Bank Limited have poverty alleviation program claimed as microfinance. These organizations have been selected also.

Randomly selected 125 borrowers are interviewed, among them 45 from Mymensingh and 80 from Jessore (table 7.1).

Table 7.1 Data Collection Information

Sectors			Numbers of Borrowers	Total
Public	BRDB	Mymen	10	19
		Jessore	9	
	BKB	Mymen	8	16
		Jessore	8	
	Youth	Mymen	10	10
		Jessore	0	
Total				45
Private	GB	Mymen	12	24
		Jessore	12	
	ASA	Mymen	11	19
		Jessore	8	
	IBBL	Mymen	10	19
		Jessore	9	
	BRAC	Jessore	11	11
	Samadhan	Jessore	7	7
Total				80
Grand Total				125

Source: Field Survey, 2012

Note: Mymen means Mymensingh.

Samadhan is an NGO.

According to the study plan BRDB, BKB and Department of Youth Development have been selected as the public sector microcredit agencies. On the other hand GB, ASA, BRAC and a regional NGO Samadhan have been selected as private sector microcredit provider. Microcredit provided by the Department of Youth Development was absent in the selected particular village at Jessore and as the incident seen in the case of BRAC and Samadhan at Mymensingh. The table shows here that the private sector is intensive in microcredit operation.

7.1.2 Personal Profile of Borrowers

7.1.2.1 Borrowers Age

Most of the microcredit recipients are within 21 to 40 year of age. The effective age group people use microcredit to increase income and to make the family sustainable. Table 7.2 A and 7.2 B show that 21-30 year age group is the highest microcredit user but there is not below 21 year.

Table 7.2A: Age wise Distribution of microcredit by borrowers (Numbers)							
Sectors			<20	21-30	31-40	41-50	50+
Public	BRDB	Mymensingh	0	5	3	2	0
		Jessore	0	1	4	2	2
	BKB	Mymensingh	0	0	2	1	5
		Jessore	0	1	1	3	3
	Youth	Mymensingh	0	0	8	1	1
		Jessore					
Total		0	7	18	9	11	
Private	GB	Mymensingh	0	5	1	5	1
		Jessore	0	1	4	5	2
	ASA	Mymensingh	0	4	2	4	1
		Jessore	0	3	3	1	1
	IBBL	Mymensingh	0	6	2	2	0
		Jessore	0	8	0	0	1
	BRAC	Jessore	0	4	2	1	4
	Samadhan	Jessore	0	0	3	3	1
Total		0	31	17	21	11	
G Total		0	38	35	30	22	

Source: Field Survey, 2012

Table 7.2B: Age wise Distribution of micro credit by borrowers (Numbers and %)						
Sectors	<20	21-30	31-40	41-50	50+	Total
Public	0	7	18	9	11	45
Private	0	31	17	21	11	80
Public (%)	0.0	5.6	14.4	7.2	8.8	36.0
Private (%)	0.0	24.8	13.6	16.8	8.8	64.0
Total	0.0	30.4	28.0	24.0	17.6	100.0

Source: Field Survey, 2012

Below 20% user are above 50 year age and only 24% are within 41-50 year age group. But it varies between public and private sectors. In the public sector the highest microcredit users are under 31 to 40 years of age where as in the private sector it is 21-40 year age group. So, it can be concluded that about 60% microcredit is disbursed to borrowers whose age limit is 21 to 40 year.

7.1.2.2 Educational Status of the Borrowers

Most of the borrowers are literate and have at least primary education. Only 18.4% borrowers don't know how to write or read or calculate. The literacy status of the borrowers are seen on the table 7.3 A and 7.3 B.

Table 7.3A : Literacy status of microcredit by borrowers (Numbers)									
Sectors			Illiterate	Primary	Secondary	SSC	HSC	Graduate	Post Graduate
Public	BRDB	Mymensingh	0	3	3	3	1	0	0
		Jessore	0	5	0	4	0	0	0
	BKB	Mymensingh	3	3	0	1	1	0	0
		Jessore	1	3	0	0	1	0	3
	Youth	Mymensingh	0	2	1	1	2	2	2
Total			4	16	4	9	5	2	5
Private	GB	Mymensingh	4	7	1	0	0	0	0
		Jessore	4	6	0	1	0	1	0
	ASA	Mymensingh	2	9	0	0	0	0	0
		Jessore	4	3	1	0	0	0	0
	IBBL	Mymensingh	2	4	3	0	0	1	0
		Jessore	0	1	2	0	2	1	3
	BRAC	Jessore	2	8	0	1	0	0	0
	Samadhan	Jessore	1	5	0	0	0	1	0
Total			19	43	7	2	2	4	3
G Total			23	59	11	11	7	6	8

Source: Field Survey, 2012

Table 7.3B: Literacy status of micro credit by borrowers (Numbers and %)

Sectors	Illiterate	Primary	Secondary	SSC	HSC	Graduate	Post Graduate	Total
Public	4	16	4	9	5	2	5	45
Private	19	43	7	2	2	4	3	80
Public (%)	3.2	12.8	3.2	7.2	4.0	1.6	4.0	36.0
Private (%)	15.2	34.4	5.6	1.6	1.6	3.2	2.4	64.0
Total	18.4	47.2	8.8	8.8	5.6	4.8	6.4	100.0

Source: Field Survey, 2012

The significance of the microcredit borrowers are that the graduate and the post graduate degree owners are also going to microcredit agencies. But they are not going to the NGOs. The Department of Youths Development has taken an initiative in favor of the government to create employment opportunities for the educated unemployed rural Youths through microcredit. Graduates are also going to IBBL for microcredit. More than 10% borrowers are graduates and post graduates.

Another important information is that 47.2% i.e. about half of the borrowers are primary educated which indicates that they are conscious about the use of credit and increase income. 23.2% (8.8+8.8+5.6) borrowers are secondary (VI to X but not SSC passed), SSC and HSC level educated which indicated that less educated unemployed or disguised unemployed persons are borrowing both from public and private sectors. In comparing between the sectors, numbers of illiterate borrowers are less at public sector (4 out of 45) than the private sector (19 out of 80). So, around 82% borrowers are literate.

7.1.2.3 Gender Participation in Microcredit

In the research areas out of 125, the number of male borrowers are 84 (67.2%) and female are 41 (32.8).

Table 7.4A: Gender participation of borrowers (numbers)

Sectors			male	female	total
Public	BRDB	Mymensingh	3	7	10
		Jessore	9	0	9
	BKB	Mymensingh	8	0	8
		Jessore	7	0	7
	Youth	Mymensingh	7	3	10
Total			34	10	44
Private	GB	Mymensingh	8	4	12
		Jessore	5	7	12
	ASA	Mymensingh	0	11	11
		Jessore	7	1	8
	IBBL	Mymensingh	2	8	10
		Jessore	10	0	10
	BRAC	Jessore	11	0	11
	Samadhan	Jessore	7	0	7
Total			50	31	81
G Total			84	41	125

Source: Field Survey, 2012

Table 7.4B: Gender participation of borrowers (numbers and %)

Sectors	male	female	total
Public	34	10	44
Private	50	31	81
Public (%)	27.2	8	35.2
Private (%)	40	24.8	64.8
Total	67.2	32.8	100

Source: Field Survey, 2012

Female borrowers' number is also less both in public (10 out of 44) and private sectors (31 out of 81). But it is reverse in the case of GB Jessore, ASA Mymensingh, IBBL Mymensingh in the private sector and BRDB Mymensingh in the public sector.

7.1.2.4 Borrowers Family Size

The family size of the microcredit borrowers is seen on the table 7.5 A and 7.5 B. Family size grouped into 7 groups i.e. two members' family to 7+ members' family. Family size is relevant to the microcredit borrowers. Family members play role in the family as

working force. Efficient utilization of microcredit sometimes depends on the working force of the family. Other members of the family help in small business, shop keeping, agriculture, processing, cattle rearing etc.

Table 7.5A: Family Size of microcredit by borrowers (Numbers)									
Sectors			2	3	4	5	6	7	7+
Public	BRDB	Mymensingh	1	2	4	2	1		
		Jessore	1	1	4	3			
	BKB	Mymensingh			2	2	1	2	1
		Jessore	5		2		1	2	1
	Youth	Mymensingh		1	2	1	1	2	2
Total			7	4	14	8	4	6	4
Private	GB	Mymensingh	1	4	4		3		
		Jessore	5	1	1	3	1		
	ASA	Mymensingh		1	3	4	3		
		Jessore		5	2	1			
	IBBL	Mymensingh	1	3	3	2			1
		Jessore	5	1	2	1			
	BRAC	Jessore	10						
	Samadhan	Jessore	7						
Total			29	15	15	11	7	0	1
G Total			36	19	29	19	11	6	5

Source: Field Survey, 2012

Table 7.5B: Family Size of micro credit by borrowers (Numbers and %)								
Sectors	2	3	4	5	6	7	7+	Total
Public	7	4	14	8	4	6	4	47
Private	29	15	15	11	7	0	1	78
Public (%)	5.6	3.2	11.2	6.4	3.2	4.8	3.2	37.6
Private (%)	23.2	12.0	12.0	8.8	5.6	0.0	0.8	62.4
Total	28.8	15.2	23.2	15.2	8.8	4.8	4.0	100.0

Source: Field Survey, 2012

Two members' family (28.8%) and the four members' family (23.2%) are the central tendency groups (52%). Three members' (15.2%) and five members' family (15.2%) are in the next but other groups are insignificant. On the other hand, the family size indicates the burden of the family chief. Due to family burden sometimes microcredit uses in other than income generating activities i.e. for family consumption. BRAC and Samadhan

distributed credit only into the micro family i.e. husband-wife family, though other government and non-government agencies distributed credit to different groups.

7.1.3 Information about Organization

Microcredit borrowers have demand for capital. To meet the demand, information in time is significant to them. How do they get information about credit supplying was also a query in the questionnaire.

Table 7.6: Information about NGOs

Sectors			Govt. Office	NGO Worker	Relative/Friends	others
Public	BRDB	Mymensingh	0	0	0	0
		Jessore	0	1	0	0
	BKB	Mymensingh	0	0	0	0
		Jessore	0	0	0	0
	Youth	Mymensingh	0		0	0
	Total		0	1	0	0
Private	GB	Mymensingh	0	12	0	0
		Jessore	0	8	3	1
	ASA	Mymensingh	0	8	3	0
		Jessore	0	3	5	0
	IBBL	Mymensingh	0	0	0	0
		Jessore	0	6	0	0
	BRAC	Jessore	0	0	10	0
	Samadhan	Jessore	0	3	4	0
Total		0	40	25	1	
G Total		0	41	25	1	

Source: Field Survey, 2012

Most of the borrowers (66) were informed about NGO by the NGO workers and relatives or friends. Public sector borrowers don't reply regarding how do they informed about microcredit agencies. The causes behind that the government agencies like, BRDB, BKB and Department of Youth Development are well known and their officials normally don't go to the credit demanded people. Rather, for their own necessity, people go to these agencies. But it is difficult for the private sector which is shown on the table. NGO

workers themselves reach to the credit demanded people and arrange credit for them. So, private sector is relatively efficient.

7.1.4 Family Members' Age Distribution

Family members' age distribution is significant to the microcredit users. With a few exceptions, borrowers receive credit for income generating activities. They utilize credit, as well as family working forces participate to increase income. Hired labor is seldom used in microcredit investment. Efficient age group family members contribute in income increase.

Table 7.7: Age Wise Family Members Distribution

Sectors		0-18	19-40	41-60	60+	
Public	BRDB	Mymensingh	19	15	9	1
		Jessore	17	18	10	0
	BKB	Mymensingh	17	16	18	1
		Jessore	10	9	5	1
	Youth	Mymensingh	24	24	10	6
Total		87	82	52	9	
Private	GB	Mymensingh	20	21	6	1
		Jessore	16	26	4	1
	ASA	Mymensingh	25	19	10	0
		Jessore	9	14	6	0
	IBBL	Mymensingh	17	17	9	2
		Jessore	7	12	5	1
	BRAC	Jessore	9	2	3	3
Samadhan	Jessore	6	0	13	4	
Total		109	111	56	9	
G Total		196	193	108	18	

Source: Field Survey, 2012

The table shows that both the public and private sector borrowers age group is effective in nature and the ratio of dependent members is economy and logical.

7.1.5 Borrowers' Socio-economic Life

7.1.5.1 Expenditure in Education

Expenditure in education is one of the socio-economic indicators of the family if that family has education aged children. Microcredit borrowers' yearly expenditure in education is shown in the table 7.8A and 7.8B. The tables show that both public and private sector borrowers expense in education after credit as well as before credit.

Table 7.8A: Respondents' expenditure in education (yearly)						
Sectors			Numbers		Average expenditure	
			present	before	present	before
Public	BRDB	Mymensingh	7	2	2,370.0	500.0
		Jessore	7	4	8,166.7	611.1
	BKB	Mymensingh	6	4	6,937.5	3,625.0
		Jessore	6	6	7,285.7	7,442.9
	Youth	Mymensingh	9	7	16,750.0	5,500.0
Total		35	23	8,302.0	3,535.8	
Private	GB	Mymensingh	6	6	3,308.3	2,175.0
		Jessore	6	4	4,166.7	2,458.3
	ASA	Mymensingh	5	2	1,190.9	1,863.6
		Jessore	4	4	1,437.5	875.0
	IBBL	Mymensingh	4	4	5,400.0	4,700.0
		Jessore	3	3	1,400.0	6,250.0
	BRAC	Jessore	5	3	1,045.5	681.8
	Samadhan	Jessore	4	4	2,457.1	3,714.3
	Total		37	30	2,550.8	2,839.8
G Total		72	53	5,426.4	3,187.8	

Source: Field Survey, 2012

Table 7.8B: Respondents' expenditure in education (yearly/summery)				
Sectors	Numbers		Average expenditure (Tk.)	
	present	before	present	before
Public	35	23	8302	3536
Private	37	30	2551	2840

Source: Field Survey, 2012

The yearly expenditure in education of the borrowers' increases at present with the comparison to before getting credit. Where, the average yearly expenditure in education of before credit was 3,187.8 taka, then, it becomes taka 5,426.4 after credit. The expenditure in education increases by 70%. The borrowers expense 70% more in education for their children after credit than before receive credit. Income increase, more child schooling, increase the price of educational instruments are the causes of the increment of the expenditure in education. But in private sector, yearly average expenditure in education decreases though the average expenditure increases.

7.1.5.2 Land Purchase

Land purchase is the indicator of financial condition of rural people. Those who purchase land have the cash flow and regular income and are leading life over the poverty line. After maintaining family expenses and repaying installment, some borrowers become able to save and try to purchase land which is the best investment in rural area.

Table 7.9: Land Purchase

Sectors			number	total
Public	BRDB	Mymensingh	3	10
		Jessore	1	9
	BKB	Mymensingh	2	8
		Jessore	2	7
	Youth	Mymensingh	5	10
Total			13	44
Private	GB	Mymensingh	5	12
		Jessore	1	12
	ASA	Mymensingh	3	11
		Jessore	0	8
	IBBL	Mymensingh	3	10
		Jessore	1	10
	BRAC	Jessore	1	11
	Samadhan	Jessore	1	7
Total			15	81
G Total			28	125

Source: Field Survey, 2012

Randomly selected 125 respondents are interviewed of which 44 from public sector and 81 from private sector borrowers. Among 125 borrowers, 28 borrowers purchase land, where 15 private sector and 13 public sector borrowers. Five youth borrowers of public sector and another five GB borrower of private sector purchase land and these are the highest number among the agencies.

7.1.5.3 Savings Behavior

As an economic indicator, savings behavior shows the trend of borrowers' financial condition. Microcredit borrowers save because of the credit worthiness and creation of own capital for future. Microcredit agencies normally organize the similar probable borrowers in a group, motivate and make them to create savings. After a few months when the amount of savings reaches in a reasonable amount, it is treated as creditworthiness. So, savings is the pre-condition of getting loan of most of the agencies. Motivation and habituation of savings make the borrowers committed for savings. For capital formation i.e. creation of own capital to stand herself/himself self sustainable, the borrowers also save money to the agencies, banks or others.

Table 7.10A: Respondents' savings behavior

Sectors		Own house	To relative	To friend	Post office	cooperative	bank	others	total	
Public	BRDB	Mymen	0	0	0	0	3	4	0	7
		Jessore	2	0	0	0	2	4	0	8
	BKB	Mymen	0	0	0	0	2	0	1	3
		Jessore	4	0	0	0	1	2	0	7
	Youth	Mymen					1	5	1	7
Total		6	0	0	0	9	15	2	32	
Private	GB	Mymen	0	0	0	0	7	1	2	10
		Jessore	3	0	0	0	8	1	0	12
	ASA	Mymen	0	0	0	0	9	0	2	11
		Jessore	5	0	0	0	1	0	0	6
	IBBL	Mymen	0	0	0	0	1	10	0	11
		Jessore	1	0	0	0	4	3	0	8
	BRAC	Jessore	7				1			8
	Samadhan	Jessore							1	1
Total		16	0	0	0	31	15	5	67	
G Total		22	0	0	0	40	30	7	99	

Source: Field Survey, 2012

Table 7.10B: Respondents' savings behavior (%)								
Sectors	Own house	To relative	To friend	Post office	cooperative	bank	others	total
Public	6	0	0	0	9	15	2	32
Private	16	0	0	0	31	15	5	67
Public (%)	6.1	0.0	0.0	0.0	9.1	15.2	2.0	32.3
Private (%)	16.2	0.0	0.0	0.0	31.3	15.2	5.1	67.7
Total	22.2	0.0	0.0	0.0	40.4	30.3	7.1	100.0

Source: Field Survey, 2012

The above table (table 7.10 A and 7.10 B) show the savings behavior of the borrowers. More than 70% (40.4+30.3) borrowers create savings to cooperative and bank where cooperative is on the (40.4%). Capital formation for own business, only 22.2% borrowers keep their money in own house. Nobody saves to relative or to friend. Post office, as a government agency has different savings scheme. But the rural microcredit borrowers don't keep money there because of unknown to them or distant from their resident, or don't feel comfort etc. Out of 125 (table 7.10 A), 99 borrowers of both from public and private sectors save money either bank or cooperative or in own house. Savings trend of public sector borrowers is to bank where private sector borrowers prefer to save at cooperative, except IBBL borrowers. But 26 (125-99) borrowers don't save, because either they have no condition for compulsory saving or have not surplus money for savings.

7.1.5.4 Use of Homestead land and Cultivable Land

Among the microcredit borrowers, only 5 borrowers live in others house i.e. they have no homestead land of their own. But other 120 borrowers have their own homestead land and live in own house and its average area are 17.5 decimal. Public sector borrowers' homestead land area is 20.9 decimal though for private sector it is 14.1 decimal.

