

**BISMILLAHIR RAHMANIR RAHIM**

**The Role of Islamic Banking for Rural  
Development in Bangladesh: A Case Study of  
Islami Bank Bangladesh Limited**

By

Md. Hadayet Ullah  
Registration no. 377  
Session: 2001-2002

**Thesis Submitted for the fulfillment of the Degree of  
Master of Philosophy (M.Phil.)**

Supervisor

**Prof. Dr. M. Ataur Rahman**



Department of Management Studies

University of Dhaka

Dhaka, Bangladesh

February, 2009

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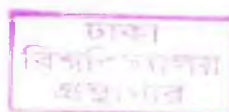
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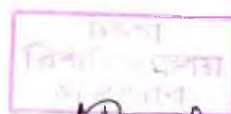
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February, 2009

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বিশ্ববিদ্যালয়  
কর্তৃপক্ষ

## CERTIFICATE

I have the pleasure to certify that the thesis entitled "The Role of Islamic Banking for Rural Development in Bangladesh: A Case Study of Islami Bank Bangladesh Limited" in fulfillment of the requirements for the award of the degree of **MASTERS OF PHILOSOPHY** in **MANAGEMENT STUDIES** prepared by Mr. Md. Hadayet Ullah. It is an original work and an addition to the existing field of knowledge. To the best of my knowledge, no other person has been associated with similar area of study. I have gone through the draft and final version of the **THESIS**.

448579



February, 2009

*Rahman* 27.2.09  
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Department of Management Studies  
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Supervisor of the Thesis.

## DECLARATION

I hereby declare that the thesis entitled "The Role of Islamic Banking for Rural Development in Bangladesh: A Case Study of Islami Bank Bangladesh Limited" is prepared by me. This thesis is the outcome of a research work that consists of theoretical and empirical studies. The study has been devoted to exploring a new area to make an additional contribution in the existing field of knowledge. I humbly submit this thesis to the Department of Management Studies, University of Dhaka, Bangladesh for the award of the degree of **Master of Philosophy**. The contents of the thesis have neither in part nor in full been submitted to any other institution for any academic degree or to other institutions of learning.

*Hadayet Ullah*

**Md. Hadayet Ullah**

Department of Management Studies

University of Dhaka.

February, 2009

*To  
My  
Parents*

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Many people have contributed to the completion of this dissertation. However, some people more than others. They are my course supervisor, Bank Authority, my friends and colleagues etc. I am very grateful to **Professor Dr. M. Ataur Rahman** my supervisor for his valuable advice, encouragement, cooperation and guidance provided to me in preparing and finalizing the thesis.

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04	Md. Habibur Rahman	Deputy Managing Director	IBBL
05	Md. Habibur Rahman Bhuyan, FCA	Executive Vice President	IBBL
06	Abdul Kader	Executive Vice President	IBBL
07	Md. Obaidul Hoque	Senior Vice President	IBBL
08	Md. Mizanur Rahman	Principal Officer	IBBL
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**(MD. HADAYET ULLAH)**

**Bismillahir Rahmanir Rahim**  
**The Role of Islamic Banking for Rural Development in**  
**Bangladesh: A Case Study of Islami Bank Bangladesh Limited**

**ABSTRACT**

This thesis examines the Role of Islamic Banking for rural development in Bangladesh 'A Case study of Islamic Bank Bangladesh Limited'. 53 Bank operate in the financial system of Bangladesh of which 6 are full fledged Islamic Banks. Islamic Bank Bangladesh Limited was established in the year 1983. An Islamic Bank is simultaneously a Commercial Bank, Islamic Bank and a development bank. Bangladesh is a developing country. "Rural Development" is very import issues of Bangladesh economy. 80% people live in the rural areas so rural development means improvement of 80% people. Islamic Bank Bangladesh Limited has been funded with major objective of establishing Islamic economic for balanced economic growth by ensuring reduction of rural urban disparity areas and in particular for the economic uplift of the rural peoples.

Rural development efforts are undertaken through government, semi government and NGO's. Among them most of the efforts did not reached poor people because of (i) High interest rates (ii) Dishonesty of distributor (iii) Government level corruption (iv) In absence of Zakat, Oссор and Auqaf.

The focus of the development effort and the heart of the development process in Islam is man. Islam has particularly emphasized optimal utilization of resources and their equitable use and distribution and promotion of all human relationships on the basis of right and justice.

Under the above conceptual framework of development, the following two verses of the Holy Quran set the redistributive pattern of an Islamic economic system "Resource should not circuit only among the wealth of you'.

“Of your wealth have the right of the poor and the needy”. The above principles and provisions construct the building blocks for the “Rural Development Schemes (RDS)” under the Islamic banking framework.

The main finding of this study is that the importance of rural development in Bangladesh. The main objective of RDS is to integrated program of income generation; education healthcare and sanitation for fulfillment of basic needs and overall upliftment of targeted poor households. The aim of this dissertation is to assess the extent to which this objective has been achieved by RDS of IBBL.

The fact that respondents complain that its rate of return is high. Bank sanctions in sufficient investment and they cannot start a business properly by that. The growth rate of RDS on-going project is 12% only. But this growth rate should be 22% to cover 95,000 villages with in 12 years. Moreover, operation is limited to Branch Network only. Branches of operation are only 136. Activity area is far from the Branch locations. RDS members are only five lakh. But more than 80 million poor people live in the rural areas. In this condition, the clients suggest the following: To decrease the rate of returns. To increase the amount of investment. Taking steps to utilize the investment. To increase the client's number. To extend the Scheme to Thana, Union, Village as a whole area.

With this thesis the researcher wants to contribute to improve Bangladeshi people's economy in rural areas. Moreover, this thesis may be used as a framework for similar research of rural development.

This dissertation may also serve as a knowledge base for IBBL, Manager, Officer, Business Consultants, Academicians and Government Officials of countries with a national development similar to Bangladeshi's economy.

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## LIST OF ABBREVIATIONS

AAOIFI	=	Accounting and Auditing Organization for Islamic Financial Institutions
AD	=	Authorized Dealer
ADB	=	Asian Development Bank
AGM	=	Annual General Meeting
AIDS	=	Acquired Immune Deficiency Syndrome
ALCO	=	Assets Liability Committee
ATM	=	Automated Teller Machine
BAB	=	Bangladesh Association of Banks
BAFEDA	=	Bangladesh Foreign Exchange Dealers Association
BAS	=	Bangladesh Accounting Standards
BCCI	=	Bank of Credit and Commerce International
BB	=	Bangladesh Bank
BCL	=	British Council Library
BIBM	=	Bangladesh Institute of Bank Management
BIP	=	Bank's Interest is Profit
BL	=	Benevolent Loan
BOI	=	Board of Investment
BSA	=	Bangladesh Standards on Auditing
BTTB	=	Bangladesh Telegraph and Telephone Board
CAMEL	=	Capital, Asset, Management, Earning and Liquidity.
CAR	=	Capital Adequacy Ratio

CCH	=	Commodity Clearing- House
CCH	=	Cash Credit against Hypothecation
CCP	=	Cash Credit against Pledge
CCTV	=	Close Circuit Television
CDBL	=	Central Depository Bangladesh Limited
CEO	=	Chief Executive Officer
CNG	=	Compressed Natural Gas
CPI	=	Consumer Price Index
CRISL	=	Credit Rating Information and Services Limited
CRR	=	Cash Reserve Requirement.
CSBIB	=	Central Shari'ah Board for Islamic Banks of Bangladesh.
CSE	=	Chittagong Stock Exchange Limited
DA	=	Daily Allowance
DSE	=	Dhaka Stock Exchange Limited
EPS	=	Earning Per Share
FA	=	Fiqah Academy
FBN	=	Foreign Bills Negotiated
FBP	=	Foreign Bills Purchased
FCB	=	Foreign Commercial Banks
FRR	=	Fixed Rate of Return
FRM	=	Fixed Return Management
GCIBFI	=	General Council for Islamic Banks and Financial Institution
GDP	=	Gross Domestic Product
GSCL	=	Geodetic Survey Corporation Limited