Table 7.11(1)A: Respondents' homestead land							
Sectors			Live in others house		Live in own house		
			numbers	Average area (decimal)	numbers	Average area (decimal)	
Public	BRDB	Mymen			10	12.7	
		Jessore	1		8	22.4	
	BKB	Mymen			8	11.6	
		Jessore			7	55.9	
	Youth	Mymen			10	14.5	
		Jessore					
	Total		1	0	43	20.9	
	Private	GB	Mymen			12	5.3
			Jessore	2		10	11.2
		ASA	Mymen			11	3.6
Jessore			1		7	12.3	
IBBL		Mymen			10	6.2	
		Jessore			10	28.3	
BRAC		Jessore	1		10	23.7	
Samadhan					7	22.4	
		Jessore					
Total			4	0	77	14.1	
G Total		5	0	120	17.5		

Source: Field Survey, 2012

Table 7.11(1)B: Respondents' homestead land (summary)				
Sectors	Live in others house		Live in own house	
	numbers	Average area (decimal)	numbers	Average area (decimal)
Public	1	0	43	20.9
Private	4	0	77	14.1

Source: Field Survey, 2012

Average homestead land size is a little bit bigger and there is spare place other than residence use, has a scope for vegetable gardening, fruit tree plantation, small poultry, cow rearing etc. Thus, the homestead area can be converted into an economic zone. Proper utilization of homestead land increases family income. The use of homestead land, other than resident only can be seen on the table 7.12 A and 7.12 B.

Table 7.12A: Utilization of homestead land (decimal)								
Sectors			Room	Garden	Pond	Vegetable	Other	Total
Public	BRDB	Mymen	3	4	2	2	1	13
		Jessore	9	5	4	1	1	20
	BKB	Mymen	3	2	6	1	1	12
		Jessore	11	22	19	4	0	56
	Youth	Mymen	3	2	4	3	2	15
Total			6	7	7	2	1	23
Private	GB	Mymen	3	0	2	0	0	5
		Jessore	4	3	2	0	0	9
	ASA	Mymen	2	1	1	0	1	4
		Jessore	6	5	1	0	0	11
	IBBL	Mymen	2	2	1	1	1	6
		Jessore	7	12	10	0	0	28
	BRAC	Jessore	6	12	2	0	0	19
	Samadhan	Jessore	7	11	4	0	0	22
Total			4	6	3	0	0	13
G Total			10	13	10	2	1	36

Source: Field Survey, 2012

Table 7.12B: Utilization of homestead land (decimal/summary)						
Sectors	Room	Garden	Pond	Vegetable	Other	Total
Public	6	7	7	2	1	23
Private	4	6	3	0	0	13

Source: Field Survey, 2012

The tables show that the homestead lands are used as garden, pond, vegetable and also for others. It indicates that the borrowers are conscious about the proper use of land.

Cultivable land and use of cultivable land indicate the financial condition of the borrowers. Table 7.11(2)A and 7.11(2)B have shown the respondents' availability of cultivable land.

Table 7.11(2)A: Respondents' cultivable land

Sectors			Don't have cultivable land		Have cultivable land	
			numbers	Average area (decimal)	numbers	Average area (decimal)
Public	BRDB	Mymen	0	0	10	42
		Jessore	0	0	9	68
	BKB	Mymen	1	0	7	142
		Jessore	0	0	7	151
	Youth	Mymen	0	0	10	100
	Total		1	0	43	101
Private	GB	Mymen	7	0	5	38
		Jessore	7	0	5	52
	ASA	Mymen	9	0	2	13
		Jessore	4	0	4	17
	IBBL	Mymen	5	0	5	32
		Jessore	1	0	9	88
	BRAC	Jessore	3	0	8	65
	Samadhan	Jessore	2	0	5	81
	Total		38	0	43	48
G Total		39	0	86	74	

Source: Field Survey, 2012

Table 7.11(2)B: Respondents' cultivable land (summary)

Sectors	Don't have cultivable land		Have cultivable land	
	numbers	Average area (decimal)	numbers	Average area (decimal)
Public	1	0	43	100.6
Private	38	0	43	48.3

Source: Field Survey, 2012

A remarkable number of borrowers (39) don't have cultivable land of which only one in public sector and 38 in private sector. BRDB and BKB do prefer farmers for crediting and these agencies are included in public sector. So, most of the borrowers in public sector have cultivable land and the average area is 101 decimal i.e. one acre. But the borrowers in private sector only 43 have cultivable land and the average area is 48.3 decimal which is less than half of public sector borrowers.

7.1.5.5 Sleeping Arrangement in Home

Sleeping arrangement in home is the indicator of socio-economic and cultural status. Table mentioned below shows the sleeping arrangement in the study areas i.e. microcredit recipient.

Table 7.13: Sleeping Arrangement at Home						
Sectors			Floor	Khat	Choki	Others
Public	BRDB	Mymen	0	4	7	0
		Jessore	0	5	4	0
	BKB	Mymen	0	3	5	0
		Jessore	0	2	6	0
	Youth	Mymen	0	8	6	0
	Total			0	22	28
Private	GB	Mymen	0	7	6	0
		Jessore	0	2	10	0
	ASA	Mymen	0	2	9	0
		Jessore	1	1	7	0
	IBBL	Mymen	0	4	8	0
		Jessore	0	8	2	0
	BRAC	Jessore	0	0	11	0
	Samadhan	Jessore	0	1	6	0
	Total			1	25	59
G Total			1	47	87	0

Source: Field Survey, 2012

Total respondents are 125 (public 44 and private 81), though in this table the number is 135 (87+47+1). Some borrowers use both khat (wooden cot) and Choki (lower quality wooden cot). Among 125 borrowers, only one borrower doesn't have khat or choki and sleeps on the floor of the cottage. But 87 borrowers have choki and 47 have khat (cot).

7.1.5.6 Child Mortality and its Causes & Age

Child mortality is a socio-economic indicator. It shows the health condition, food intake situation, medical facility etc. Number of child died family is 33 (out of 125) and it is

26% of the total family. The percentage is same at public and private sectors. The child mortality rate is the lowest at the Department of Youth Development, GB and IBBL. Youth borrowers are comparatively educated and conscious. GB has motivational and conscious creation program. Jessore IBBL borrowers' child mortality rates also the lowest. They are also health conscious.

Table 7.14A: Respondents' child mortality					
Sectors			Total family	Child died family	% of child died family
Public	BRDB	Mymen	10	3	30
		Jessore	9	2	22
	BKB	Mymen	8	2	25
		Jessore	7	4	57
	Youth	Mymen	10	1	10
Total		44	12	27	
Private	GB	Mymen	12	1	8
		Jessore	12	2	17
	ASA	Mymen	11	5	45
		Jessore	8	2	25
	IBBL	Mymen	10	4	40
		Jessore	10	1	10
	BRAC	Jessore	11	4	36
	Samadhan	Jessore	7	2	29
	Total		81	21	26
G Total		125	33	26	

Source: Field Survey, 2012

Table 7.14B: Respondents' child mortality (summery)			
Sectors	Total family	Child died family	% of child died family
Public	44	12	27.3
Private	81	21	25.9
Public (%)	35.2	9.6	21.8
Private (%)	64.8	16.8	20.7
Total	100.0	26.4	42.6

Source: Field Survey, 2012

7.1.5.7 Sources of Drinking Water

Source of drinking water is one of the indicators of life standard. Living standard regarding drinking water is shown by the tables. Almost every borrower uses tube well water except only one in Mymensingh. The significant finding is that 46.4% borrowers have own tube well and have safe water. Though 52.8% borrowers don't have own tube well but they drink safe water from others tube well.

Table 7.15A: Sources of drinking water (Number)							
Sectors			Surface water	well	Tube well (others)	Tube well (own)	total
Public	BRDB	Mymen	0	0	0	10	10
		Jessore	0	0	3	7	10
	BKB	Mymen	0	0	6	1	7
		Jessore	0	0	5	3	8
	Youth	Mymen	0	1	0	9	10
	Total			0	1	14	30
Private	GB	Mymen	0	0	9	3	12
		Jessore	0	0	7	5	12
	ASA	Mymen	0	0	9	2	11
		Jessore	0	0	4	4	8
	IBBL	Mymen	0	0	7	3	10
		Jessore	0	0	5	4	9
	BRAC	Jessore			6	5	11
	Samadhan	Jessore			5	2	7
	Total			0	0	52	28
G Total			0	1	66	58	125

Source: Field Survey, 2012

Table 7.15B: Sources of drinking water (%)					
Sectors	Surface water	well	Tube well (others)	Tube well (own)	total
Public	0	1	14	30	45
Private	0	0	52	28	80
Public (%)	0	0.8	11.2	24	36
Private (%)	0	0	41.6	22.4	64
Total	0	0.8	52.8	46.4	100

Source: Field Survey, 2012

Borrowers, both the public and private sectors, are under safe drinking water but in the point of ownership of tube well there is a reverse position. In private sector, among 80 borrowers only 28 have own tube well and 52 collect drinking water from others tube well. On the other hand, in public sector among 45 borrowers 30 borrowers have tube well of their own and other 14 depend on others tube well. In the rural area a tube well is shared by a number of families with a few exceptions.

7.1.5.8 Light Use in Home

Electricity use is the part of modern life and also the indicator of living standard. In the research areas 60% borrowers' residence are connected by electricity and use electricity for household consumption. Other 40% borrowers use kupa (open kerosene lamp) and hurricane (19.5 + 19.5). It varies within public and private sectors and public sector borrowers are in better position. In the public sectors 33 (out of 46) borrowers use electricity where as only 2 borrowers use kupa and 11 borrowers use hurricane. But in the private sector 23 borrowers (out of 82) depend on kupa for lighting in their houses and 14 borrowers use hurricane. So, the more borrowers in public sector are connected by electricity than private sector borrowers.

Table 7.16A: Light use in house								
Sectors			kupi	hurricane	electricity	others	total	
Public	BRDB	Mymen	0	7	4	0	11	
		Jessore	0	2	7	0	9	
	BKB	Mymen	1	1	6	0	8	
		Jessore	1	1	6	0	8	
	Youth	Mymen	0	0	10	0	10	
	Total			2	11	33	0	46
Private	GB	Mymen	2	0	10	0	12	
		Jessore	3	3	5	0	11	
	ASA	Mymen	1	2	8	0	11	
		Jessore	5	2	2	0	9	
	IBBL	Mymen	1	2	7	0	10	
		Jessore	0	4	7	0	11	
	BRAC	Jessore	9	1	1		11	
	Samadhan	Jessore	2	0	5		7	
	Total			23	14	45	0	82
	G Total			25	25	78	0	128

Source: Field Survey, 2012

Table 7.16B: Light use in house (%)					
Sectors	kupi	hurricane	electricity	others	total
Public	2	11	33	0	46
Private	23	14	45	0	82
Public (%)	1.6	8.6	25.8	0.0	35.9
Private (%)	18.0	10.9	35.2	0.0	64.1
Total	19.5	19.5	60.9	0.0	100.0

Source: Field Survey, 2012

7.1.5.9 Sanitation System

Sanitation is an important indicator of living standard which indicates social status, hygienic and health condition etc. Table 7.17A and 7.17B are the picture of sanitation

system used by the borrowers. It is significant that still now 10 (8.2%) borrowers, both public and private sector, use open field i.e. they don't have latrine. The central tendency on the table that the 42.6% borrowers use kacha (water sealed only but not hygienic) latrine. Only 22.1% borrowers use sanitary latrine but 27% borrowers have pakka (water sealed and semi sanitary) latrine.

Table 7.17A: Sanitation system used by the borrowers (numbers)							
Sectors		Open field	kacha	pakka	sanitary	others	
Public	BRDB	Mymen	1	2	2	5	
		Jessore	0	2	6	0	
	BKB	Mymen	0	5	1	1	
		Jessore	0	3	4	0	
	Youth	Mymen	0	1	1	8	
		Jessore					
	Total		1	13	14	14	
Private	GB	Mymen	1	6	0	5	
		Jessore	0	6	3	0	
	ASA	Mymen	3	7	0	1	
		Jessore	0	8	0	0	
	IBBL	Mymen	0	5	1	4	
		Jessore	0	3	6	1	
	BRAC	Jessore	5	0	7	2	
	Samadhan	Jessore	0	4	2	0	
	Total		9	39	19	13	
	G Total		10	52	33	27	

Source: Field Survey, 2012

Table 7.17B: Sanitation system used by the borrowers (numbers and %)						
Sectors	Open field	kacha	pakka	sanitary	others	Total
Public	1	13	14	14	0	42
Private	9	39	19	13	0	80
Public (%)	0.8	10.7	11.5	11.5	0.0	34.4
Private (%)	7.4	32.0	15.6	10.7	0.0	65.6
Total	8.2	42.6	27.0	22.1	0.0	100.0

Source: Field Survey, 2012

In comparison between public and private sector, the tables show that in public sector, only one borrower's family uses open field where as it is 9 for private sector. Private sector borrowers' frequency is the highest at kacha latrine i.e. 39 borrowers use kacha latrine. But two-third public sector borrowers have pakka or sanitary latrine. BRDB, BKB and Department of Youth Development provide microcredit to them who have some agricultural land or unemployed educated youths. So, public sector sanitation achievement is better than private sector. Due to the different government initiatives in rural area for increasing sanitation coverage, the over all sanitation improves.

7.1.5.10 Health Service Acceptance

Over all health service situation is fair and desired. More than 80% borrowers go to allopathic doctor for treatment and 15.7% borrowers depend on homoeopathy for this. An insignificant number depend on other than modern medical facilities. Both public and private sector borrowers' achievements are similar.

Table 7.18A: Health service accepted by the borrowers (numbers)							
Sectors			Peer/ fakir	quack	homeo	allopath	others
Public	BRDB	Mymen	0	0	0	10	0
		Jessore	0	0	3	8	1
	BKB	Mymen	0	0	0	8	0
		Jessore	0	0	1	7	1
	Youth	Mymen	0	0	2	8	0
	Total		0	0	6	41	2
Private	GB	Mymen	0	1	0	9	0
		Jessore	0	0	5	9	0
	ASA	Mymen	1	0	1	9	0
		Jessore	0	0	1	7	0
	IBBL	Mymen	0	0	2	10	0
		Jessore	0	0	5	8	0
	BRAC)	Jessore				7	
	Samadhan	Jessore			1	9	
	Total		1	1	15	68	0
	G Total		1	1	21	109	2

Source: Field Survey, 2012

Table 7.18B: Health service accepted by the borrowers (numbers and %)

Sectors	Peer/ fakir	quack	homeo	allopath	others	Total
Public	0	0	6	41	2	49
Private	1	1	15	68	0	85
Public (%)	0.0	0.0	4.5	30.6	1.5	36.6
Private (%)	0.7	0.7	11.2	50.7	0.0	63.4
Total	0.7	0.7	15.7	81.3	1.5	100.0

Source: Field Survey, 2012

7.1.5.11 Participation for National and Local Election

Participation in election is the important indicator of social empowerment. Construction of rural power structure depends on local elections which make public representative in different stages. Rural power structure tries to control the rural resources, rural business, different inputs etc. Rural poor people have a little control over these resources. Unity of poor strengthens them and helps them to control over those resources. Forming in a group is the pre-condition of credit worthiness. Formation of group, election of leader of the group, weekly or monthly meeting and other motivation make their unity stronger. They are socially conscious and also conscious about their common interest. So, they participate in different elections and in some cases become candidate where they suit.

Table 7.19A: Vote casting for election

			Vote cast		From age		Vote pray by candidate		
Sectors			yes	no	18	others	At home	In the way	By others
Public	BRDB	Mymen	10		10		10		
		Jessore	9		9		9		
	BKB	Mymen	8		8		8		
		Jessore	8		8		8		
	Youth	Mymen	10		10		10		
	Total			45	0	45	0	45	0
Private	GB	Mymen	2		2		2		
		Jessore	12		12		12		
	ASA	Mymen	11		11		11		
		Jessore	8		8		8		
	IBBL	Mymen	10		10		10		
		Jessore	10		10		10		
	BRAC	Jessore	8		8		8		
	Samadhan	Jessore	7		7		7		
	Total			68	0	68	0	68	0
G Total			113	0	113	0	113	0	0

Source: Field Survey, 2012

Table 7.19B: Vote casting for election (Number and %)

Sectors	Vote cast		From age		Vote pray by candidate		
	yes	no	18	others	At home	In the way	By others
Public	45	0	45	0	45	0	0
Private	68	0	68	0	68	0	0
Public (%)	39.8	0.0	39.8	0.0	39.8	0.0	0.0
Private (%)	60.2	0.0	60.2	0.0	60.2	0.0	0.0
Total	100.0	0.0	100.0	0.0	100.0	0.0	0.0

Source: Field Survey, 2012

The above tables (7.19A and 7.19B) show that 100% voter cast their votes in every election from attaining the age of voter (18 year). Not only that the candidates come to their home for praying vote. Public and private sector borrowers are equally conscious and empowered.

Table 7.20A: Candidature in Local Level Election (numbers)					
Sectors			Elected	Nominated	Total
Public	BRDB	Mymen	1	2	3
		Jessore	3		3
	BKB	Mymen	3		3
		Jessore	1		1
	Youth	Mymen	3		3
	Total		11	2	13
Private	GB	Mymen	0		0
		Jessore	0		0
	ASA	Mymen	0		0
		Jessore	0		0
	IBBL	Mymen	0	1	1
		Jessore	0	2	2
	BRAC	Jessore	0		0
	Samadhan	Jessore	0		0
	Total		0	3	3
G Total		11	5	16	

Source: Field Survey, 2012

Table 7.20B: Candidature in Local Level Election (numbers and %)			
Sectors	Elected	Nominated	Total
Public	11	2	13
Private	0	3	3
Public (%)	68.75	12.5	81.25
Private (%)	0	18.75	18.75
Total	68.75	31.25	100

Source: Field Survey, 2012

Another empowerment of the borrowers is seen on the table 7.20A and 7.20B. Among 125 borrowers 16 are elected or nominated in the union parisad, school, madrasa, mosque, club, BRDB committees. But between the sectors, public and private, public sector is ahead. Among above mentioned 16 borrowers 13 are from public sector. Not only that 11 of them are elected through competition, where only 2 are selected. Among total 16 borrowers, 3 borrowers from private sector and all of them are nominated.

7.1.6 Credit Profile

7.1.6.1 Utilization of Microcredit

Utilization of microcredit is important for the borrowers. Borrowers receipt credit for different purposes like, agriculture, small business, cow rearing, rickshaw purchase, and other income generating activities and also for house building, drinking water, loan repayment, treatment etc. Sometimes rural poor need credit for bearing marriage ceremony cost of daughter, to meet the demand of dowry, children's education, family feeding etc. Impact of microcredit depends on the proper utilization. Household consumption, treatment, loan repayment and use like this don't have any positive impact and this credit with interest creates hazard for the borrowers. Ultimately, borrowers have to face distress sale of assets, reduction of asset to repay claimed demand by the credit supplying agencies. But the credit utilized for income generating activities accordingly impacts positively for the borrowers. It increases income which ensures repayment, asset increase and better life.