HDS	=	Household Durables Scheme
HPSM	=	Higher Purchase under Shirkatul Milk
IAIB	=	International Association of Islamic Banks
IBB	=	Institute of Bankers Bangladesh
IBBL	=	Islami Bank Bangladesh Limited
IBCF	=	Islamic Banks Consultative Forum
IBs	=	Islamic Banks
IBTRA	=	Islami Bank Training and Research Academy
ICB	=	Investment Corporation of Bangladesh
ICTD	=	Information and Communication Technology Division
ICTIC	=	Information and Communication Technology Implementation Committee
IDB	=	Islamic Development Bank
IERB	=	Islamic Economics Research Bureau
IFB	=	Interest-Free Banking
IFL	=	Islamic Foundation, London
IMF	=	International Monetary Fund
IRTI	=	Islamic Research and Training Institute
LC	=	Letter of Credit
LIM	=	Loan against Imported Merchandise
MCs	=	Muslim Countries
MEIS	=	Micro Enterprise Invest Scheme
MIGA	=	Multilateral Investment Guarantee Agency
MM	=	Mudaraba and Musharaka



MTD	=	Mudaraba Term Deposit
NAV	=	Net Asset Value
NCB	=	Nationalized Commercial Banks
NGO	=	Non-Government Organizations
NIA	=	Negotiable Instrument Act
NIP	=	New Industrial Policy
NMCs	=	Non - Muslim Counties
NPG	=	Nationalization Policy of the Government
ODS	=	Object Deferred Sale
OIC	=	Organization of Islamic Conference
PC	=	Packing Credit
PCB	=	Private Commercial Banks
PDS	=	Price Deferred Sale
PLS	=	Profit & Loss Sharing
PODS	=	Price Object Deferred Sale
PPD	=	Profit Paid on Deposits
PPG	=	Privatization Policy of the Government
PP S	=	Pure Profit Sharing
PSCBs	=	Private Sector Conventional / Commercial Banks
QH	=	Qard- e- Hasana
RD	=	Research & Development
RDS	=	Rural Development Scheme
RUIS	=	Riba, Usury, Interest & Sood
RWA	=	Risk Weighted Assets

SB	=	Specialized Banks
SC	=	Shariah Council
SEC	=	Securities and Exchange Commission
SLR	=	Statutory Liquidity Reserve / Ratio
SSB	=	Supreme Shariah Board
SWIFT	=	Society For Worldwide Inter Bank Financial Telecommunication
UK	=	United Kingdom
USA	=	United States of America
USIS	=	United States Information Service
VRM	=	Variable Rate of Management
VRR	=	Variable Rate of Return
WAN	=	Wide Area Network
WTO	=	World Trade Organization

## CHAPTER # 01

### INTRODUCTION

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### INTRODUCTION

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#### 1.1 History of Bangladesh Economy

During the Muslim rule, Bangladesh attained a degree of prosperity unknown before or since. Its alluvial land; favored by one the most remarkable networks of rivers in the world and by an abundance of seasonal rainfalls; was exceedingly fertile; to this the Muslims added their energy and industry. They reclaimed and brought under cultivation vast tracts of virgin lands, made new settlements on them, established and improved various industries; and opened up trade with far- off countries in the east and west; as a result the country grew within a short period to be one of the then world. Its wealth and resources became proverbial and evoked the admiration of foreign observers; it was not without reason that an early fourteenth century ruler of the country; Shams Al Din Firuj Shah, (1303-1322) was described as "Inheritor of the Kingdom of Solomon", nor was such prosperity limited to a particular period or century. It obtained uniformly for about five hundred years, from the fourteenth to the end of the eighteenth century. This is amply confirmed by the reports of the foreigners who visited the land from time to time over these centuries. The earliest clear reference to the country's prosperity is contained in the account of the celebrated traveler Ibn Batuta who visited east Bengal about 1340. As noted earlier he claimed it to be the wealthiest and cheapest country in the world, a "hell full of bounties" as the people of Khurasam termed it. A Chinese visitor ten years after the Batuta's visit to Bengal also speaks similarly about its agricultural and commercial prosperity. Early in the following century, several Chinese diplomatic missions came to Bengal. They also say about such wealthy economy, rich and civilized.

The economic progress of the country during this long period (1204-1757) was brought about by as well as reflected through five main development, namely (i) the introduction of a regular silver and gold coinage, (ii) reclamation of virgin lands extension of agriculture, (iii) expansion of

international trade backed by thriving industries, (iv) growth of a large number of towns and trade centers and (vi) wealthy condition of the people. Some features of these developments are briefly noted below.<sup>1</sup>

### **i). The introduction of a regular silver and gold coinage**

The introduction of a regular gold and silver coinage simultaneously with the establishment of Muslim rule in Bengal attracts attention mainly for two reasons. In the first place, no such coinage had been in vogue in the prior to the coming of the Muslims, especially in the period of Sens, when all transaction was made in cowries or shells. The introduction of the new coinage was therefore in itself a revolutionary measure making a clear departure from the past.

### **ii) Agriculture**

The prosperity of the country was due in a considerable measure to the extension of agriculture by reclaiming virgin lands and making new settlements on them. Before the coming of the Muslims vast tracts of alluvial lands; especially in the southern regions, were still covered with forests. The attention of the new comers was directed to the reclamation of these lands partly for the purpose of settling bands of immigrants who poured into the country from time to time and partly for increasing its agricultural out-put by bringing more of those fertile tracts under cultivation. The work seems to have been undertaken quite early in the period, though the exact time and areas involved are not known, for its salutary effects were observed in the first half of the fourteenth century. A Chinese account of 1349-50 states: "These people owe all their tranquility and prosperity to themselves, for its source lies in their devotion to agriculture whereby a land originally covered with jungle has been reclaimed by their unremitting toil in tilling and planting. The seasons of Heaven have scattered the Wealth of the Earth over this Kingdom,

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<sup>1</sup> Ali Muhammad Mohar (1985). History of the Muslims of Bengals; department of culture and publications, Imam Muhammad Ibn Saud Islamic University. Pp 924-950.

"Almost about the same time (1340) Ibn Batuta visited east Bengal. He gives a similar picture of the country in his accounts. He says that as he journeyed from Sylhet to Sonargoan by river for 15 days he saw on this right and left orchards, water-wheels, prosperous village and gardens "as if we were passing through a market". Such agricultural prosperity had already been attained, if may be noted, before the new phase of reclamation and colonization was undertaken during the later Ilyas Shahi Period.

During Shaista Khan's time, Bernier came to Bengal (1661). He saw on both bank of the Ganges from Rajmahal to the sea "Extensive fields of rice, sugar corn, three or four sorts of vegetables, Mustard, sesame for oil, and small mulberry-trees, two or three feet in height, for the food of silkworms. However, the most striking and peculiar beauty of Bengal is the innumerable islands filling the vast space between the two banks of the Ganges. These islands vary in size, but are all extremely fertile surrounded with wood, and abounding in fruit trees and pine-apples and covered with verdure a thousand water-channels run through them, stretching beyond the sight and resembling long walks arched with trees".

The Chief agricultural produce was rice. It was grown in such abundance that after meeting the local needs there remained always a big surplus for export. All the accounts say that the land was extremely fertile so that there was no need for artificial irrigation or as the Chinese put it, "no need of sowing the seeds- the crops grow by themselves in the proper season". The same piece of land yielded two or three crops a year. A great variety of rice was indeed produced of which the Bengali literature of the time mentions some fifty names. While the Mughal chronicler Abu Al-Fadl states that if a single grain of each kind were collected they would fill a large vase. "Bengal produces rice in such abundance", Writes Bernier. "That it supplies not only the neighboring but remote states. It is carried up the Ganges as far as Patna, and exported by sea to Maslipatam and many other ports on the east of Koromandel. It is also sent to foreign kingdoms, principally to the island of Ceylon and the Maldives." There is also some reference to the cultivation of wheat: but its cultivation and consumption were limited. Of the other

agricultural edibles produced in the country was miller, a variety of vegetables, sesame, mustard, beans, ginger, onions, garlic, cucumbers, etc. Of fruits mention is specially made of banana, mango, melons, pineapple, jackfruit, pom-megranate, cocoanut and betel nut, and also, at a later period, of oranges. Another important edible agricultural produce was sugar cane. It supplied the raw material for the big sugar industry of the country.

Two other notable agricultural products, which fed the local industries, were cotton and mulberry trees, the latter for the food of silk worms. Both cotton and silk cloths were the principal industries of country. Cotton was cultivated in different districts of western, northern and eastern Bengal. The finest quality of cotton suitable for the famous muslin industry was produced, however, in Dhaka and parts of Mymensingh districts. Even after its decline in the British period John Taylor and agent of the English East Indian Company stationed at Dhaka about the year 1800 notes that the cotton produced over a large tract in Dhaka and along the banks of the Meghna was the "finest" that was to be found in "any part of the world, since no cotton that has yet been compare with.