Table 7.21A: Utilization of microcredit by borrowers (Numbers)

Sectors		Agri	Busi	Rickw	Cow	Loan Ry	Trtmt	others	
Public	BRDB	Mymen	0	0	0	0	0	10	
		Jessore	5	0	0	1	0	0	3
	BKB	Mymen	0	3	0	0	0	0	5
		Jessore	0	3	0	0	0	0	4
	Youth	Mymen	0	0	0	0	0	0	10
Total		5	6	0	1	0	0	32	
Private	GB	Mymen	3	5	1	0	0	0	3
		Jessore	2	0	1	3	3	0	3
	ASA	Mymen	0	2	2	6	0	0	1
		Jessore	0	1	1	1	2	0	3
	IBBL	Mymen	0	0	0	0	0	0	10
		Jessore	8	1	0	0	0	0	1
	BRAC	Jessore	4	1	0	1	3	0	2
	Samadhan	Jessore	4	0	0	0	2	0	1
Total		21	10	5	11	10	0	24	
G Total		26	16	5	12	10	0	56	

Source: Field Survey, 2012

Table 7.21B: Utilization of micro credit by borrowers (Numbers and %)

Sectors	Agri	Busi	Rickw	Cow	Loan Ry	Trtmt	others	Total
Public	5	6	0	1	0	0	32	44
Private	21	10	5	11	10	0	24	81
Public (%)	4.0	4.8	0.0	0.8	0.0	0.0	25.6	35.2
Private (%)	16.8	8.0	4.0	8.8	8.0	0.0	19.2	64.8
Total	20.8	12.8	4.0	9.6	8.0	0.0	44.8	100.0

Source: Field Survey, 2012

The utilization of microcredit by borrowers of the research areas are shown on the tables 7.21A and 7.21B. As individual item agriculture sector is the highest user of microcredit. More than 20% borrowers invest their received credit for agriculture. Borrowers also repaid others loan from this credit (8%). Around 45% borrowers utilized credit other than agriculture, business, and cow rearing or loan repayment i.e. other than income generating activities or house building etc. One-third borrowers invest their credit in cultivation and small business. It is interesting that BKB credit is utilized other than agriculture production. On the other hand GB, IBBL, BRAC and Samadhan credit is invested in agriculture. So, utilization of credit doesn't depend on the desire of the agencies, rather depends on the utilization capacity of the borrowers. Microcredit agencies sanction credit to ensure recovery and borrowers demand credit for their necessity. So, there is a gap between sanction condition for utilization of credit and actual use of credit.

7.1.6.2 Loan Size

Loan sizes are grouped in 5 classes, 5,000 taka at the lowest and 20,000 taka and above in the highest class. The over all modal class is taka 5,000 to 10,000 taka and the least frequency within taka 10,001 to 15,000 taka.

Loan size is important for utilization of loan. According to the size of loan borrowers make their plan of investment. Otherwise, it can be said that amount of credit is sanctioned by the agencies to the borrowers according to their utilization capacity or creditworthiness. Effective use and efficient disbursement of credit only can increase the

income of the borrowers. Otherwise, credit becomes the liabilities for the borrowers. Size of credit is also the precondition of effective use.

Table 7.23A: Distribution of loan size							
Sectors			<5000	5001-10000	10001-15000	15001-20000	20000+
Public	BRDB	Mymen	9	1			
		Jessore		1	2	6	
	BKB	Mymen	7	1			
		Jessore	1	1	1	2	2
	Youth	Mymen					10
Total		17	4	3	8	12	
Private	GB	Mymen	2	3	5	2	
		Jessore	2	2	2	4	2
	ASA	Mymen	1	3	2	2	3
		Jessore		5	1	2	
	IBBL	Mymen		6	1	3	
		Jessore			4	5	1
	BRAC)	Jessore	1	5	2	2	1
	Samadhan	Jessore		1	1		5
Total		6	25	18	20	12	
G Total			23	29	21	28	24

Source: Field Survey, 2012

Table 7.23B: Distribution of loan size (summery)						
Sectors	<5000	5001-10000	10001-15000	15001-20000	20000+	Total
Public	17	4	3	8	12	44
Private	6	25	18	20	12	81
Public (%)	13.6	3.2	2.4	6.4	9.6	35.2
Private (%)	4.8	20.0	14.4	16.0	9.6	64.8
Total	18.4	23.2	16.8	22.4	19.2	100.0

Source: Field Survey, 2012

The credit sizes and its ratios are shown on the tables 7.23A and 7.23B. Every group has a significant number of borrowers. But it varies within public and private sectors. Most of the public sector borrowers received credit amount of taka 5,000 or above 20,000 taka. From 5,001 taka to 20,000 taka i.e. within three groups, there are only 15 borrowers.

Where as, out of 44 borrowers 27 borrowers are in two marginal groups. On the other hand, in the private sector, most of the borrowers are in the middle three groups i.e. 25 in 5,001 to 10,000, 18 in 10,001 to 15,000 and 20 in 15,001 to 20,000 taka group. But only 6 in the 5,000 taka group and 12 in the above 20,000 taka group out of 81 the total.

7.1.6.3 Duration of Microcredit Use

In the research areas borrowers are micro crediting up to long 20 years. According to the duration of microcredit use, the borrowers have been grouped into five.

Table 7.24A: Duration of Microcredit Use (year)						
Sectors	Up to 5	5-9	10-14	15-19	20+	Total
Public	28	9	3	4		44
Private	56	8	8	9		81
Public(%)	22.4	7.2	2.4	3.2	0.0	35.2
Private (%)	44.8	6.4	6.4	7.2	0.0	64.8
Total	67.2	13.6	8.8	10.4	0.0	100.0

Source: Field Survey, 2012

Table 7.24B: Duration of loan utilization (numbers and %)						
Sectors	5 years	10 years	15 years	20 years	20+	Total
Public	28	9	3	4	0	44
Private	56	8	8	9	0	81
Public (%)	22.4	7.2	2.4	3.2	0	35.2
Private (%)	44.8	6.4	6.4	7.2	0	64.8
Total	67.2	13.6	8.8	10.4	0	100

Source: Field Survey, 2012

The above tables indicate the duration of microcredit use. Among the borrowers, 67.2% of them have been using credit for 5 years. The next is 10 years group and 13.6% borrowers are in this group. Next two groups represent below 20% borrowers. 32.8% borrowers have been utilizing microcredit for 10 years and above. Both the public and private sectors borrowers' modal group is 5 years. So, there is no discrimination between the sectors.

The main objectives of borrowing microcredit are to increase income, become self-sustain and be poverty free. Positive impact and longtime use of credit help to achieve the objectives. So, longtime crediting may the indicator of positive impact.

7.1.6.4 Installment Type

Installment type means, how installment be paid by the borrowers. Borrowers receive credit i.e. certain amount of money at a time but repaying systems varies. Installment type also indicates the effectiveness and efficiency of microcredit.

Table 7.25A: Installment Type (Numbers)								
Sectors			Yearly	Half-yearly	Quarterly	Monthly	Weekly	Daily
Public	BRDB	Mymen	0	0	0		0	0
		Jessore	0	0	0		0	0
	BKB	Mymen	0	0	0		0	0
		Jessore	0	0	0		0	0
	Youth	Mymen	0	0	0	0	0	0
	Total		0	0	0	0	0	0
Private	GB	Mymen	0	0	0		12	0
		Jessore	0	0	0		12	0
	ASA	Mymen	0	0	0		11	0
		Jessore	0	0	0		4	0
	IBBL	Mymen	0	0	0		0	0
		Jessore	0	0		4	0	0
	BRAC	Jessore	0	4		2	1	0
	Samadhan	Jessore	0	0	0		10	0
	Total		0	4	0	6	50	0
G Total		0	4	0	6	50	0	

Source: Field Survey, 2012

Table 7.25B: Installment Type (summery)							
Sectors	Yearly	Half-yearly	Quarterly	Monthly	Weekly	Daily	Total
Public	0	0	0	0	0	0	0
Private	0	4	0	6	50	0	60
Public (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private (%)	0.0	6.7	0.0	10.0	83.3	0.0	100.0
Total	0.0	6.7	0.0	10.0	83.3	0.0	100.0

Source: Field Survey, 2012

The above tables (7.25A and 7.25B) show the distribution of installment type. Information was collected from 125 borrowers of which 44 from public sector and 81 from private sector. No public sector respondent has answered the question regarding installment type. Government sector agencies like BRDB, BKB or Department of Youths Development have no specific installment type. After getting loan, borrowers can repay any time, part of the loan or the total amount. For part payment interest is charged accordingly and for rest of the amount interest is charged on reducing balance method, not flat rate method.

In the case of private sector loan, installment basically is repaid weekly with a few exceptions, monthly or half-yearly. A part of borrowers like weekly installment and they argue that the burden of loan reduces every week which is small in amount. Half-yearly or yearly installment amount become big and it is difficult to keep in hand. The other part of the borrowers claims that it is difficult to repay weekly. Their argument is that there is some investments which do not create income or return in a week a in any short time. Even it takes six months or a year. So, repay in a week is not logical and it should be return based.

7.1.6.5 Installment Repayment Type

Installment repayment type means that how the installment is collected. For repaying loan whether the borrowers have to go the office or it is collected by the agencies, is the indicator of credit efficiency. NGO workers collect installments from a fixed place of the village or a area or from the home of the borrowers are the popular practices. Sometimes, borrowers have to go to the agency office. Others are also there like, borrowers give the group leader and agency workers collect it from the leader.

Table 7.26A: Installment Repayment Type

Sectors			To office	Fixed Place	From home	NGO worker	Others
Public	BRDB	Mymen	0	3	0	0	0
		Jessore	0	4	0	0	0
	BKB	Mymen	0	0	0	0	8
		Jessore	0	0	0	0	8
	Youth	Mymen	0	0	0	0	10
	Total		0	7	0	0	26
Private	GB	Mymen	0	10	0	1	0
		Jessore	0	11	0	0	0
	ASA	Mymen	0	11	0	0	0
		Jessore	0	8	0	0	0
	IBBL	Mymen	0	0	0	0	0
		Jessore	0	0	0	0	0
	BRAC	Jessore	0	10	0	0	1
	Samadhan	Jessore	1	5	0	2	1
	Total		1	55	0	3	2
	G Total		1	62	0	3	28

Source: Field Survey, 2012

Table 7.26B: Installment Repayment Type (summery)

Sectors	To office	Fixed Place	From home	NGO worker	Others	Total
Public	0	7	0	0	26	33
Private	1	55	0	3	2	61
Public (%)	0.0	7.4	0.0	0.0	27.7	35.1
Private (%)	1.1	58.5	0.0	3.2	2.1	64.9
Total	1.1	66.0	0.0	3.2	29.8	100.0

Source: Field Survey, 2012

The above tables (7.26A and 7.26B) show the installment repayment type. Out of 44 respondents of public sector 33 answered the question and from private sector out of 81, response 61. Others don't follow any fix system and avoid giving answer. Installment collected from a fixed place is the most practiced system (66%). This practice is borrower-friendly system also.

7.1.6.6 Preferable Sector in Microcredit

Poverty is one of the characteristics of Bangladesh economy. Different initiatives are there to eradicate poverty. GoB and NGOs have multiple programs in rural and urban areas. Government agencies and NGOs are working in the same area as well as to same person or community. Due to the demand for capital people receive credit from more than one organization at the same time. Both government and private sector agencies are playing in the same field and the same area. People i.e. borrowers have opportunity to compare and evaluate the relative efficiency of the organizations. Now they have scope to chose and switchover from one organization to another one.

Table 7. 27: Percentage of Preferable Sector in Microcredit

Sectors	Govt.	Private	Total
Public	44	1	45
Private	25	53	78
Total	69	54	123
%	56	44	100

Source: Field Survey, 2012

The table expresses the preference of microcredit borrowers only between the public and private sectors. Lower interest rate and liberty of choice of the repayment schedule are the causes of preference to public sector i.e. government agencies. On the other hand, private sector is relatively preferable to the borrowers because of the training & motivation, supervision of credit use, group responsibility and consultation, collateral free etc. Out of 125 respondents, 123 response regarding sector preference and 69 (56%) of them prefer public sector and 54 (44%) prefer private sector. Still now the public sector i.e. the government sector is relatively preferable to the borrowers.

7.1.6.7 Distance to be Crossed to get Loan

The efficiency of microcredit management depends on the distance which the borrowers have to cross it. Borrowers expect getting loan at their home or very near. But microcredit organizations always don't have the scope to reach the people at their door. In this context public and private sectors agencies' opportunities are different. NGOs have relative opportunities to reach near to the borrowers though government agencies have a little scope. The table mentioned below shows the difference.

Table 7.28: Distance to be Crossed to Get Loan								
Sectors			Less 1 km	1 km	2 km	3 km	4 km	more
Public	BRDB	Mymen						10
		Jessore					9	
	BKB	Mymen			8			
		Jessore				6	1	
	Youth	Mymen		2	6	2		
	Total			2	14	8	10	10
Private	GB	Mymen	12					
		Jessore		12				
	ASA	Mymen		11				
		Jessore			8			
	IBBL	Mymen		10			10	
		Jessore						
	BRAC	Jessore				11		
	Samadhan	Jessore					7	
	Total		12	33	8	11	17	
G Total		12	35	22	19	27	10	

Source: Field Survey, 2012

To get loan 47 (35+12) borrowers have to cross only one kilometer and it is mentionable that only 2 of them are from public sector. Public sector borrowers have to cross even more than 4 kilometers where private sector borrowers are limit within 4 kilometers. So, in the comparison of distance crossing private sector's efficiency is remarkable.

7.1.6.8 Kinds of Loan Other Than GO-NGO

Social capital concept is concerned with the microcredit field. Sometimes it becomes an alternative of collateral and plays an important role fulfilling the demand of credit. It is social interaction and goodwill or mass acceptance which becomes causes to overcome the socio-economic needs.

Government agencies, NGOs, local money lenders and relatives or friends are the sources of rural credit. Relatives or friends or local solvent persons meet a lion share of immediate demand of rural credit which depends on social capital and based on commodity loan.

Table 7.29: Kinds of Loan Other Than GO-NGO								
Sectors			Seeds	Fertilizer/ pesticide	Business goods	Household use goods	Other s	
Public	BRDB	Mymen	0	0	0	0	0	
		Jessore	0	0	0	0	0	
	BKB	Mymen	0	0	0	0	0	
		Jessore	0	0	0	0	0	
	Youth	Mymen	0	0	0	0	0	
	Total			0	0	0	0	0
Private	GB	Mymen	00	0	0	0	0	
		Jessore	0	0	0	0	0	
	ASA	Mymen	0	0	0	0	0	
		Jessore	0	0	0	0	0	
	IBBL	Mymen	0	0	0	0	0	
		Jessore	0	0	0	0	0	
	BRAC	Jessore	0	0	0	0	0	
	Samadhan	Jessore	0	0	0	0	0	
	Total			0	0	0	0	0
	G Total			0	0	0	0	0

Source: Field Survey, 2012

Table 7.29A: Kinds of Help Other Than GO-NGO

Sectors			Loan without interest	Loan in kind	Hire purchase	others
Public	BRDB	Mymen	0	0	0	0
		Jessore	0	0	0	0
	BKB	Mymen	0	0	0	0
		Jessore	0	0	0	0
	Youth	Mymen	0	0	0	0
	Total		0	0	0	0
Private	GB	Mymen	0	0	0	0
		Jessore	0	0	0	0
	ASA	Mymen	0	0	0	0
		Jessore	0	0	0	0
	IBBL	Mymen	0	0	0	0
		Jessore	0	0	0	0
	BRAC	Jessore	0	0	0	0
	Samadhan	Jessore	0	0	0	0
	Total		0	0	0	0
	G Total		0	0	0	0

Source: Field Survey, 2012

The above tables show that no commodity loan was distributed in the research areas by other than NGO or GO.

7.1.6.9 Borrowers Comparative Income

Income is the most important indicator of one's livelihood. The basic objective of microcredit is to increase the livelihood of the borrowers. Generating income is one of the ways of changing livelihood. The borrowers' yearly income information has been shown on the table 7.30A, 7.30B and 7.30 C. The summary table 7.30 C has been calculated from the tables 7.30A and 7.30B.

The income of the borrowers increases by 101% in the present year (2012) in comparison with before getting credit. But it varies between public and private sectors. After getting credit the income of the public sector borrowers' increases 133%, where as it is only 53% for the private sector borrowers'. In the study, the inflation does not considered and the real income not been calculated.

Table 7.30 A: Comparative average income (present year)

Sectors		land	Veg.	fruit	pond	poly	tree	L.s	bus	wk	
Public	BRDB	Mymen	35,400.0	7,000.0	1,200.0	700.0	2,520.0	3,150.0	4,000.0	22,300.0	
		Jessore	44,222.2	333.3	0.0	7,222.2	611.1	777.8	5,222.2	17,000.0	45
	BKB	Mymen	33,750.0	1,625.0	125.0	3,750.0	3,812.5	1,750.0	20,000.0	34,625.0	232
		Jessore	32,142.9	3,857.1	571.4	1,285.7	1,714.3	571.4	4,142.9	29,571.4	2
	Youth	Mymen	49,100.0	1,200.0	70,200.0	59,000.0	6,370.0	3,100.0	20,400.0	24,500.0	8
	Total		194,615.1	14,015.5	72,096.4	71,957.9	15,027.9	9,349.2	53,765.1	127,996.4	288
Average			38,923.0	2,803.1	14,419.3	14,391.6	3,005.6	1,869.8	10,753.0	25,599.3	57
Private	GB	Mymen	12,750.0	0.0	0.0	9,416.7	3,500.0	666.7	9,166.7	29,416.7	18
		Jessore	4,500.0	229.2	458.3	500.0	541.7	2,166.7	1,666.7	4,666.7	20
	ASA	Mymen	7,045.5	0.0	0.0	0.0	1,181.8	1,409.1	1,090.9	55,181.8	10
		Jessore	3,500.0	0.0	250.0	250.0	0.0	2,175.0	6,375.0	9,125.0	11
	IBBL	Mymen	14,250.0	0.0	0.0	600.0	1,700.0	1,700.0	35,100.0	80,080.0	11
		Jessore	50,800.0	1,300.0	500.0	3,300.0	950.0	4,100.0	6,000.0	3,400.0	6
	BRAC	Jessore	4,818.2	181.8	90.9	454.5	1,000.0	2,272.7	4,545.5	45,454.5	22
	Samadhan	Jessore	13,571.4	0.0	428.6	57,142.9	1,000.0	142.9	1,428.6	2,857.1	8
	Total		111,235.1	1,711.0	1,727.8	71,664.1	9,873.5	14,633.0	65,373.3	230,181.8	110
	Average			13,904.4	213.9	216.0	8,958.0	1,234.2	1,829.1	8,171.7	28,772.7
G Total			26,413.7	1,508.5	7,317.6	11,674.8	2,119.9	1,849.5	9,462.3	27,186.0	35

Source: Field Survey, 2012

Table 7.30 B: Comparative average income (before credit)

sectors		land	Veg.	fruit	pond	poly	tree	L.s	bus	
Public	BRDB	Mymen	27,500.0	3,800.0	1,300.0	320.0	880.0	1,400.0	2,200.0	12,500
		Jessore	31,888.9	222.2	0.0	777.8	222.2	555.6	777.8	444
	BKB	Mymen	24,000.0	1,500.0	125.0	1,312.5	262.5	1,412.5	2,375.0	5,000
		Jessore	27,428.6	1,714.3	142.9	1,500.0	300.0	1,614.3	2,714.3	5,714
	Youth	Mymen	33,500.0	0.0	60,150.0	43,500.0	10,000.0	1,600.0	18,000.0	4,100
	Total		144,317.5	7,236.5	61,717.9	47,410.3	11,664.7	6,582.3	26,067.1	27,758
	Average		28,863.5	1,447.3	12,343.6	9,482.1	2,332.9	1,316.5	5,213.4	5,551
Private	GB	Mymen	13,958.3	250.0	0.0	3,983.3	2,208.3	5,000.0	3,000.0	28,916
		Jessore	2,833.3	0.0	416.7	83.3	275.0	350.0	583.3	2,500
	ASA	Mymen	1,272.7	0.0	0.0	0.0	563.6	754.5	909.1	54,545
		Jessore	2,475.0	0.0	0.0	62.5	250.0	250.0	1,750.0	12,875
	IBBL	Mymen	11,300.0	0.0	0.0	600.0	300.0	0.0	3,100.0	93,000
		Jessore	42,800.0	950.0	500.0	1,100.0	250.0	2,200.0	5,000.0	2,200
	BRAC	Jessore	3,090.9	136.4	181.8	1,045.5	254.5	1,454.5	545.5	3,727
	Samadhan	Jessore	13,428.6	0.0	428.6	42,857.1	857.1	142.9	1,428.6	6,428
	Total		91,158.9	1,336.4	1,527.1	49,731.8	4,958.7	10,151.9	16,316.5	204,193
	Average		11,394.9	167.0	190.9	6,216.5	619.8	1,269.0	2,039.6	25,524
G Total		20,129.2	807.2	6,267.2	7,849.3	1,476.4	1,292.7	3,626.5	15,537	

Source: Field Survey, 2012

Table 7.30 C Income Change of the Borrowers (yearly)
(In taka)

Sectors	Present year	Before credit	Income increase (taka)	Income increase (%)
Public	1,99,986.9	85,714.1	1,14,272.8	133
Private	89,468.4	58,507.0	30,961.4	53
Average	1,44,727.7	72,110.5	72,617.2	101

Source: Field Survey, 2012

7.1.6.10 Training Analysis

It is a common belief that microcredit providers trained up the probable borrowers before credit supply. According to the training, NGOs provide credit to the borrowers and it is their hope that the supplied credit would be utilized properly that helps safe return of the money. These training include credit use, simple calculations, group sense, market information, social and health consciousness, empowerment etc. Table given below shows the training status of the research areas.

Table 7.31 Training Analysis

Sector		Training Provided	Loan Sanctioned According to Training
Public	BRDB	Yes (limited)	10 (yes), 9 (no)
	BKB	No	16 (no)
	Youth	Yes	6 (yes), 4 (no)
	Total	-	16 (yes), 29 (no) = 45
Private	GB	Yes	20 (yes), 4 (no)
	ASA	Yes	12 (yes), 7 (no)
	IBBL	Yes	19 (yes), 0 (no)
	BRAC	Yes	10 (yes), 1 (no)
	Samadhan	No	0 (yes), 7 (no)
	Total	-	61 (yes), 19 (no) = 80
Grand Total		-	77 (yes), 48 (no) = 125

Source: Field Survey, 2012

Local NGO, Samadhan does not provide training but supervise credit use. On the other hand, BKB has no program to train up the borrowers. Sometimes NGOs do not provide credit according to training. But the overall characteristic of NGO credit is before credit supply they trained up the probable borrowers. Department of Youth Development has training program but sometimes it does not cover all borrowers. BRDB has a limited training program.

Training and credit supply do not match always. Sometimes NGOs supply credit without giving training and sometimes supply credit not according to training. NGOs main target is only safe recovery of credit.

7.2 Supports Need to Improve the Livelihood

Borrowers view, improving their livelihood is an important issue in the microcredit literature. How do they think to change their lives are considered in the study. The total 125 borrowers opine as granting money, loan without interest, loan with interest less than 10% and allotment of land. The 38% rural borrowers claim that they would be able to improve their lives if credit is provided with less than 10% interest though 34% demand loan without interest and it is a slide different between public and private sector borrowers. On the other hand, 18% borrowers want to allot land and only 10% claim money grant i. e. non-repayable money.

Table 7.32: Supports Need to Improve the Livelihood

Sector	Grant money	Loan without interest	Loan with less than 10% interest	Allotment of land	Total nos
Public	5 (11%)	18 (40%)	12 (27%)	10 (22%)	45
Private	8 (10%)	25 (31%)	35 (44%)	12 (15%)	80
Total	13(10%)	43 (34%)	47 (38%)	22 (18%)	125

Source: Field Survey, 2012

7.3 Microcredit Management Comparison

A comparative analysis has been done mentioning interest/profit rate, training, group formation, motivation, collaterals, credit use supervision, credit duration, grace period, product purchase, insurance, rebate, target group, investment ceiling, savings and recovery rate. Information or data are shown on the table 7.33 for both the public and private sectors. Interest rate is the vital indicator of microcredit management. In this context public sector's position is more favorable than the private sector. With a few exception ASA (27% decreasing), BRAC (27% decreasing) and Samadhan (24% decreasing) are charging interest more than 20% though GB's rate is 20% flat rate but due to weekly installment actual interest rate is higher. In the case of disaster loan Samadhan charges interest only 9% and it is 20% for ultra poor. Private sector bank IBBL claims 10% profit that is the lowest among the selected private sector organizations. Public sector organizations' interest rates are dissimilar and it varies from program to program. Department of Youth Development supplies credit to the youths with 10% service charge as reducing balance method. As government organizations BRDB and BKB implement different government initiatives and provide special credit with reduced interest rates to the stakeholders. Government gives emphasis pulse, oilseed, spices and maize production, so that the rate of interest is only 4%. In favour of the government BRDB distributes loan to the Freedom Fighters and Ekti Barri Ekti Khamar (one house, one farm i.e. converting farmers' house into a farm and an economic zone) at the interest rate 8% and 1.5% respectively. On the other hand, BRDB charges 11% flat rate interest for its own fund and 27% for the fund borrowed from commercial banks which are as same as private sector. Training is one of the best tools of capacity building to the borrowers and proper utilization of credit. It is practiced here that before providing training a numbers of probable borrowers of similar position are organized in a group that help recovery of credit as indirect collateral which is the management indicator of microcredit. Samadhan, an NGO and BKB don't have training arrangement though in some cases BRDB provides training. Other organizations have training program. Microcredit program is associated with different motivational process that builds awareness among the borrowers. Microcredit organizations make the borrowers

aware of health, family planning, sanitation, education, drinking water, dowry, nutrition, women health, child mortality etc. All the selected organizations of the study area except BKB have motivational program. BRDB and BKB have no scope to sanction loan without collateral either land or FDR. Other organizations, both public and private sectors sanction credit without collateral but they have savings program that indirectly treated as collateral. In the public sector only BKB supervise credit use though all of the private organizations closely monitor credit use. Microcredit organizations provide credit minimum for 6 months and maximum for 2 years. Within the prescribed time, borrowers of BRDB and BKB of public sector and ASA of private sector have to repay but only Department of Youth Development has chance of grace period. All other private sector borrowers enjoy grace period of different durations. Microcredit users have to face difficulties with marketing their produces. No organization of the study area helps the borrowers purchasing their products. Public sector microcredit agencies have no insurance coverage for the borrowers though most of the private sector agencies have this coverage. Rebate on interest is given to the borrowers by the microcredit agencies as an incentive for advance repayment. Normally it is practiced there where flat rate of interest is claimed but for reducing balance system, rebate on interest is in built. IBBL gives the highest (2.5%) rebate on profit and BKB's rate of rebate is 2% but Department of Youth Development and GB have no scope though others have limited scope. Microcredit is basically target oriented and private and public sectors make difference in fixing target. Public sector targets farmers, landless people, unemployed youth, freedom fighters etc. whereas private sector's target is broader i.e. landless, farmers, women, neglected and ignored rural poor, small enterprise, destitute and distressed people etc. The range of investment ceiling is wide and it varies from agency to agency. The lower limit is 1000 taka and may be less but upper limit may be reached to 10 lac taka. ASA, IBBL and Department of Youth Development have a limited scope to increase the ceiling. Except BKB, almost every agency creates savings from the borrowers.

This savings ultimately plays role as collateral as well as insurance. Recovery rate is a vital issue in the microcredit industry. Recovery rates of the selected agencies in present study are 80% and above. It is significant that BKB's local recovery rate is 100% that

does not represent the national situation. But other two agencies BRDB and Department of Youth Development fail to reach recovery rate at 90%. On the other hand, in the case of private sector the recovery rates are more than 95%, except BRAC (94%).

Table 7.33: Microcredit Management Comparison

Management	Sectors							
	Public			Private				
	BRDB	BKB	Youths	GB	ASA	IBBL	BRAC	Samadhan
Interest/ profit	11% (flat, own fund), 27% (fund from bank), 8% (for freedom fighter), 1.5% (for Ekti Bari)	4%-pulse, oilseed, spices, maize 10%-crop 14.5% - term	10% (service charge as reducing balance)	20% (shown, actually higher)	27% (decreasing)	10% (flat)	27% (decreasing)	24% (decreasing) 20% (ultra Poor) 9% (disaster)
Training	Yes (limited)	No	Yes	Yes	Yes	Yes	Yes	No
Group formation	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Motivation	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Co-lateral	Yes (land)	Land, home, FDR	No (savings deposit)	No (savings deposit)	No	No	No	No
Credit use supervision	No	Yes	No	Yes	Yes	Yes	Yes	Yes
Credit duration	1 year	6 months-1 year	2 years	1 year (±)	1 year – 1.5 year	1-5 years	1 year to 1.5 year	6 month to 2 year
Grace period	No	No	1-3 months	Yes (2 weeks)	No	Yes	21 days	2 weeks to 5 months
Product purchase	No	No	No	No	No	No	No	No
Insurance	No	No	No	Yes	Yes	No	Yes (limited)	Yes (welfare fund)
Rebate	Yes	2%	No	No	Yes (limited)	2.5%	Yes (limited)	Yes
Target group	Farmer, landless, freedom fighter	Farmers	Unemployed youths	Neglected and ignored rural poor especially the women	Landless, female, small enterprise	Landless, farmers, destitute and distressed people (male and female)	Landless, female, business, income generating activities	Landless, farmers, female
Investment ceiling	7,000 to	Up to	Personal:	1000 to	5,000 to	15,000-	8,000 to	1,000 –

	2,00,000	10,00,000	20,000-40,000 Institution: 40,000-75,000	above	30,000	30,000 (±)	1,00,000	10,00,000
Savings	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Recovery rate	85% (±)	100% (local)	80% (±)	98% (±)	100% (±)	98% (±)	94% (±)	99% (±)

Source: Field Survey, 2012

7.4 Credit Overlapping and Comparative Advantages

In the rural areas of Bangladesh alarming poverty and unemployment situation appears as the main challenge to development. Poverty and unemployment are the result of low level of savings, lack of capital formation and employment opportunities etc. Because of the low level of income the rural poor face savings gap. They try to fill the gap by borrowing from the usurers who dominate the rural money market and charge exorbitant rate of interest. The rural poor use the loan both for consumption and investment purposes. In such a situation they need to be provided with soft credit by formal sources. Due to the inappropriate credit policy the rural poor could not get adequate credit from a single source.

In the past decades, government and private owned banks, government organizations, specialized institutions and microfinance NGOs have come into prominence with credit programs for fighting poverty in Bangladesh. These microfinance institutions are providing group-based credit to the poor for ensuring their wellbeing and protecting them from the exploitation of the usurers. Availability of sources and inadequate credit supply induce the borrowers lending from more than a single sources. Public and private sources are overlapped and the borrowers enjoy relative advantages from both the sectors.

7.4.1 Advantages of public sector credit over private sector

Borrowers enjoy the following advantages from public sector over private sector:

- (a) **Interest rate:** Overall interest rates of public sector are less in comparison to the private sector. Government organizations have special credit programs without interest or a very negligent rate of interest. The rural poor prefer credit without interest.
- (b) **Installment benefit:** Borrowers feel comfortable with the flexible installment system of public sector credit providers. They have liberty to repay credit at the end of the duration or any time they feel fit. Every installment may not give return weekly or monthly basis, rather production basis. The borrowers get privilege to repay credit after sale the produce. Therefore, it is a significant advantage to the borrowers.
- (c) **Decreasing rate of interest:** For advance payment borrowers become benefited by rebate or interest on the rest amount. Decreasing rate of interest is relatively preferred by the borrowers.
- (d) **Other issues:** Public sector organizations do not impose other conditions as the pre-requisite of credit worthiness. Borrowers feel it as an advantage over private sector.

7.4.2 Advantages of private sector credit over public sector

Private sector organizations' borrowers' friendly relationship attracts them and it is treated as advantages over public sector. Borrowers enjoy advantages as:

- (a) **Group formation:** Almost every NGO and private microcredit organizations form groups of different sizes chosen from separate households living in the same area and bearing same socio-economic and socio-cultural status or like-minded. A member of the group is elected as the chairman by whom the NGOs maintain financial discipline in the group level. A number of groups are organized under a center and the group leaders select/elect a member as center chief. The center manages the activities of the members under the center. The group based activities builds leadership quality and creates cooperative interaction among the members that ease their socio-economic life.

- (b) **Training:** The group members undergo training program that builds capacity and reveals their hidden qualities and potentialities.
- (c) **Credit use supervision:** For the sake of safe recovery of credit, microcredit organizations supervise credit use. Each members of the group is accountable for the recovery of the loan and similarly, responsibility for repayment of any borrowers lies to every member of the centers. The chairman of the group and centers bear the sole responsibility. So, members of the group also supervise credit use. Borrowers treat this process as an advantage.
- (d) **Motivation:** NGOs have some extra-credit purposive activities. Credit organizations motivate the borrowers to improve life style regarding health, sanitation, family welfare, dowry, education, social life etc, which is the extra benefit.
- (e) **Savings:** Obligatory savings is a provision of microcredit organizations that makes probable borrowers credit worthiness and forms capital for them. Rural poor people have a very little scope for institutional savings. Microcredit organizations thus create privilege of microsavings for the rural poor.
- (f) **Insurance:** For ensuring credit recovery and facing accident or other uncertainty, microcredit organizations create insurance coverage for the borrowers.
- (g) **Small installment:** Sometimes borrowers prefer weekly basis small installment as less burden of credit repayment.
- (h) **Easy loan sanction procedure:** Rural poor borrowers feel that the loan sanctioning procedure of private sector organizations is easier. NGO workers come to the door of the probable borrowers, prepare papers regarding credit by their own, deliver credit at local or nearer to the borrowers, collect installment from borrowers' residence or from a fixed place. So, credit sanctioning and repayment cost for the borrowers is insignificant in comparison to public sector.
- (i) **Loan place:** Rural poor who demands credit is not habituated with the official procedures and unable to reach to the government offices. Private sector organizations or NGOs have overcome the situation. They have reached to the doors of the poor. They fix a place around the borrowers and lead every work regarding credit activities. Borrowers do not have to cross a few miles.

- (j) **Easy access:** Illiterate bear-footed poor female and male borrowers have a very little access to the government offices. On the contrary NGO workers mentally and physically ready to do works and make non-formal relationship with them. Thus, rural poor feels inclination with NGO workers and enjoys easy access privileges.
- (k) **Wide coverage:** NGOs cress-crossed network almost have covered every pros and cons of Bangladesh that make scope to reach to the rural poor than public sector organizations.

Collateral: NGOs' credit is commonly known as collateral free and borrowers prefer NGO credit

7.5 Hypothesis Analysis

Selected data are analyzed using different statistical tools. In chapter 6.1 collected all data are analyzed and it shows different findings. The data related with livelihood and social empowerment is analyzed using other statistical tools in this part of the study.

7.5.1 Pearson Chi Square Test

Different relations are shown that are related to credit use.

- (a) Relation between Loan Received and Education

Two hypotheses are raised.

Here, H_0 : There is no relation between Loan Received and Education and

H_1 : There is relation between Loan Received and Education

Chi Square	Significance	Phi / Cramer's V
14.262	0.007	33.8%

Chi Square value is 14.262 and the significance is 0.007. Phi/Cramer's V is 33.8%. A positive relation is there. So, it signifies that null hypothesis is rejected. Therefore,

proved that there is a relationship between loan received and education level and the level of relationship is moderately strong.

(b) Relation between Loan Received and Electricity Use

Another two hypotheses regarding loan received and electricity use are drawn.

Here,

H₀: There is no relation between Loan Received and Electricity use

H₁: There is relation between Loan Received and Electricity use

Chi Square	Significance	Phi / Cramer's V
2.650	0.104	14.6%

The Phi/Cramer's V ratio is 14.6% and Chi Square and Significance are 2.650 and 0.104 respectively. So, it reveals that null hypothesis is accepted. Therefore, it is proved that there is no relationship between loan Received and electricity use.

(c) Relation between Loan Received and Sanitation Use

Here,

H₀: There is no relation between Loan Received and Sanitation use

H₁: There is relation between Loan Received and Sanitation use

Chi Square	Significance	Phi / Cramer's V
22.77	0.000	42.7%

Phi/Cramer's V is 42.7%. The value of Chi square is 22.77. So, it signifies that null hypothesis is rejected. Therefore, it is proved that there are relationship between loan received and sanitation use and the strength of association is very good.

(d) Relation between Loan Received and Participation in Vote

Here,

H₀: There is no relation between Loan Received and Participation in vote

H₁: There is relation between Loan Received and Participation in vote

Chi Square	Significance	Phi / Cramer's V
29.5	0.001	29.5%

It states that null hypothesis is rejected. Therefore, it is proved that there a is relationship between loan received and participation in vote and the level of relationship is moderately strong.