Mulberry trees for silk worms were grown in central and north Bengal, principally in Murshidabad and Rajshahi districts. The plant was introduced into Bengal during the Muslim period most probably from China. Bernier and Tavernier as well as the English factory records of the late eighteenth century are full of references to the cultivation of mulberry trees in the above mentioned areas. Of the Other agricultural products used for industries, we get mention of jute in both Bengali literature and Abu al-Fadl's work, as well as in the accounts of the European Travelers.

### **iii) Trade and Industries:**

Agriculture indeed formed the backbone of the country's economy and the basis of its industries and flourishing commerce. Some of its agricultural products like sugar cane, cotton and mulberry trees were specially geared to the needs of the local industries. And both the surplus food grains and industrial goods produced with the raw materials grown in the country gave an

unprecedented impetus to trade and commerce. With the coming of the Muslim Bengal was indeed drawn into the main stream of an extensive international trade then almost exclusively in the hands of the Arabs, Persians and Turks. They were also in control of not only the land routes but also the sea-routes till the end of the sixteenth century. There is evidence showing that number of those traders came to Bengal even during the time of Ikhtiyar al-Din Bakhtiyar Khalji, almost immediately after his conquest of Nadia. When the Muslim rule was consolidated in Bengal a great many Muslim merchants settled in Bengal and engaged themselves in trade and commerce. The Chinese visitors of the early fifteenth century who had come in contact mainly with the port-towns of Chittagong and Sonargaon and the capital city of Pandua observed, in relation to their Muslim population, "Every one of them" was "engaged in business". Duarte Barbosa, who visited Bengal early in the sixteenth century mentions that the many towns in Bengal "both in the interior and on the sea-coast" were inhabited by "Moors and Gentiles, amongst whom there is much trade in goods and much shipping to many parts, because this sea [Bay of Bengal] which enters towards the north, and at its inner extremity there is a very great city inhabited by Moors called Bengals, with a very good harbor. The reference is obviously to the mouth of the Ganges and to the port-town of either Sonargaon or Sripur, which was a "great city" at the time of Ralph Fitch's visit in 1586. Situated at the junction of the Ganges and the Meghan (not far from modern Chandpur). Barbosa further notes that the Muslim (Moo) inhabitants of the city of 'Bengala' were "White men and well-formed... both Arabs and Persians, Abyssinians and Indians, who congregate here because of the country being very fertile and of a temperate climate. They are all great merchants"

Another extensive industry based on the country's agricultural produce was sugar. The Chinese accounts of the early fifteenth century speak of the abundance of sugar in Bengal and its export to other countries. Visiting the land a century afterwards (early in the sixteenth century), Barbosa and Varthema also referred to the very good quality of Bengal sugar and its extensive exportation by "many ships" to other parts of the world.



Another item of export, especially later in the period, was saltpeter. It was needed for the manufacture of gunpowder and was as such much in demand in the European markets in the 17th and 18th centuries.

A very important and useful industry introduced and developed in Bengal during the Muslim period was paper. It does not appear to have formed an item for export, but it definitely met the demands of literary activities and government communications.

Another industry which attained a good deal of perfection in relation to that age was workmanship in iron. It catered to the needs for agricultural and other implements and tools as well as the government needs for various types of weapons. Indeed a large quantity of swords, arrows, spears, guns and cannons were manufactured in government workshop. One such cannon made in the Dhaka ordinance factory (Topkhana) was seen early in the present century lying covered with trees near Murshidabad. It was popularly known as Jahankosha (world conqueror) and was about 18' feet long with a circumference of 5'-3", weighing 212 maunds. A smaller but still very large cannon used by Shasta Khan is to be seen at the present day in front of the Dhaka stadium where it has been placed for public view.

#### **(iv) Cities and Urban Centers**

The flourishing trade and industries of the country gave birth in their turn to a number of cities, ports and urban centers. This urbanization was another remarkable aspect of the economic life of Bengal during the Muslim period. During the previous period, we scarcely hear of the growth of any cities or urban centers as such except for the capital of the ruler and one or two ports in the southern part of the land. Even then, all the ancient capitals and ports including even Gaud seem to have decayed into insignificance before the coming of the Muslims. In contrast, a large number of towns and cities grew up rapidly with the coming of the Muslims as administrative headquarters, mint-towns, rendezvous of trade and commerce and centers of learning.