(e) Relation between Loan Received and Vote Casting

Here,

H₀: There is no relation between Loan Received and vote casting

H₁: There is relation between Loan Received and vote casting

Chi Square	Significance	Phi / Cramer's V
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No results generated because each and every body has casted their vote. It reveals that the microcredit holders are socially empowered and conscious.

(f) Relation between Loan Received and Savings

Here,

H₀: There is no relation between Loan Received and Savings and

H₁: There is relation between Loan Received and Savings

Chi Square	Significance	Phi / Cramer's V
50.645	0.000	63.7%

The Phi/Cramer's V is 63.7% that means the high positive relation. So, it signifies that null hypothesis is rejected. Therefore, it is proved that there are relationship between loan received and savings and the level of relationship is very strong.

(g) Relation between Loan Received and Child Mortality

Here,

H₀: There is no relation between Loan Received and Child Mortality

H₁: There is relation between Loan Received and Child Mortality

Chi Square	Significance	Phi / Cramer's V
7.7	78.1	2.5%

The Chi Square result is only 7.7 and Phi/Cramer's V is 2.5%. so, it signifies that null hypothesis is accepted. Therefore, it is proved that there is no relationship between loan received and child mortality.

(h) Relation between Loan Received and Save Drinking Water Use

Here,

H₀: There is no relation between Loan Received and Save Drinking water use

H₁: There is relation between Loan Received and Save Drinking water use

Chi Square	Significance	Phi / Cramer's V
19.78	0.000	39.8%

It signifies that null hypothesis is rejected. Therefore, it is proved that there is a relationship between loan received and use of safe drinking water and the level of relationship are moderately high

(i) Summary of Pearson Chi Square Test

In all cases except in electricity use and child mortality it has been found that there are significant relationship between the uses of microcredit and the improvement of the livelihood. Therefore, it may be concluded that by using the microcredit the users are being benefited.

7.5.2 Linear Regression

Earning Before and Earning After

Here,

H_0 : There is no difference between two variables

H_1 : There is difference between two variables

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	58085.478	8744.711	6.642	.000
	Earning Before	.722	.060	12.125	.000

a Dependent Variable: Earning After

Result signifies that null hypothesis is rejected; therefore, it is proved that significant differences are there between the statuses of loan receiving or not.

7.6 Case Study

7.6.1 Success Stories

7.6.1.1 Happy Couple Suchona: Suchona, wife of Shuhag Miah is now 24 years old. She lived in Teligram village of Fulbaria upozila under Mymensingh district. After completion of primary education she spent, only a few years at her father's home and was married to Shuhag Miah. Suchona and Shuhag Miah are leading a happy family life with their only child Mithu. They have no cultivable land of their own but have only two decimal homestead land. One decimal is for residence and other one decimal is used for vegetable cultivation. Suchona's husband cultivates 36 decimal land as barga (share cropping) for a year basis. In possible different ways she helps her husband in cultivation of that barga land.

Suchona knew about the NGOs and Grameen Bank from other women of the village. But she did not know how to match them. Her family was in hardship only with her husband's limited income. Five years ago, one morning a Grameen Bank worker came to Suchona's home and talked to her. He asked many questions about the family and invited her to join a meeting in the next afternoon at the neighbor's home. She joined the meeting accordingly and saw there other neighbors and friends. The GB worker came in time, introduced himself and introduced GB, its functions and how they could get help from GB. Suchona and other women encouraged and started savings. Primarily she used to collect savings money from her husband. She used to join every meeting that brought opportunity for her to learn something. After a period of time she became eligible for credit and taka 5,000 has been sanctioned for her. Before received credit she was briefed in detail. That was a memorable day for her life. She came back home and talked to her husband about the optimal utilization of it which was primarily settled before. Suchona and Shuhag Miah started small business, bought some chickens and ducks with the credit money and their family savings. After a couple of months, they bought a cow calf. Suchona continues transaction to GB. She repays installments regularly, saves to GB according to the bank's provisions, maintains its other rules and regulations and as per the system, GB increases the credit amount every year. Suchona and her husband earned taka 96,000 in the year 2012. They earned taka 30,000 from cultivation, taka 1,000 from poultry, taka 25,000 from dairy and taka 40,000 from business. Their yearly income is increasing every year.

Suchona is satisfied with the GB system. She has to go only one day to the office for sanction. Bank does not charge extra money i. e. there is no procedural cost. The field supervisor fills in the prescribed form. She needs no collateral for getting credit. But she has observation over training and credit use supervision by GB. She commented that the training is insufficient and not according to loan. She also complains that GB workers do not supervise credit use. Insufficient credit supply and high interest rate are raised as problems by Suchona. She claims that GB does not supply credit according to her demand and rate of interest should lower to 8%.

Hardworking Suchona and Shuhag Miah are passing their family life with peace and amity. They use electricity, safe drinking water and aware about health and sanitation. The family has water sealed latrine. Now they do participate in social activities and cast vote in election.

7.6.1.2 Faruk's Story: Faruk Ahmed Khan Of 35 years old lives in North Jorbaria village of Fulbaria upozila under Mymensingh district. He completed masters degree and working in his locality as village doctor. He is married and has a child. But he has to maintain seven members family. Faruk has 156 decimal cultivable land and his homestead area is 15 decimal. The homestead area is used intensively; five decimal is used for vegetable cultivation. There is also a small pond and fruit garden. His homestead area has been turned into an economic zone.

Faruk Ahmed Khan received taka 20,000 from Department of Youth Development. A part of credit money was invested in cultivation and another part was used to in own business. He earned in the credit year (2012) taka 1.55,000 from agriculture, fishery and own profession, treatment. After getting credit he increases his income 30% more. Credit of Department of Youth Development is not collateral free. Faruk Ahmed Khan is satisfied with 10% interest rate as reducing balance method. But he has to spend 15 to 20 days for getting loan. He also mentions that the sanctioned loan was not adequate.

Faruk Ahmed Khan is socially empowered and leads safe life. He uses electricity to his residence. He has own tubewel and a sanitary latrine. He is conscious about health. He is the selected president of a local mosque and also a director of a school. He is also a member of the managing committee of a madrasa. He castes vote in every election. He opines that an adequate amount of loan is required to be self-sufficient.

7.6.1.3 Fatema's Happy Life: Fatema Begum, wife of Chan Mia is the inhabitant of North Jorbaria village under Fulbaria upozila of Mymensingh district. She is 30 years old and the mother of three children. The total members of the family are five. Fatema completed primary education and her family has not taken any initiative for further

education. Fatema's family has no cultivable land of its own. They have taken lease 33 decimal land for cultivation. Their homestead area is 6 decimal. Only two decimal is used for residence and other 4 decimal is used for other economic activities. In the year 2012 Fatema Begum receives taka 40,000 from Department of Youth Development and taka 22,000 from Grameen Bank. With the borrowed money she bought a rikshaw for her husband, took lease land for cultivation and bought cow for raring. Proper attention has been given in every investment. At the end of the year, Fatema earned taka 86,000. It is a big achievement for her family. She repaid installments in time. With this additional income, she brings solvency in the family. The credit of Department of Youth Development requires collateral. Fatema arrange third party guarantee. Before getting loan she participates training arranged by the organizations. She compares the two organizations' credit system and opines that the public sector credit is preferable. The rate of interest is lower and there is a grace period for repayment. She prefers public sector credit. She is satisfied with the credit.

Fatema Begum tries to make their family life comfortable and enjoyable. She bought a television for the family. Her house is connected with electricity. She is aware of health of the family members. She casts vote in every election.

7.6.2 Unsuccessful Stories

7.6.2.1 Unhappy Atiar: About fifty years old Atiar Rahman Morol son of Mobarak Morol is the inhabitant of Ramchandrapur village of Keshobpur upozila under Jessore district. He is literate. He had five children but three of them died in the childhood. Now he leads four members' family; two children and husband-wife. He has no agriculture land but his homestead area is eight decimal. There is a small pond at the side of the area and also a homestead garden. He tries to utilize the homestead area properly.

He joined Grameen Bank at 1991 by receiving taka 8,000 maintained necessary formalities. From a field worker he knew about Grameen Bank. He observed required

formalities. He was day laborer and used to work others farm. He could hardly maintain his family with the poor income and at the end of the year he had to borrow money from others; sometimes from money lenders. At last he lost his small amount of cultivable land. From the beginning of crediting Atiar Rahman Morol could not able to use the whole borrowed money to income generating activities. Due to previous loan he was bound to repay a part of borrowed money to the creditor and only a part of borrowed money was used for income generating that created different hazardness for him. He failed to regularize weekly installments. At the end of the year he had to borrow money for repayment of defaulted installments. More than long twenty years he has been doing transaction to Grameen Bank. In the year 2012 he received taka 35,000. But still he repays loan with the borrowed money and did not able to increased real income as well as decreased dependency on credit.

7.6.2.2 Unfortunate Aklima: Aklima Begum (40) of Ramchandrapur village lost her husband about ten years ago. Ramchandrapur village is under Keshobpur upozila of Jessore district. Aklima Begum was illiterate but now she can sign her name. After her husband's death she started miserable life with four children. She has 120 decimal cultivable land, 8 decimal homestead land, 6 decimal garden and a small pond of 5 decimal area. She cultivates 120 decimal land with the help of children. Sudden death of her husband brings a complete uncertainty to Aklima's family. Because, he was the only earner for the family. He used to cultivate land and worked others for additional earning. It was difficult to maintain the family with only earning from land. After his death Aklima was able to cultivate the land with the help of close relatives. But it was difficult to bear all the expenses of the family with the income from land. She was eager to open another avenue of income. At that time it was come to her knowledge about Grameen Bank. She talked to the Grameen Bank worker of her locality. She knew about its rules and systems. In the year 2003 as the first time taka 5000 was sanctioned in her favour. With that money she started small business. The members of the group helped her initially. Aklima involved her children with the business. But the amount of borrowed money was not adequate. She requested Grameen Bank to increase amount. But the Grameen Bank system did not permit. So, Aklima failed to improve the livelihood of the

family. She was able to create a very little amount of surplus from the borrowed money after repaying installments. Sometimes she used to fail repaying installment. She was looking after more credit. Local NGO Samadhan came forward to her and proposed to sanction credit in addition to Grameen Bank. In the meantime, Aklima failed to repay several installments of Grameen Bank. She received loan from Samadhan and regularized Grameen installments. In the year 2012, Aklima received taka 15,000 from Grameen Bank and Samadhan. She used a part of the borrowed money for the maintenance of her cottage. Because her cottage became about to unused but she had no money to spend for this purpose. So, she had a little amount to maintain her business. As a result yearly income reduce to only taka 21,000. she got taka 12,000 from land, taka 1,000 from poultry and 8,000 from dairy. But she earned no money from business. But she has to pay all installments both Grameen Bank and Samadhan in time.

Aklima Begum likes NGO credit due to the easy sanction process. But she claims 5% interest rate. She uses electricity, drinks safe water, uses safe latrine. She casts vote every year. She expects any job for her children. She thinks that will help her family to be self-sustained.

7.6.2.3 Bad Luck Fatema: Fatema Begum (45) lives in Ramchandrapur village of Keshobpur upozila under Jessore district. She does not know how to read or write. She is married and mother of five children. Fatema's family has no cultivable land. They have only 5 decimal homestead land. She uses one decimal of it for vegetable cultivation. Fatema's husband is a day laborer and he works to others. Twenty years ago Fatima's husband was the only earning member of the family. They were bound to over the days with the small income. Fatema felt that it is essential to make additional income for the survival of the family. She was searching the way. One day a neighbor informed her about Grameen Bank. Fatema talked to the Grameen Bank worker and she joined several meetings at the nearest centre. She felt encouraged with Grameen Bank and became a member of a group. In 1991, Grameen Bank sanctioned credit taka 2,000 at the first time in favour of Fatema Begum after observing necessary formalities. She tried to use the

money for income generation. But it was not according to the demand of the family. The amount of credit money was inadequate and suitable business scope was absent. So, every year she had to face difficulties in repaying installments. But still now Fatema Begum continuous relation with Grameen Bank though the hope of making family self-sufficient is far cry. In the year 2012, Fatema Begum receives taka 10,000 from Grameen Bank and uses the credit money to the marriage ceremony of her daughter. She fails the chance to use the credit in income generation and accordingly she will unable to repay installments in time.

Fatema Begum feels comfortable with NGO credit. She mentions that NGO credit is collateral free, easier sanctioning procedure, provide training, supervise credit use, group-based cooperation and NGO workers behave friendly. She also mentions that the credit amount is inadequate.

Fatema Begum is socially conscious. She uses tubewell water, uses safe latrine and saves to cooperative and also uses electricity. She is also aware about health. She casts vote in every election. She expects loan without interest and opines that it is the way to change their lives.

7.6.3 Reasons behind Success

Success stories reveal some common reasons that act behind the situation:

- (1) Proper utilization of credit and generation income just after credit receipt makes the borrowers successful.
- (2) Borrowers, those are literate, acquainted with business or income generating activities, conscious about credit liabilities become successful.
- (3) Initially adequate amount of credit helps the borrowers' profitable investment.

- (4) Dependency only on credit makes the borrowers unsuccessful in most of the cases. Income from other sources and microcredit source jointly bring the success.
- (5) Borrowers who receive credit to create additional income using the loan money become successful. But it is difficult to succeed for completely like assetless borrowers.

7.6.4 Causes behind Failure

Causes behind the failure are mentioned below:

- (1) Using credit other than income generating activities (like consumption, marriage ceremony, house maintenance) fails to create income that resulted burden of loan upon the borrowers.
- (2) Inadequate credit becomes the cause of improper investment that creates unsuccessful story.
- (3) Income generation is the main objectives of microcredit. If borrowers fail to create income using credit then it becomes burden to them.
- (4) Improper investment also becomes the cause of failure.
- (5) Unavoidable situation or any accident like death of cattle or poultry brings bad luck to the borrowers.

Chapter VIII

Summary and Findings

Chapter VIII: Summary and Findings

8.1 Summary of the Analysis

8.2 Findings of the Study

8.1 Summary of the Analysis

In the last three decades all the development efforts of GoB, NGOs and others, have been pivoted mainly around agrarian sector, because the economy of Bangladesh is characterized by agricultural activities. Majority of the people are rural dwellers and lack of financial facility is the main constraints of rural poor to create self-employment and income generating activities. To meet the financial problem of the rural poor, government initiated some specialized credit institutions and programs along with nationalized commercial banks. These institutions and programs failed to provide adequate credit facility to make the expanding demand of the rural poor. On the other hand, to overcome the shortcomings of government initiatives and to eradicate massive rural poverty, after the independence, a number of national and international MF-NGOs emerged and started operating credit programs among the rural poor giving emphasis on the income generating activities. In the meantime, as various statistics shows and NGOs claim that they have covered the majority of the poor households all over the country. NGOs also claim a tremendous success of their credit programs in the areas of self-employment creator, income generation as well as reducing the dependency of rural poor on informal moneylenders. But neither statistics, nor visible qualitative and quantitative changes in rural socio-economic condition vindicate their claims. No significant and sustainable improvement of rural poverty and unemployment situation has been seen in the last two decades. Country's human development index has also been found to be declining over time (Mojumder, 2008). To justify the claims from both the public and private sectors regarding the success of credit programs and the counter claims, the present study was undertaken to examine the efficiency and effectiveness of credit programs both from the borrower and lender sides.

Credit Profile

The efficiency and effectiveness of microcredit management and its comparative analysis is the main issue of the study. Table 8.1 shows the comparative credit profile of public and private sectors.

Table: 8.1 Credit Profile

SL No	Credit profile	Public	Private	Average
1	Maximum borrowers age group	31 - 40 year	21 - 30 year	-
2	Gender participation	Male – 77.27% Female 22.73%	Male – 61.73% Female 38.27%	Male-67.2% Female 32.8%
3	Utilization of microcredit	Business and others	Agriculture and others	Agriculture, business and others
4	Loan size	Highest number taka 5,000 and next taka 25,000	Highest number in taka 5,000 to taka 10,000	Highest number in taka 5,000 to taka 10,000
5	Duration of microcredit use	64% use 5 years	69% use 5 years	5 years use 67%
6	Installment type	anytime	Basically weekly	-
7	Place of installment collection	No fixed place	Fixed place	-
8	Preferable sector	56%	44%	
9	Distance to be crossed for getting loan	Average 3.5 km	Average 3.8 km	-

Source: Field Survey, 2012

Borrowers' age is important for effective utilization of microcredit. The modal age group for public sector it is 31 – 40 year and for private sector it is 21-30 years. It is commonly seen that MF-NGOs prefer women for borrowing credit as their strategy. But in this

study, randomly selected areas were dominated by male borrowers. In the case of public sector 77.27% of the borrowers is male and only 22.73% is female. But in the case of private sector it is slightly different i. e. 38.27% of borrowers is female and 61.73% is male. Accordingly, the average male and female borrowers are 67.2% and 32.8% respectively. The borrowers utilize microcredit for business, agriculture and other income generating activities. Utilization of credit in agriculture and business may be the cause of male domination at these research areas. Loan size is also important for effective use of it. At the public sector the highest loan size is taka 5,000 and the next is taka 20,000 where as it is taka 5,000 and taka 10,000 respectively. 67% of the borrowers have been microcrediting for five years where as private sector is slightly higher. Borrowers of public sector can repay any amount of credit any time but with a little exception private sector installment is basically weekly basis. NGOs fix a place in the village or an area to collect installments from the borrowers though in the public sector the place is not fixed. But both private and public sector borrowers have to cross more than 3 kilometers to get loan. The same borrowers receive credit more than a single source at the same time. So, which sector do they prefer more is a question. The 56% borrowers prefer public sector and the rest 44% prefer private sector.

Socio-Economic Profile

Socio-economic profile, as socio-economic indicators, shows the impact of microcredit to the borrowers of public and private sectors. Literacy rate, expenditure in education, land purchase, savings, sleeping standard, child mortality, drinking water, electricity use, sanitation, health service, participation in election and income change are considered as the socio-economic indicators in the present study. Information, regarding land purchase, savings, expenditure in education, income change, and candidate in election are comparative basis i.e. after microcrediting. Borrowers (100%) of the study area, both public and private sectors drink safe water, cast vote and use cot or choki for sleeping at their house which indicates their livelihood. Average literacy rate of the borrowers is 81.61% which is above the national level (57.9%) and the public sector rate is above 90%. Borrowers have increased expenditure in education (70%) for their children after

crediting though it is negative to the case of private sector. The reason behind, may be, decrease availability of school going children and dropout after primary and/or secondary level. It is significant that 22.40% of the borrowers purchase land, 71% of them save to bank or cooperative and 60.94% use electricity at their residence. Still 26.4% family fails to overcome child mortality. Health consciousness has been improved among the borrowers. Near about 100% borrowers go to doctor for treatment and 100% of them use water sealed latrine of which average about 50% have sanitary latrine. It is significant in the case of empowerment in the locality that about 30% of public sectors borrowers participate in election, like union parisad, school/madrassa, mosque etc. After getting microcredit a significant change occur to the borrowers' income. Though it is different between public (133%) and private (53%) sector and the overall change is 101%.

Table: 8.2 Socio-economic Profile

SL No	Factors	Sectors		
		Public	Private	Average
1	Literacy rate	91.11%	76.25%	81.61%
2	Increase expenditure in education	135%	-10%	70%
3	Land purchase	29.55%	18.52%	22.40%
4	Savings to bank or cooperative	75%	76%	71%
5	Sleep on cot or choki	100%	100%	100%
6	Family without child died	72.73%	74.07%	73.6%
7	Safe drinking water	100%	100%	100%
8	Electricity use in home	77.74%	54.89%	60.94%
9	Use sanitary or pakka latrine	66.67%	40.00%	49.18%
10	Health service accepted from allopathic or homoeopathic	95.92%	97.65%	97.01%
11	Vote casting in election	100%	100%	100%
12	Become candidate in election	29.55%	3.70%	12.80%
13	Income increase of the borrowers	133%	53%	101%

Source: Field Survey, 2012

8.2 Findings of the Study

To justify the claims of the proponents regarding the miraculous success of GO-NGO credit programs, the present study was undertaken to examine the performance of the public and private sectors program both from the borrower and lender sides. The management systems, the features, interest earnings, collateral, coverage etc are examined here to appraise viability of lending, to achieve a desired goal of the study. To evaluate borrowers viability, on the other hand utilization of credit in terms of the creation and sustainability of income earnings activities, human development, cost of borrowing, dependence on informal money lenders, other socio-economic indication, social empowerment etc have been taken into account. Investigate into the various microcredit management systems, public and private sectors interest rates comparison, evaluation of training provided by the microcredit provider, collateral, evaluation of microcredit use, income change and identification the problems of microcredit management are the objectives of the study.

Methodology that is adopted for the present study has been explained in the **introduction chapter**. The present qualitative study mainly focuses on the socio-economic change of the borrowers' life who receive credit both from the public and private sectors. To meet the fundamental needs of the study both the primary and secondary data have been collected. Two villages from two divisions have been selected randomly as well as purposively and as the credit provider BRDB, BKB and Department of Youth Development from public sector and GB, ASA, IBBL, BRAC and Samadhan (local NGO) from the private sector also been selected where total respondents are 125. Two sets of questionnaires were designed; one set for the borrowers and other set for the microcredit providers. For collecting data interview method have been applied and PRA, KII and FGD are conducted in a limited scale and library work also been done. Different statistical and econometrics tools are used to tabulate, to estimate and to show the results.

The literatures regarding microcredit management have been reviewed in **Chapter Two**. Many impact studies and other similar assessments find great strengths and positive

impacts of such programs on reducing poverty, while other studies report that such positive impacts may be over-reported and even inaccurate and the question of the effectiveness and impact on the poor of such programs is still highly in question. Furthermore, there are still questions as to the potential of microcredit hurting the poor and creating a kind of dependency. As microfinance programs are geared almost exclusively to women, there is a debate about the appropriateness of such policy and the possible exploitation of women. Many studies, regarding microfinance institutions' impact studies and academic researchers' qualitative studies have shown that microfinance programs were able to reduce poverty through in creating individual and household income levels, as well as improving healthcare, nutrition, education and helping to empower women. Empowerment of women is breaking down the gender inequalities, through providing opportunities for women to take on leadership roles and responsibilities. Different studies have shown the negative impact of microcredit. Most microfinance programs benefit the moderately poor more than the destitute. Targeting women for microcredit may result in men requiring wife to get loan for them. Concerns have risen that the reliance on microfinance programs to aid the poor may result in a reduction of government and charitable assistance.

Based on the findings, there are mixed conclusions as to the overall impact of microfinance institutions. No specific and in-depth research has so far been conducted on comparative analysis of microfinance/microcredit management. No research has been conducted to design a uniform or near to uniform management system. The income change of the borrowers has not been identified in any of the studies in comparison between public and private sectors. These gaps of the previous researches justified the need of the present study.

In **chapter three**, the development approaches and strategies for poverty alleviation in Bangladesh have been evaluated. Poverty related issues discussed in this chapter. In Bangladesh, different methods are used in measuring poverty. According to Head Count Ratio using DCI method, in 2005, the incidence of absolute poverty was 40.4 at the national level. Using the same method in 2005, the incidence of hardcore poor were 19.5 percent at national level. Government of Bangladesh designed poverty reduction strategy

framework which consists of five strategic blocks: macro-economic environment for pro-poor growth, critical areas for pro-poor growth, essential infrastructure for pro-poor growth, social protection for the vulnerable and human development. Under these strategic blocks different programs are on going. Several measures had been taken between 1950 and 1970 and after liberation, aimed at economic growth and increased production, improving the quality of life of the poor, fulfilling their basic needs and reducing relative inequality and absolute poverty. Some important development approaches are: Village Agriculture and Industrial Development Program (V-AID), Basic Democracy for Rural Development, Rural Works Program (RWP), Comilla Type Cooperative or Comilla Experiment, Comilla Model, Integrated Rural Development Program (IRDP), Self-Reliance Movement, Community Development Approaches, Target Group/Participatory Approach, Grameen Bank Approach etc. The initiatives taken by the government and non-government institutions have a significant success as well as have mentionable failure. Approaches are evaluated as (1) shortage of fund and lack of stability became the causes to create any significant and permanent impact on the economy, (2) some programs failed due to misappropriation of fund and inefficient management by the political elements, (3) the inter-departmental conflicts and lack of specific and well defined objectives resulted the poor participation of the people and effective mobilization of local material resources was not attempted, (4) the top down strategy ignored the social stratification and heterogeneity which resulted the little connection with people's willingness or capacity and (5) the initiatives/approaches targeted a little to change the livelihood of the ultra-poor.

In **chapter four**, an overview of microcredit situation in Bangladesh has been examined. The concept of microcredit can be traced back (1) in the Marshall Plan at the end of the Second World War, (2) in the New York's Province fund started to the 1800s, (3) Dr. Akter Hamid Khan in 1959 and (4) in Brazil, in 1973, as Accion International. But now, it is globally recognized that Bangladesh is the birth place and Mohammad Yunus is the father of microcredit. Microcredit has a host of positive impacts on families that receive it and also affects the aggregate welfare at village level. Microcredit is an effective and powerful tool for rural development, income generation, food security, human resource

development and ultimately poverty alleviation. Considering the positive impact and continuous demand for capital about 725 microfinance NGOs, specialized institutions (GB, PKSf), state-owned/controlled banks (nationalized commercial banks, agricultural banks – BKB, RAKUB, Anser-VDP Bank, Basic Bank, private commercial banks), Ministries/Divisions (Rural Development and Cooperatives Division-BRDB, BARD, RDA, Ministry of Social Welfare, Ministry of Youth and Sports, Ministry of Agriculture, Ministry of Women and Children Affairs, Ministry of Labor and Employment, Ministry of Liberation War Affairs etc.) are providing credit as free of interest, soft interest rate (around 10%) and high interest rate (above 10%) to help the forgotten poorest on the earth. So, Bangladesh is widely considered microfinance's 'natural home' or indeed its 'social laboratory'. It is also true that experience has show that while microcredit is a useful tool to fight poverty, it alone is no the answer. Contrary to some microfinance evangelists' belief, microcredit is also no magic for development.

Sources of microcredit are discussed elaborately in the **chapter five and six**, though there is no integrated statistics regarding microcredit. Ministry of Finance, Bangladesh Bank, Microcredit Regulatory Authority, and NGO Affairs Bureau keep partial information about microcredit transaction and make available through different publications and websites. Credit and Development Forum, the national level microfinance network tries to collect national level microfinance statistics and publishes for universal consumption. But there are existence of many unreported MF-NGOs in the microfinance sector. Some organizations do wholesale money for microcrediting. Sometimes microcredit and agricultural credit conceptualized as the same. Another issue, social capital and microcredit are raised in reference to social cohesion and personal investment in the community. It is treated as an alternative of collateral and also sometimes credit.

In **chapter seven** the primary data regarding microcredit management and its impact have been analyzed in detail. From the individual profiles it is seen that the microcredit providers do not select the most potential group of people in terms of age, gender, education, marital status, technical knowledge etc. Collected data were analyzed as credit profile and socio-economic profile and also public-private sector-wise. Maximum

borrowers' age group for public sector is 31- 40 years though it is 21-30 year for private sector. Though women's participation in microcrediting is normally higher than the men but it is exception in the study areas where female borrowers ratio is only 32.8%. It varies between public and private sectors. Male borrowers' ratio is 77.27% and female is 22.73% for public sector and for the private sector it is 61.73% and 38.27% respectively. Borrowers use credit money for cultivation and small business. The highest number of borrowers receive loan taka 5,000 to taka 10,000. The public sector borrowers' next slab is taka 25,000. About 70% borrowers use credit at least 5 years. Private sector borrowers have to pay weekly basis in a fixed place but the public sector borrowers can repay installment at anytime at the office or any place. 56% borrowers of the study areas prefer to get loan from public sector where as only 44% prefer private sector. In the present study, data related to socio-economic indicators have been analyzed and the results as following:

- (1) Borrowers' literacy rate is more than 80% and it is higher in the case of public sector borrowers.
- (2) Expenditure in education decreases by 10% for the private sector borrowers but it is 135% higher than before credit of public sector borrowers.
- (3) About 20% borrowers purchase land after getting credit.
- (4) More than 70% borrowers now save to banks or cooperatives.
- (5) 100% borrowers sleep on cot or choki, drink safe water and cast vote in election.
- (6) Number of child died family is about 25%.
- (7) In an average, about 60% family use electricity and the rate are higher for public sector.
- (8) About 97% borrowers have access to modern health service i.e. either allopathic or homoeopathic.
- (9) About 30% public sector borrowers become candidate in local level election like, Union Parisad, Management Committee of the educational and religious institutes, club etc. though it is less than 4% for private sector borrowers.
- (10) It is more significant that the income of the borrowers increase more than 100% in comparison to before getting credit. It varies public to private sector. In the case of public sector the increase is 133% and 53% for private sector.

Chapter IX

Conclusions and Recommendations

Chapter IX: Conclusions and Recommendations

9.1 Conclusions of the Study

9.2 Recommendations of the Study

9.3 Direction Towards Further Research

9.1 Conclusions of the Study

From the results and findings of the study, following conclusions can be drawn:

- (1) Microcredit increases the socio-economic status of the borrowers.
- (2) Borrowers prefer public sector organizations' credit though they enjoy different incentives from private sector.
- (3) In spite of difference between public and private sectors, borrowers increase their income utilizing microcredit.
- (4) Private and public sectors established a parallel money market in the rural areas, which is actually the better replacement of usurious money lenders.
- (5) Microcredit organizations fail to reduce the dependency on credit.
- (6) Group based activities and changed livelihood have increased the social empowerment of the borrowers.
- (7) Microcredit organizations always emphasis on safe recovery of credit and target borrowers considering safe recovery. So, assetless hardcore people are hardly come under credit activities.
- (8) The extent of self-employment by the borrowers and their dependents with credit is insignificant in comparison with the extension of the credit programs.
- (9) Actually microcredit is not collateral free. Savings and group responsibility become collateral against credit.
- (10) Due to the availability of private and public sectors microcredit organizations, borrowers are also using credit from similar organizations simultaneously.
- (11) Microcredit organizations increased rural indebttness.

- (12) Positive change of development indicators means the borrowers' livelihood is on the positive track.
- (13) Rural level capital formation through institutional savings is a significant development in rural economy.

9.2 Recommendations of the study

To make microcredit programs both private and public initiatives effective and borrowers-friendly, some policy recommendations are suggested.

- (1) Rate of interest of microcredit need to fix below 15% as decreasing balance method and both public and private sector organizations must follow the similar rate.
- (2) Government and non-government organizations should take special initiative for poverty reduction program aiming ultra-poor and assetless people lifting their livelihood with zero rate of interest.
- (3) Private sector organizations should start recovering the loan after six months from disbursement, so that the borrowers can have a reasonable time to generate some income before starting repay.
- (4) For income generating activities monthly installment may be introduced. But in the case of production based investment like, crop production, poultry, dairy, cow fattening etc. installment should be fixed after harvest or completion of production process whatever the time may be.
- (5) Size of loan must be raised initially at per economic demand of the borrowers. Moreover, due to the shortage of capital borrowers seek capital from more than one organization that resulted overlapping and undesirable situation.
- (6) Vocational knowledge should be provided to the borrowers and according to the training capital goods can be provided instate of cash capital in the initial stage.
- (7) Government should introduce rules and regulations not to control the NGOs but to ensure transparency and accountability for the sack of mass population. These rules and regulations will ensure the interest firstly of the borrowers, secondly,

MFIs' and their associated organizations. Thirdly, the regulatory arrangement will help the government and other institutions those are engaged in developing the microcredit sector.

- (8) Internal efficiencies of MFIs need to improve not for the sake of their own but in favor of the borrowers.
- (9) Sustainability of MFIs is also an important issue in the microfinance industry. Existence of MFIs and benefit of borrowers should be considered giving same emphasis.
- (10) Overlapping of credit is undesirable that creates different problems. To avoid the problems the operational areas of different MFIs should be separated.
- (11) Borrower households should be given interest free education loan from the obligatory savings deposit fund of borrowers to achieve the objectives of education and human development.
- (12) In the case of youth borrowers, literate and potential male and female persons must be undertaken into credit program to make the loan more effective.
- (13) The overall impacts of microcredit programs in Bangladesh need to be further studied minutely.

9.3 Directions Towards Further Research

Several research topics can be suggested for further study. It is assumed that the important findings and information will come out. The few suggestions are mentioned below based on the experiences of the present study. In formulation policies concerning the future role and strategy of banking with the poor to alleviate poverty the suggested recommendations may provide an important basis.

- (1) The present study reveals that a detail impact study can be made on the male and female microcredit users separately.
- (2) A separate study may be undertaken to assess the coverage of hardcore poor under microcredit programs.

- (3) The comparative efficiency of MFIs can be measured undertaking separate research.
- (4) A detailed study may be made on the group entrepreneurship development of microcredit users.
- (5) A separate study could be conducted on the consequences of overlapping of microcredit.
- (6) The impact of awareness building by the microcredit providers need to study in-depth.

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Appendices

Tables of Analysis

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Loan Received * Education	125	100.0%	0	.0%	125	100.0%

Loan Received * Education Cross tabulation

			Education					Total
			None	Primary	Secondary	Graduate	Post Graduate	
*	Government	Count	4	16	15	4	5	44
		% within Loan Received	9.1%	36.4%	34.1%	9.1%	11.4%	100.0%
		% within Education	17.4%	26.7%	57.7%	50.0%	62.5%	35.2%
		% of Total	3.2%	12.8%	12.0%	3.2%	4.0%	35.2%
		Std. Residual	-1.4	-1.1	1.9	.7	1.3	
	Private	Count	19	44	11	4	3	81
		% within Loan Received	23.5%	54.3%	13.6%	4.9%	3.7%	100.0%
		% within Education	82.6%	73.3%	42.3%	50.0%	37.5%	64.8%
		% of Total	15.2%	35.2%	8.8%	3.2%	2.4%	64.8%
		Std. Residual	1.1	.8	-1.4	-.5	-1.0	
	Total	Count	23	60	26	8	8	125
		% within Loan Received	18.4%	48.0%	20.8%	6.4%	6.4%	100.0%
		% within Education	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	18.4%	48.0%	20.8%	6.4%	6.4%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.262(a)	4	.007
Likelihood Ratio	14.224	4	.007
Linear-by-Linear Association	11.198	1	.001
N of Valid Cases	125		

a 2 cells (20.0%) have expected count less than 5. The minimum expected count is 2.82.

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.338	.007
	Cramer's V	.338	.007
N of Valid Cases		125	

a Not assuming the null hypothesis.

b Using the asymptotic standard error assuming the null hypothesis.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Loan Received * Electricity Use	125	100.0%	0	.0%	125	100.0%

Loan Received * Electricity Use Cross tabulation

		Electricity Use			
		Yes	No	Total	
Loan Received	Government	Count	32	12	44
		% within Loan Received	72.7%	27.3%	100.0%
		% within Electricity Use	40.5%	26.1%	35.2%
		% of Total	25.6%	9.6%	35.2%
		Std. Residual	.8	-1.0	
	Private	Count	47	34	81
		% within Loan Received	58.0%	42.0%	100.0%
		% within Electricity Use	59.5%	73.9%	64.8%
		% of Total	37.6%	27.2%	64.8%
		Std. Residual	-.6	.8	
Total		Count	79	46	125
		% within Loan Received	63.2%	36.8%	100.0%
		% within Electricity Use	100.0%	100.0%	100.0%
		% of Total	63.2%	36.8%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	2.650(b)	1	.104		
Continuity Correction(a)	2.056	1	.152		
Likelihood Ratio	2.712	1	.100		
Fisher's Exact Test				.123	.075
Linear-by-Linear Association	2.629	1	.105		
N of Valid Cases	125				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 16.19.

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.146	.104
	Cramer's V	.146	.104
N of Valid Cases		125	

a Not assuming the null hypothesis.

b Using the asymptotic standard error assuming the null hypothesis.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Loan Received * Sanitation Use	125	100.0%	0	.0%	125	100.0%

Loan Received * Sanitation Use Cross tabulation

			Sanitation Use				Total
			No	Old	Moderate	Updated	
*	Government	Count	1	12	17	14	44
		% within Loan Received	2.3%	27.3%	38.6%	31.8%	100.0%
		% within Sanitation Use	20.0%	18.2%	50.0%	70.0%	35.2%
		% of Total	.8%	9.6%	13.6%	11.2%	35.2%
		Std. Residual	-.6	-2.3	1.5	2.6	
	Private	Count	4	54	17	6	81
		% within Loan Received	4.9%	66.7%	21.0%	7.4%	100.0%
		% within Sanitation Use	80.0%	81.8%	50.0%	30.0%	64.8%
		% of Total	3.2%	43.2%	13.6%	4.8%	64.8%
		Std. Residual	.4	1.7	-1.1	-1.9	
Total	Count	5	66	34	20	125	
	% within Loan Received	4.0%	52.8%	27.2%	16.0%	100.0%	
	% within Sanitation Use	100.0%	100.0%	100.0%	100.0%	100.0%	
	% of Total	4.0%	52.8%	27.2%	16.0%	100.0%	

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.770(a)	3	.000
Likelihood Ratio	23.010	3	.000
Linear-by-Linear Association	20.885	1	.000
N of Valid Cases	125		

a 2 cells (25.0%) have expected count less than 5. The minimum expected count is 1.76.