At least five large towns came into being during the first decade of Muslim rule in Bengal. These were Lakhnawati (Guad), in malda district, Deokot, Mahisantosh and Ghoraghat in Dinajpur district and Lakhnur in Birbhum district. Laknawati or Guad, through situated near the site of an ancient town, was an entirely new capital city built by the Muslim.

Coming to east Bengal the most important port-wows and administrative centers were Chittagong, Sonargaon and Dhaka. Chittagong was the premier seaport in the whole of Bengal. It grew quite early in the Muslim period to be the chief port through which passed almost the entire volume of the country's foreign trade. The name itself, as indicated earlier, was perhaps of Arabic origin. The Chinese missions which visited Bengal early in the fifteenth century came by sea via Sumatra and NICO bar Islands first to Chittagong and then to Sonargaon, both of which latter places they describe as flourishing ports.

#### **(v) Condition of the People**

In spite of the growth of a number of cities, ports and urban centres, more than 80 percent of the population lived in rural areas, as they continue to do even today. The general agricultural and commercial prosperity of the country was doubtless reflected in the economic condition of the people, though we have no detailed statistical information. In fact, the continued prosperity of the country was ensured by a happy balance between agriculture and industry both of which combined to foster a thriving international trade. In forming an idea about the condition of the people, three things may be kept in mind. In the first place, the number of population in those days was far lese, probably not even a third or fourth of what it is today, the available modern census figures showing that the population has more than doubled in the last century alone. Consequently there was an abundance of agricultural land and a very few, if at all, landless people. As an illustration of this fact, it may be recalled that till the end of the eighteenth century it was a matter of concern for many a zamindar under the early British rulers that the peasants might abandon their

holding and settle themselves in another zamindari. Even many small traders and the artisan classes like the weaver's paper and salt manufactures and fishermen had a sound base in agricultural lands and spent a part of their time in agricultural pursuits. Purely landless labors were very few, and even they were engaged in various professions.

Almost each family in the rural areas produced sufficient rice, it not more, to meet its needs. Each family had also its vegetable gardens, and cattle and fowl stocks, or little family dairy farms, so to say, for rearing meat, milk and egg. This was in addition to the fruit trees, especially cocoanut and betel-nut trees that form an essential part of every homestead in the southern districts. Similarly, fish was available in almost legendary abundance. Abu al-Fadl makes special mention of the plentitude of fish in Bengal; and Mirza Nathan records that while the Mughal fleet of war-boats had been proceeding by the Karotoya river a large number of fish jumped into the boats at the sounds of the trumpets so that he could present 40 big ones to the accompanying viceroy Islam Khan who ordered a meal to be prepared of them.

Even after the British take-over in 1757 and the period of confusion and unbridled exploitation, culminating in the disastrous countrywide famine of 1770 the price of rice 1780 were about 3 maunds to a rupee.

### **British Period (1757-1947)**

The victory of British power in 1757 killed indigenous capitalism of Bengal in its nascent stage. The trades, which were being carried on by the East Indian Company and for which England had to pay large amounts of bullion to Bengal traders and manufactures, was transformed into an organized plunder. Thus ended the days of prosperity of the Bengal merchants. Henceforth they were allowed to exist only as the agents of the company and their employees in the form of 'gomosthas' and 'baniyas'.<sup>2</sup>

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<sup>2</sup> Mahamud, Anu (1997). Inside Bangladesh economy (BIAM) Dhaka, Bangladesh. Pp 09-27.