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.427	.000
	Cramer's V	.427	.000
N of Valid Cases		125	

a Not assuming the null hypothesis.

b Using the asymptotic standard error assuming the null hypothesis.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Loan Received * Vote Participation	125	100.0%	0	.0%	125	100.0%

Loan Received * Vote Participation Cross tabulation

			Vote Participation		Total
			Yes	No	
Loan Received	Government	Count	11	33	44
		% within Loan Received	25.0%	75.0%	100.0%
		% within Vote Participation	73.3%	30.0%	35.2%
		% of Total	8.8%	26.4%	35.2%
		Std. Residual	2.5	-.9	
	Private	Count	4	77	81
		% within Loan Received	4.9%	95.1%	100.0%
		% within Vote Participation	26.7%	70.0%	64.8%
		% of Total	3.2%	61.6%	64.8%
		Std. Residual	-1.8	.7	
Total		Count	15	110	125
		% within Loan Received	12.0%	88.0%	100.0%
		% within Vote Participation	100.0%	100.0%	100.0%
		% of Total	12.0%	88.0%	100.0%

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.295	.001
	Cramer's V	.295	.001
N of Valid Cases		125	

a Not assuming the null hypothesis.

b Using the asymptotic standard error assuming the null hypothesis.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	10.867(b)	1	.001		
Continuity Correction(a)	9.050	1	.003		
Likelihood Ratio	10.381	1	.001		
Fisher's Exact Test				.003	.002
Linear-by-Linear Association	10.780	1	.001		
N of Valid Cases	125				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.28.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Loan Received * Vote Casting	125	100.0%	0	.0%	125	100.0%

Loan Received * Vote Casting Cross tabulation

				Vote Casting		Total
				Yes		
Loan Received	Government	Count		44		44
		% within Loan Received		100.0%		100.0%
		% within Vote Casting		35.2%		35.2%
		% of Total		35.2%		35.2%
		Std. Residual		.0		
	Private	Count		81		81
		% within Loan Received		100.0%		100.0%
		% within Vote Casting		64.8%		64.8%
		% of Total		64.8%		64.8%
		Std. Residual		.0		
Total		Count		125		125
		% within Loan Received		100.0%		100.0%
		% within Vote Casting		100.0%		100.0%
		% of Total		100.0%		100.0%

Chi-Square Tests

	Value
Pearson Chi-Square	.(a)
N of Valid Cases	125

a No statistics are computed because Vote Casting is a constant.

Symmetric Measures

		Value
Nominal by Nominal	Phi	.(a)
N of Valid Cases		125

a No statistics are computed because Vote Casting is a constant.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Loan Received * Saving	125	100.0%	0	.0%	125	100.0%

Loan Received * Saving Cross tabulation

			Saving		Total
			Yes	No	
Loan Received	Government	Count	20	24	44
		% within Loan Received	45.5%	54.5%	100.0%
		% within Saving	20.0%	96.0%	35.2%
		% of Total	16.0%	19.2%	35.2%
		Std. Residual	-2.6	5.1	
	Private	Count	80	1	81
		% within Loan Received	98.8%	1.2%	100.0%
		% within Saving	80.0%	4.0%	64.8%
		% of Total	64.0%	.8%	64.8%
		Std. Residual	1.9	-3.8	
Total		Count	100	25	125
		% within Loan Received	80.0%	20.0%	100.0%
		% within Saving	100.0%	100.0%	100.0%
		% of Total	80.0%	20.0%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	50.645(b)	1	.000		
Continuity Correction(a)	47.368	1	.000		
Likelihood Ratio	53.691	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	50.240	1	.000		
N of Valid Cases	125				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.80.

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	-.637	.000
	Cramer's V	.637	.000
N of Valid Cases		125	

a Not assuming the null hypothesis.

b Using the asymptotic standard error assuming the null hypothesis.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Loan Received * Child Mortality	125	100.0%	0	.0%	125	100.0%

Loan Received * Child Mortality Cross tabulation

			Child Mortality		Total
			Yes	No	
Loan Received	Government	Count	12	32	44
		% within Loan Received	27.3%	72.7%	100.0%
		% within Child Mortality	33.3%	36.0%	35.2%
		% of Total	9.6%	25.6%	35.2%
		Std. Residual	-.2	.1	
	Private	Count	24	57	81
		% within Loan Received	29.6%	70.4%	100.0%
		% within Child Mortality	66.7%	64.0%	64.8%
		% of Total	19.2%	45.6%	64.8%
		Std. Residual	.1	-.1	
Total		Count	36	89	125
		% within Loan Received	28.8%	71.2%	100.0%
		% within Child Mortality	100.0%	100.0%	100.0%
		% of Total	28.8%	71.2%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.077(b)	1	.781		
Continuity Correction(a)	.005	1	.943		
Likelihood Ratio	.078	1	.781		
Fisher's Exact Test				.838	.475
Linear-by-Linear Association	.077	1	.782		
N of Valid Cases	125				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 12.67.

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	-.025	.781
	Cramer's V	.025	.781
N of Valid Cases		125	

a Not assuming the null hypothesis.

b Using the asymptotic standard error assuming the null hypothesis.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Loan Received * Safe Drinking Water	125	100.0%	0	.0%	125	100.0%

Loan Received * Safe Drinking Water Cross tabulation

			Safe Drinking Water			Total
			Deep	DTW (Others)	DTW (Self)	
*	Government	Count	1	15	28	44
		% within Loan Received	2.3%	34.1%	63.6%	100.0%
		% within Safe Drinking Water	100.0%	20.0%	57.1%	35.2%
		% of Total	.8%	12.0%	22.4%	35.2%
		Std. Residual	1.1	-2.2	2.6	
	Private	Count	0	60	21	81
		% within Loan Received	.0%	74.1%	25.9%	100.0%
		% within Safe Drinking Water	.0%	80.0%	42.9%	64.8%
		% of Total	.0%	48.0%	16.8%	64.8%
		Std. Residual	-.8	1.6	-1.9	
Total		Count	1	75	49	125
		% within Loan Received	.8%	60.0%	39.2%	100.0%
		% within Safe Drinking Water	100.0%	100.0%	100.0%	100.0%
		% of Total	.8%	60.0%	39.2%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.781(a)	2	.000
Likelihood Ratio	20.184	2	.000
Linear-by-Linear Association	14.065	1	.000
N of Valid Cases	125		

a 2 cells (33.3%) have expected count less than 5. The minimum expected count is .35.

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.398	.000
	Cramer's V	.398	.000
N of Valid Cases		125	

a Not assuming the null hypothesis.

b Using the asymptotic standard error assuming the null hypothesis.

T-Test

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Earning Before	82537.600	125	121977.68349	10910.015
	Earning After	117668.80	125	119335.64715	10673.704

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	Earning Before & Earning After	125	.738	.000

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Earning Before - Earning After	-35131.20	87396.22364	7816.95	-50603.14	-19659.25	-4.494	124	.000

Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1	Earning Before(a)	.	Enter

a All requested variables entered.

b Dependent Variable: Earning After

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.738(a)	.544	.541	80870.78304

a Predictors: (Constant), Earning Before

ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	961453311799.889	1	961453311799.88	147.009	.000(a)
	Residual	804430276520.111	123	6540083548.9		
	Total	1765883588320.000	124			

a Predictors: (Constant), Earning Before

b Dependent Variable: Earning After

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	58085.478	8744.711		6.642	.000
	Earning Before	.722	.060	.738	12.125	.000

a Dependent Variable: Earning After

প্রশ্নমালা
(গৃহ প্রধানের জন্য)

গ্রাম :
ইউনিয়ন :
উপজেলা :
জেলা :

১। গৃহপ্রধানের কোড নং

২। গৃহপ্রধানের

২.১ নাম
২.২ পিতার নাম
২.৩ বয়স

<২০	২১-৩০	৩১-৪০	৪১-৫০	৫০+

২.৪ শিক্ষাগত যোগ্যতা

নিরক্ষর	প্রাথমিক	মাধ্যমিক	এস.এস.সি	এইচ.এস.সি	স্নাতক	স্নাতকোত্তর

২.৫ বিবাহিত/অবিবাহিত/বিপত্নীক/বিধবা

৩। পরিবারের সদস্য সংখ্যা :

০-১৮	১৯-৪০	৪১-৭০	৭১+

৩.১ আপনার বর্তমান সন্দ্রন সংখ্যা-

৩.২ আপনার কোন সন্দ্রন মারা গিয়েছে কিনা - হ্যাঁ/না
হ্যাঁ হলে-

ক) কতজন
খ) কত বছর বয়সে
গ) মৃত্যুর কারণ

.....
.....

৪। আবাদী জমি (শতাংশ)

৪.১ নিজ মালিক-

৪.২ বর্গা

৪.২.১ কত সময়ের জন্য বর্গা

৪.২.২ উৎপন্ন ভাগের হার

জমির মালিক - অংশ

আপনি - ,,

৫। বসতবাড়ীর জমির পরিমাণ (মোট) - (শতাংশ)

- ৫.১ শুধু ঘর শতাংশ
- ৫.২ বাগান -
- ৫.৩ পুকুর -
- ৫.৪ সবজীচাষ -
- ৫.৫ অন্যান্য (যদি থাকে)

৬। নিজ জমির হিসাব - (শতাংশ)

- ৬.১ নিজ চাষ
- ৬.২ বর্গাদেয়া -
- ৬.৩ কত সময়ের জন্য বর্গা দেয়া -
- ৬.৪ বর্গার শর্ত -
- ৬.৫ উৎপনের ভাগ (অংশ) -

৭। ঋণ গ্রহণের উৎস : টাকার পরিমাণ

- এনজিও
- সরকারী ব্যাংক
- বেসরকারী ব্যাংক
- সরকারী প্রতিষ্ঠান
- মহাজন/সুদে
- স্থানীয় সমিতি
- আত্মীয়/বন্ধু
- অন্যান্য

৭.১ এনজিও ঋণগ্রহণ সংক্রান্ত

- প্রথম ঋণ গ্রহণ সালে
- প্রথম গৃহীত ঋণের পরিমাণ টাকা
- এনজিওর নাম
- বর্তমান সালে গৃহীত ঋণের পরিমাণ টাকা
- এনজিওর নাম
- কিপিড্র ধরণ (টিক দিন)
বাৎসরিক/যাণ্মাসিক/ত্রৈমাসিক/মাসিক/
পাঞ্চিক/সাপ্তাহিক/দৈনিক
- কিপিড্র পরিমাণ টাকা
- মোট কিপিড্র সংখ্যা
- সুদের হার % (যদি জানা থাকে)
- কিপিড্র পরিশোধের ধরণ
এনজিও অফিসে যেয়ে/নির্ধারিত কোন জায়গায়/
বাড়ীতে এসে/এনজিও কর্মী সংগ্রহ করে/অন্যান্য (উল্লেখ করতে হবে)
- কোন জামানত প্রয়োজন হয় কিনা - হ্যাঁ/না
- উত্তর “হ্যাঁ” হলে
জামানত দেয়া হয়
ক) জমি

- খ) কোন সম্পদ
 গ) ব্যক্তি জিম্মাদার
 ঘ) অন্যান্য (উল্লেখ করতে হবে)
- এনজিও সম্পর্কে জানতে পারেন
 - ক) সরকারী অফিস
 - খ) এনজিও কর্মী
 - গ) আত্মীয়/বন্ধু/প্রতিবেশী
 - ঘ) অন্যান্যদের মাধ্যমে
 - এনজিওর নিকট থেকে সর্বশেষ ঋণ বরাদ্দ সংক্রান্ত
 - ক) মোট বরাদ্দ টাকা
 - খ) ঝুঁকি কর্তন ”
 - গ) সার্ভিস চার্জ ”
 - ঘ) বীমা কর্তন ”
 - ঙ) বাধ্যতামূলক সঞ্চয় ”
 - চ) অন্যান্য ”
 - এবার ঋণ দিয়ে কি কাজ করেছেন-
 - ক)
 - খ)
 - গ)
 - ঋণ প্রদানের পূর্বে প্রশিক্ষণ দেয় কিনা হ্যাঁ/না
 - প্রশিক্ষণ মোতাবেক ঋণ দেয় কিনা হ্যাঁ/না
 - ঋণের ব্যবহার তদারকি করে কিনা হ্যাঁ/না
- ৭.২ সরকারী ব্যাংক/প্রতিষ্ঠান থেকে ঋণ গ্রহণ সংক্রান্ত
- ক) প্রথম ঋণ গ্রহণ সালে
 - খ) প্রথম গৃহীত ঋণের পরিমাণ টাকা
 - গ) ব্যাংকের/প্রতিষ্ঠানের নাম
 - ঘ) জামানতের পরিমাণ জমি/অন্যান্য
 - বর্তমান কোন ব্যাংক/সরকারী প্রতিষ্ঠানের ঋণ গ্রহণ করেছেন কিনা - হ্যাঁ/না
 - উত্তর “হ্যাঁ” হলে
 - ক) ব্যাংকের/প্রতিষ্ঠানের নাম
 - খ) টাকার পরিমাণ
 - গ) বৎসর
 - ঘ) জামানতের পরিমাণ জমি/অন্যান্য
 - ঙ) বাড়ী থেকে ব্যাংকের/প্রতিষ্ঠানের দূরত্ব কিঃমিঃ
 - চ) ঋণ পেতে ক’দিন ব্যাংকে/প্রতিষ্ঠানে যেতে হয় দিন
 - ছ) কত টাকা কেটে রাখা টাকা
 - জ) কেটে রাখার কারণ কি বলে
 - ঝ) ব্যাংকের/প্রতিষ্ঠানের ফরম কে পূরণ করে দেয়
 - ঞ) ফরম পূরণে টাকা লাগে কিনা - হ্যাঁ/না
 - ট) উত্তর “হ্যাঁ” হলে কত টাকা.....
 - ঠ) সুদের হার কত
 - ড) কিন্ডিতে পরিশোধ করা যায় কিনা - হ্যাঁ/না
 - ঢ) “হ্যাঁ” হলে কিন্ডির সংখ্যা
 - ণ) প্রতি কিন্ডিতে টাকার পরিমাণ

- ত) বাড়ী থেকে ব্যাংক/প্রতিষ্ঠান পর্যন্ত
যাতায়াত ব্যয়/প্রতিদিন টাকা
- খ) ঋণ ফরম সংগ্রহে টাকা লাগে কিনা - হ্যাঁ/না
“হ্যাঁ হলে - কত টাকা
- দ) ঋণ গ্রহণে কারো সুপারিশ লাগে কিনা - হ্যাঁ/না
“হ্যাঁ” হলে -কার
এমপি/চেয়ারম্যান/মেম্বর/গণ্যমান্য ব্যক্তি/অন্যান্য
- ধ) সুপারিশ গ্রহণে টাকা লাগে কিনা - হ্যাঁ/না
“হ্যাঁ” হলে কত টাকা
- ন) অন্য কোন খরচ লাগে কিনা - (উল্লেখ করতে হবে)
- প) কিস্তি ঋণ পরিশোধ করেন (১) বাড়ি থেকে (২) ব্যাংক/অফিসে যেয়ে (৩) কোন নির্ধারিত স্থানে

(৪) অন্যান্য

- ফ) (১) ঋণ প্রদানের পূর্বে প্রশিক্ষণ দেয় কিনা হ্যাঁ/না
(২) প্রশিক্ষণ মোতাবেক ঋণ দেয় কিনা হ্যাঁ/না
(৩) ঋণের ব্যবহার তদারকি করে কিনা হ্যাঁ/না

৭.৩ সরকারী-বেসরকারী (এনজিও) ঋণের মধ্যে কোন উৎস বেশী পছন্দ করেন- সরকারী/বেসরকারী
বেশী পছন্দের কারণ:---

৭.৪ আপনার বর্তমান ঋণের সুদের হার কি আপনি বেশী মনে করেন-- হ্যাঁ/না

উত্তর হ্যাঁ হলে

সুদের হার কত হলে ভাল----

৭.৫ আপনার প্রয়োজনীয় খাতে ঋণ দেয় কিনা- হ্যাঁ/না

৭.৬ আপনার প্রয়োজনীয় পরিমাণ ঋণ দেয় কিনা- হ্যাঁ/না না- হলে কম / বেশী

কম হলে কি কারণ বলে-----

বেশী দিলে কি কারণ বলে---

৭.৭ দেয় ঋণ আপনার সংসার চালানোর জন্য যথেষ্ট কিনা-- হ্যাঁ/না

না হলে কারণ---

৭.৮ যে খাতে ঋণ দিয়েছে তাতে আপনি খুশি কিনা-- হ্যাঁ/না না হলে কারণ----

কোন খাতে ঋণ পেলে আপনার বেশী উপকার--

এখাতে আপনাকে ঋণ না দেয়ার কারণ--

৮. আয়ের উৎস (বার্ষিক/টাকা)

(২০১০)

সাল--

μgK bs	Drn	cwi grY (UvKv)	FY MñtYi c#e®(UvKv)
(১)	জমির ফসল		
(২)	শাক-সবজী		
(৩)	ফল		
(৪)	মৎস্যচাষ		
(৫)	হাঁস-মুরগী		
(৬)	গাছ-বন সম্পদ		
(৭)	গাভী ইত্যাদি পালন		
(৮)	ব্যবসা		
(৯)	অন্যের বাড়ী কাজ করা		

(১০)	অন্যান্য		
মোট-			

৯. সংসারের ব্যয়ের খাত (বার্ষিক/টাকা)

μwgK bs	LvZ	(২০১০) UvKvi cwi gvY	(সাল.....) FY Mh†Yi c†e(UvKv)
(১)	খাদ্য		
(২)	কাপড়/পোষাক		
(৩)	গৃহ সামগ্রী		
(৪)	চিকিৎসা		
(৫)	শিক্ষা		
(৬)	যোগাযোগ		
(৭)	বিনোদন		
(৮)	যাতায়াত		
(৯)	জ্বালানী (বিদ্যুৎসহ)		
(১০)	চাষাবাদ		
(১১)	জমি ক্রয়		
(১২)	ঋণ পরিশোধ		
(১৩)	দান/খয়রাত		
(১৪)	সামাজিক অনুষ্ঠান		
(১৫)	সঞ্চয়		
(১৬)	অন্যান্য		
মোট			

১০. গৃহ সামগ্রী (২০১০)

ক্রমিক নং	নাম	সংখ্যা	কেনার তারিখ	মূল্য/টাকা
(১)	ক্যাসেট পেন্ডয়ার			
(২)	মোটর সাইকেল			
(৩)	কম্পিউটার			
(৪)	টিভি			
(৫)	ডিশ			
(৬)	ফ্রিজ			
(৭)	নলকূপ			
(৮)	খাট/চকি			
(৯)	রেডিও			
(১০)	বাইসাইকেল			
(১১)	সেলাই মেশিন			
(১২)	ক্রোকারিজ সামগ্রী			
(১৩)	অন্যান্য (বড় পণ্য)			

11. ডব্লিউ. আরি. ডি. কে. (২০১০)

ক্রমিক নং	আইটেম	কোড	প্রথম ব্যবহারের তারিখ
(১)	গৃহে আলোর ব্যবহার ক) কুপি খ) হারিকেন		

	গ) বিদ্যুৎ ঘ) অন্যান্য		
(২)	ঘুমানোর ব্যবস্থা ক) মেঝেতে খ) চকি গ) খাট ঘ) অন্যান্য		
(৩)	পানীয় জলের উৎস ক) উন্মুক্ত জায়গা খ) কুপ গ) নলকূপ (অন্যের) ঘ) নলকূপ (নিজের)		
(৪)	পায়খানার ধরণ ক) খোলামাঠে খ) কাঁচা গ) পাকা ঘ) স্যানিটারী		
(৫)	স্বাস্থ্য সেবা ক) পীর ফকির খ) হাতুড়ে ডাক্তার গ) হোমিওপ্যাথি ঘ) এলোপ্যাথিক ঙ) অন্যান্য		
(৬)	ঊষধ ক্রয়ে বাৎসরিক ব্যয় (টাকা)		
(৭)	কোথায় সঞ্চয় করেন ক) নিজের ঘরে খ) আত্মীয়ের কাছে গ) বন্ধুর কাছে ঘ) পোস্ট অফিসে ঙ) সমিতিতে চ) ব্যাংকে ছ) অন্যান্য		
(৮)	লেখাপড়ার জন্য বাৎসরিক ব্যয় (টাকা)		
(৯)	পোষাক-আশাকে বাৎসরিক ব্যয় (টাকা)		
(১০)	কোরবানী দেন কিনা ক) না খ) মাঝে মাঝে গ) অন্যের সাথে ভাগে ঘ) নিজেই/একাকি		
(১১)	দূর্গাপুজার প্রতিমা নির্মাণ ক) না খ) অন্যের সাথে অংশগ্রহণ গ) একাই নিজ বাড়ীতে		

12. tKvb wbePtb c0_fntq:Qb wKbv-niuv/bv
“হ্যাঁ” হলে

প্রতিষ্ঠান	পদ	সাল	ফলাফল
ক) স্থানীয় ক্লাব			
খ) সমিতি			
গ) স্কুল/কলেজ/মাদ্রাসা ব্যবস্থাপনা কমিটি			
ঘ) মসজিদ কমিটি			
ঙ) ইউপি সদস্য			
চ) ইউপি চেয়ারম্যান			
ছ) অন্যান্য (উল্লেখ করতে হবে)			

13. ত্রিভুজের ক্ষেত্রফল নির্ণয় করুন।
“হ্যাঁ” হলে

পদ	প্রতিষ্ঠান	সাল
<input type="text"/>	<input type="text"/>	<input type="text"/>

14. একটি বৃত্তের ক্ষেত্রফল নির্ণয় করুন।
“হ্যাঁ” হলে

- ক) কত বছর থেকে - (বছর)
খ) তার আগে ভোট না দেয়ার কারণ -
গ) প্রার্থীরা আপনার নিকট ভোট চায় কিনা - হ্যাঁ/না
“হ্যাঁ” হলে (টিক চিহ্ন দিতে হবে)

আপনার বাড়িতে এসে

পথে দেখা হলে

অন্যের মাধ্যমে

অন্যান্য

“না” হলে কারণ

.....
.....

১৫. ক) আপনি কত বছর ঋণ আদান-প্রদান করেছেন- (বছর)
খ) প্রথম গৃহীত ঋণের পরিমাণ- (টাকা)
গ) চলতি বছরে গৃহীত ঋণের পরিমাণ- (টাকা)
ঘ) এ বছরের ঋণ পরিশোধের পর পুনরায় ঋণ গ্রহণ করবেন কিনা-হ্যাঁ/না
“হ্যাঁ” হলে কারণ-

(১)

(২)

(৩)

“না” হলে কারণ

(১)

(২)

(৩)

১৬. এ বছর ঋণ ফেরৎ দেয়ার পর আর ঋণ না দিলে আপনার কি কি অসুবিধা হবে

(১)

(২)

- (৩)
- (৪)
- চ) ঋণ ঠিকমত ফেরত দিতে না পারলে কি কি অসুবিধা হয়
- (১)
- (২)
- (৩)
- ছ) ঋণ একেবারেই পরিশোধ করতে না পারলে কি কি অসুবিধা হতে পারে
- (১)
- (২)
- (৩)
১৬. আপনি সরকারি-বেসরকারি ঋণ ছাড়া অন্য কোন ভাবে আর্থিক সহায়তা পান কিনা হ্যাঁ/না
উত্তর 'হ্যাঁ' হলে
- ১৬.১ কার নিকট থেকে--- আত্মীয়/ বন্ধু-বান্ধব/ পরিচিত কেউ/ অন্যান্য (উল্লেখ করুন)
- ১৬.২ কি ধরনের সহায়তা পান ক) টাকা ধার (বিনা সুদে) খ) কোন পণ্য ধার গ) বাঁকীতে ক্রয় ঘ) অন্যান্য
- ১৬.৩ কি ধরনের জিনিস ধারে পান ক) ফসলের বীজ খ) সার/কীটনাশক গ) ব্যবসায়ের পণ্য ঘ) সংসারের
ব্যবহারের
- পণ্য ঙ) অন্যান্য
- ১৬.৪ ধারে কোন কিছু গ্রহণ করলে বাড়তি দিতে হয় কিনা হ্যাঁ/না
উত্তর হ্যাঁ হলে বাড়তির পরিমাণ---
- ১৬.৫ ধারে/বাঁকীতে পেতে আপনার বাড়ি থেকে কত দূর যেতে হয় ----
- ১৬.৬ ধারে পণ্য বা বাঁকীতে পেতে আপনাকে তার কাছে ক'বার যেতে হয় ক) একবার খ) দুবার গ) আরো
- বেশী
- ১৬.৭ বাঁকীতে কোন জিনিস কিনলে দাম বেশি ধরে কিনা হ্যাঁ/না হ্যাঁ হলে বেশির পরিমাণ--
- ১৬.৮ ধারে বা বাঁকীতে কোন জিনিস/পণ্য গ্রহণ করলে কোন জামানত রাখতে হয় কিনা-----
- ১৬.৯ অন্যান্য (যদি থাকে)
১৭. আপনি কোন মহাজনের নিকট থেকে ঋণ নেন কিনা হ্যাঁ/না হ্যাঁ হলে কত টাকা----
কত দিন পর তা ফেরৎ দিতে হয়
মোট কত টাকা ফেরৎ দেন
অন্যান্য (যদি থাকে)
১৮. আপনার নিজের পায়ে দাঁড়ানোর জন্য ঋণ ব্যতীত কি ধরনের সহযোগিতা প্রয়োজন।
- (১)
- (২)
- (৩)
- (৪)

স্বাক্ষরঃ

তারিখঃ

নামঃ

পদবীঃ

ঠিকানাঃ

প্রশ্নমালা
(অফিস প্রধানের জন্য)

কোড নং-

অফিস প্রধানের: (ট্রিচ্ছিক)

নাম-

পদবী-

সরকারী

প্রকল্প/কর্মসূচির নাম-

প্রকল্প এলাকা-

উপজেলা-

জেলা-

দপ্তর/অধিদপ্তর-

মন্ত্রণালয়-

বেসরকারী

এনজিও-র নাম-

কর্ম এলাকা/গ্রাম-

উপজেলা-

জেলা-

সদরদপ্তর-

এনজিও-র ধরণ-স্থানীয়/আঞ্চলিক/জাতীয়-

১. আপনার শাখা/প্রকল্প কোন সাল থেকে ক্ষুদ্রঋণ কার্যক্রম শুরু করেছে?
২. ঋণ প্রদানের খাত ক) প্রথমে-
খ) বর্তমানে-
৩. 'j Mvb'-
 - ৩.১ কত জনের দল-
 - ৩.২ পুরুষ/মহিলা/পুরুষ ও মহিলা
 - ৩.৩ দলের সদস্যদের যোগ্যতা --
 - ৩.৪ ঋণপ্রদানের কত দিন পূর্বে দল গঠন করা হয়--
 - ৩.৫ কোন সদস্যকে দল থেকে বাদ দেয়ার কারণ --
 - ৩.৬ কোন সদস্য দল ত্যাগ করলে করণীয় --
 - ৩.৭ কখন দল ভেঙ্গে দেয়া হয় --
 - ৩.৮ অন্যান্য (যদি থাকে)

৪. চাকরী মসৃণ-

- ৪.১ প্রশিক্ষণ ঋণ প্রদানের শর্ত কিনা-- হ্যাঁ/না
- ৪.২ প্রশিক্ষণের বিষয় ক) খ) গ)
- ৪.৩ প্রশিক্ষণের মেয়াদ---
- ৪.৪ প্রশিক্ষণের স্থান---
- ৪.৫ প্রশিক্ষণের ব্যয় কে বহন করে--
- ৪.৬ প্রশিক্ষণ গ্রহণের যোগ্যতা--
- ৪.৭ কারা প্রশিক্ষণ প্রদান করেন ক) নিজস্ব জনবল খ) ভাড়া করা প্রশিক্ষক গ)
- ৪.৮ অন্যান্য (যদি থাকে)

৫. মজুরি মসৃণ

- ৫.১ সঞ্চয় বাধ্যতামূলক কিনা হ্যাঁ/না
- ৫.২ সঞ্চয়ের ধরণ ক) দৈনিক খ) সাপ্তাহিক গ) মাসিক ঘ) অন্যান্য
- ৫.৩ সঞ্চয়ের পরিমাণ----- টাকা
- ৫.৪ সঞ্চয় গ্রহণের স্থান-ক) সদস্যের বাড়ি খ) দলনেতার বাড়ি গ) গ্রামের কোন স্থান ঘ) অফিস ঙ) ব্যাংক চ) অন্যান্য
- ৫.৫ জমা বই আছে কি না - হ্যাঁ/ না
- ৫.৬ জমা বইয়ে প্রতি কিস্তি এন্ট্রি হয় কি না -- হ্যাঁ/ না
- ৫.৭ জমা বইয়ে কিস্তি গ্রহণের পর স্বাক্ষর দেয়া হয় কিনা হ্যাঁ/না
- ৫.৮ সঞ্চয় টাকা কোথায় জমা রাখা হয় ক) ব্যাংকে খ) অফিসে গ) দলনেতার কাছে ঘ) অন্যত্র
- ৫.৯ জমা টাকা প্রয়োজনে কিভাবে ফেরৎ দেয়া হয়
- ৫.১০ অন্যান্য (যদি থাকে)

৬. FY চাকরী মসৃণ

- ৬.১ ঋণ প্রাপ্তির যোগ্যতা কি
- ৬.২ ঋণ মনজুরির পরিমাণ (টাকা) ক) সর্বনিম্ন-- খ) সর্বোচ্চ--
- ৬.৩ ঋণ মনজুরির ধরণ ক) সম্পূর্ণ টাকা একসাথে খ) কিস্তিতে (সংখ্যা)
- ৬.৪ ঋণ প্রদান করা হয় ক) গ্রহীতার বাড়ি গিয়ে খ) অফিস থেকে গ) ব্যাংকে ঘ) অন্যকোন স্থানে
- ৬.৫ ঋণ মনজুরির ক্ষমতা / দায়িত্ব কার-
- ৬.৬ আবেদনের পর ঋণ প্রদানে কত দিন প্রয়োজন হয়-
- ৬.৭ আবেদনের কার্যক্রম গ্রহণ করেন ক) গ্রহীতা নিজে খ) ব্যাংক/প্রকল্পের জনবল গ) অন্যকেউ
- ৬.৮ ঋণ হিসেবে প্রদান করা হয় ক) নগদ টাকা খ) কোন পণ্য (তা কি)
- ৬.৯ অন্যান্য

৭. RvgvbZ মসৃণ

- ৭.১ ঋণ প্রদানের জন্য কোন জামানত প্রয়োজন হয় কি না হ্যাঁ/ না
- ৭.২ ঋণ পরিশোধে ব্যর্থ হলে কি পদক্ষেপ নেয়া হয়--
- ৭.৩ জামানত প্রদান করলে তা কি এবং পরিমাণ
- ৭.৪ জামানত না থাকলে ঋণ আদায়ের নিশ্চয়তা হিসাবে কোন বিষয় কাজ করে
- ৭.৫ অন্যান্য

৮. F†Yi e'envi Z'vi K mসৃণ

- ৪.১ F†Yi e'envi Z'vi K Kiv nq K bv niu/ bv

8.2 nūv n̄tj wKfv̄tē

8.3 Z'vi wKf̄Z FY M̄h̄xZvi mv̄t_ tKvb Ø̄Ø nq wK bv nūv/bv

8.4 F̄t̄Yi e'envi Z'vi Kx FY M̄h̄xZv cQ' K̄t̄i b wKbv nūv /bv

8.5 Z'vi K Ki t̄j wK FY M̄h̄xZvi DcKvi nq

8.6 Ab'vb''

9. 1000/5000/10000/20000 UvKv F̄t̄Yi t̄ŋt̄i KZ̄bi nvi

- জামানত-----টাকা
- সার্ভিস চার্জ
- বীমা কর্তন
- ঝাঁকি কর্তন
- বাধ্যতামূলক সঞ্চয়
- অন্যান্য

১০. m̄t̄' i nvi m̄s̄m̄v̄š-

১০.১ সাধারণভাবে সুদের হার

১০.২ ঋণের ধরণ/প্রকৃতি অনুসারে সুদের হারে কোন পার্থক্য আছে কি না হ্যাঁ/না

১০.৩ কোন কারণে সুদের হারে পরিবর্তন হয় কি না হ্যাঁ/না

১০.৪ হ্যাঁ হলে কোন ক্ষেত্রে

১০.৫ অন্যান্য

১১. wKw̄-cwi t̄kva m̄s̄m̄v̄š-

১১.১ কিস্তি ধরণ ক) দৈনিক খ) সাপ্তাহিক গ) পাক্ষিক ঘ) মাসিক ঙ) ত্রৈমাসিক চ) ষান্মাসিক ছ) বার্ষিক জ) অন্যান্য

১১.২ কিস্তি আদায় করা হয় ক) ঋণগ্রহীতার বাড়িতে গিয়ে খ) কোন নির্দিষ্ট স্থানে গ) অফিসে ঘ) ব্যাংকে ঙ) অন্যান্য

১১.৩ ঋণ প্রদানের কত দিন পর কিস্তি প্রদান শুরু হয়

১১.৪ মোট কিস্তি সংখ্যা টি

১১.৫ অতিরিক্ত সময় (গেস পিরিয়ড) কত

১১.৬ ১০০০/৫০০০/১০০০০/২০০০০ টাকায় প্রতি কিস্তি প্রদেয় টাকা

১১.৭ কোন কারণে কিস্তি প্রদানে ব্যর্থ হলে কি করা হয়

১১.৮ কোন কারণে কিস্তি আদৌ পরিশোধ না করলে কি করা হয়

১১.৯ কিস্তি পরিশোধে দলের ভূমিকা কি

১১.১০ অন্যান্য

১২. cY' Drcv' b m̄s̄m̄v̄š-

১২.১ ঋণ গ্রহীতার মাধ্যমে কোন পণ্য উৎপাদন করানো হয় কি না হ্যাঁ /না

১২.২ হ্যাঁ হলে কি ধরণের পণ্য

১২.৩ উৎপাদিত পণ্য বাজারজাতকরণে কি ধরণের সএগয়তা দেয়া হয়

১২.৪ বাজারজাতকরণের ক্ষেত্রে সার্ভিস চার্জ গ্রহণ করা হয় কি না

১২.৫ অন্যান্য

১৩. ঋণের বাইরে অন্যকোন বিষয়ে উদ্বুদ্ধ (মোটিভেশন) করা হয় কি না

হলে ক)

খ)

গ)

১৪. ঋণ প্রদানের ক্ষেত্রে আপনার টার্গেটগ্রুপ কারা

১৫. আপনার শাখা/অফিসের ক্ষেত্রে নিচের ছকটি পূরণ করুন

বৎসর	ঋণ গ্রহীতার সংখ্যা			ঋণ বরাদ্দ (টাকা)			ঋণ বিতরণ (টাকা)		
	পুরুষ	মহিলা	মোট	পুরুষ	মহিলা	মোট	পুরুষ	মহিলা	মোট
২০১০									
২০০৯									
২০০৮									
২০০৭									
২০০৬									

১৬. আপনার শাখায় ঋণ গ্রহীতাগণ কি নির্ধারিত খাতে ঋণ ব্যবহার করেন হ্যাঁ/না

- না- হলে শতকরা কতজন করে না
- এটাকে সমস্যা মনে কি না
- ঋণের অপব্যবহারের বিরুদ্ধে কি ব্যবস্থা গ্রহণ করেন

১৭. ঋণ আদায়ের বিষয়ে নিচের ছকটি পূরণ করুন

টাকা	২০১০	২০০৯	২০০৮	২০০৭	২০০৬	২০০৫
আদায়ের টার্গেট						
প্রকৃত আদায়						

১৮. আপনার শাখায়/প্রকল্পে ঋণ পরিশোধ করতে না পারার কারণ কি

১৯. কিপিডি পরিশোধ করতে না পারলে কি ব্যবস্থা গ্রহণ করেন

২০. ক্ষুদ্র ঋণের জন্য যে সুদ ধার্য করেন তা অতিরিক্ত মনে করেন কি না

২১. FY Zmęty i Drm msłvš-

২১.১ আপনার শাখার ঋণ তহবিলের উৎস কি কি

২১.২ এ সকল উৎস থেকে প্রাপ্ত অর্থকে আপনি এলাকার জন্য পর্যাপ্ত মনে করেন কি না
কারণ

২১.৩ কিভাবে তহবিল বাড়ানো যায়

২১.৪ তহবিল বাড়াতে কোন উদ্যোগ নিয়েছেন কি না

২১.৫ অন্যান্য

২২. আপনার শাখা/প্রকল্পের মাধ্যমে এ পর্যাপ্ত কত জন সম্পূর্ণ আত্মনির্ভরশীল হতে পেরেছেন
২৩. তারা (২২নং) কি এখনো ঋণ গ্রহণ করেন
২৪. ঋণ গ্রহীতার দক্ষতা আপনি কিভাবে মূল্যায়ন করেন
২৫. ক্ষুদ্র ঋণ কার্যক্রম পরিচালনায় আপনি কি কি সমস্যার মোকাবেলা করেন
২৬. এ সব সমস্যা মোকাবেলায় আপনি কি কি পদক্ষেপ/উদ্যোগ গ্রহণ করেন
২৭. আপনার কোন পরামর্শ/মন্ড্র্য থাকলে বলুন

তথ্য সংগ্রহকারীর স্বাক্ষর ও তারিখ