The process of changing Bengal into a market and supplier of primary products which could be exported to other countries necessitated the restructuring of her land relations on a commercial basis. The new land system superseded the traditional right of village community. Under the village community system, land was not a commodity, and it could not be alienated without the approval of the community. But under the new system, land was transformed into a commodity which could be disposed of in the market like any other thing. There was a distinction in British India between 'ryotwari' areas where the peasant held land directly from the state, and 'zamindari', where the land was held by owners who were often absentees, or probably more often, resident but still exploiting gentry. Especially in areas under the 'Bengal permanency settlement' of 1793, which was designed to set up a class of improving landlords on the contemporary English model, there developed a fantastic number of intermediaries between the rack-rented peasant and the final landlord who paid a fixed revenue assessment. Under the 'British raj', land had become a market commodity for investment, and overwhelmingly investment of a rather than entrepreneurial type. A unique condition for 'absolute rent' (which is deduction from profit) rather than 'capitalist ground rent', which is surplus above profit and fits the condition of entrepreneurial type. With growth of population and ever increasing land-hunger, the better off were able to build up estates. Variety of titles, tenures, rents and services was bewildering. The British treated Bangladesh as a backwater area whose main value was two – fold: **(a)** to provide raw materials for British and Scottish factories, particularly in textiles and Jute, and **(b)** as a market into which to dump cheap British manufactured goods. In the 18th century, muslin made in Dhaka was popular in Europe until cheaper, machine-made British cloth drove it off the market. Hand woven jute goods began to take up the slack, but the British built jute mills in Scotland in the early 19th century; and once again, Bengali goods lost their market.

Within a few decades, the prosperous weaving industry developed in the Bangladesh area under the moguls was destroyed; and the large artisan class lost its livelihood. East Bengal native industry and commerce collapsed.

The East Bengal economy effectively became a colonial agricultural arm of British industry.

A parallel, but in some ways even more disastrous British policy was the permanent settlement Act of 1793, which destroyed the traditional land holding system and created a new landlord class, called 'Zamindars.' Most of these Zamindars were Hindus, while most of the dispossessed tenants were Muslims, a circumstance that hampered the material progress of the Bengali Muslims and added more tension to ancient Hindu-Muslims rivalry.

Therefore, because of British economic and mercantile policies, agriculture became the only occupation available to an overwhelming majority of the population, and for many has meant a life of poverty as a tenant or landless laborer.

The Hindus became an economic power in Bangladesh. The Hindus apparently adapted more quickly to changing socioeconomic conditions. The Muslims zealously maintained their intellectual prominence in the subcontinent's cultural, literary, and philosophical circles, this aloofness cut the Bengali Muslim's off from the new avenues opening up for the subcontinent's gradually emerging middle class.

Bangladesh's remoteness from the center of government coupled with poor lines of communication intensified this isolation. Additionally, the British tended to prefer recruiting Hindus for the civil service and the army. All of this combined to gradually create a minority status for the Bengalis and perhaps most importantly, an acute awareness of their minority status.

East Bengal did not share equitably in the economic infrastructure and market systems constructed by the British. Even though those systems and tariff policies were designed to favor British interests and economic institutions, a solid framework was gradually built up that eventually paid dividends in terms of development of indigenous industry in much of India. But this did not happen in Bangladesh, where local participation in the economy was essentially limited to real estate speculation and petty trading. The climate was not favorable for the emergence of a Bengali capital market in industrial sectors.

## Technological Change in British Bengal

The British rule of Bengal can be sub-divided into two periods. The first period, 1793-1850; was characterized by conditions similar to those prevailing during the Mughal period especially the condition of high land man ration although new institutional arrangements imposed by the British Probably affected the nature of technological development. During the second period, 1850 to 1947 technological changes were more influenced by increasing scarcity of land.

The most important institutional change that took place in early days of British rule was the enactment of new land settlement scheme known as the permanent settlement. Permanent settlement, in effect, created a new group of landlords who legally became the owner of all land including the land cultivated by free farmers. During the initial years of the settlement, Bengal was still a land abundant society and labor remained the most important resource of an estate.

The revenue assessments of almost all estates were much higher than could be extracted at the rate that prevailed in Bengal during 1790s. In theory, the zamindars could adopt the following two mechanisms for increasing the total and revenue: increased exploitation of the cultivators or increased productivity of the land, Labor scarcity set an upper limit on the level of taxes that can be collected from the farmers. In fact, over the period 1794 to 1807. Land on which about 41 percent of Bengal's assessed revenue depended was put up for sale as the Zamindars failed to generate required level of revenue [Marshall, 1987: Pp. 125.] Therefore, the only feasible alternative was to improve land and labor productivity. As expected, the Zamindars took many important steps to improve the productivity of labor and land in their estates immediately after the settlement.

To encourage extensive use of land, the new landlords often arranged clearing of forest areas and rented them out at a low attractive rate to actual cultivators. They also offered loans at preferential rates to farmers for seed and cattle. Zamindars who wished to attract settlers onto uncultivated land

had to offer substantial inducements, usually to headmen able to bring communities of cultivators with them. Warren Hastings commented in 1776 on the large number of paikasht, that is migratory riots, who could make their own terms with the zamindar and enjoy land at half price (Marshall 1987; Pp 150-151). In some regions, multiplicity of tenures were created for effective management, super-vision and control of newly cleared land [Raychaudhuri, 1969; p. 168]

Zamindars invested extensively in promoting irrigation facilities as well. Surface water irrigation was expanded by constructing infrastructure of canals. New crops were introduced and in newly cleared land areas, the landlords encouraged cultivation of permanent crops to increase labor productivity.

After 1850, the land-man ration declined significantly to allow the zamindars to increase the land rent without improving labor productivity. The period from 1870 onwards had been marked by incessant efforts of the landlords to obtain higher rents and illegal abwabs [Kabir, 1969] / Clearing the protested land and providing incentives to cultivators to the land as tenants started to pay-off with increasing land scarcity. Sharecropping emerged as an important land tenure system and landlessness gradually increased. High demand for land increased the land rent, increased poverty and indebtedness of the farmers. The zamindari system, which helped to improve agricultural growth during the early nineteenth century, became an effective brake on further development.

The separation of actual cultivators and landowners also created disincentives for technological development. Apart from some irrigation projects implemented by the Government as a reaction to famine conditions and widespread dissatisfaction among the cultivators, no significant technological development took place in Bengal agriculture during this period.

The British rule in Bengal effectively created a new group of non-cultivating landowners. Most of the actual cultivators became tiller of the land without any legal right on the land. Although, the creation of landlords or zamindari helped improve the growth of the sector at the intuitional state, the

structure itself became a brake to further development. Zamindars were interested in their total collected revenue which could be increased either through growth of output or through increased exploitation of cultivators. As population pressure on land increased, they found it easier to increase their demand on farmers rather than helping them to increase output. This structure stagnated the economy during the last 100 years of British rule in Bengal.

### **Pakistan Period (1947-1970)**

After the British left and Pakistan was formed, East Bengal became East Pakistan. Unfortunately, many of the same attitudes and policies that had held East Bengal's economic development in check persisted under the flag of Pakistan. The Bengalis gradually concluded that their fate was still being governed from afar. Karachi, replace London as the seat of political and economic power, even though East Pakistan contained by far the greatest percentage of the new country's population. The factories of England and Scotland were superseded by the interests of the western wing's burgeoning industrial complex. Calcutta and its environs in India maintained their immense influence over the economic life of East Pakistan. Even this economic fact of life had about it one of those ironic twists of fate that seem to perpetually plague Bangladesh as it struggles to arise from the economic mire. Trade across the border between Bangladesh and India continued, much of it via the black market, most of which was composed of cheap Indian manufactured goods. But partition meant that the agricultural hinterland (Bangladesh) was in various ways cut off from its traditional industrial and banking center (Calcutta). It was necessary to develop new market and mechanisms, and West Pakistan was not an ideal partner, particularly in regard to jute, the crop and troubled industry that dominated and, unfortunately, still dominates Bangladesh economy.

Pakistan like Britain, pursued a policy emphasizing the preeminent role of the private sector in industrial development, with government playing a



catalytic, supportive and regulatory role, priority was given to West Pakistan's development, with East Pakistan providing raw materials and a captive market for West Pakistan's industrial products, a similar role to that it had played in the days of the British Raj. During most of its 24 years under the flag of Pakistan, the indigenous economies of the Eastern wing languished.<sup>3</sup>

Capital markets were not highly developed in Pakistan at the time especially in the east wing, and foreign exchange was severely controlled. The government also encouraged indigenous entrepreneurs through liberalization of controls and imports, exchange rate manipulation, tariff and tax breaks, use of a drove of foreign advisers and technicians, price controls, and a very successful subsidy/bonus scheme to encourage exports.

From 1950 to 1970, West Pakistan received more than double the expenditure made on East Pakistan. It is also interesting to note that roughly 70 percent of the money spent over that period in the East was earmarked for the public sector, whereas in the West the ratio was almost 50 percent. Thus, in total assistance West Pakistan's private sector received more than three times the assistance accorded the East's private sector.

The disparity becomes even more striking when one realizes that by far the greatest portion of funds that did go into industrial development in East Pakistan went into the enterprise activity of West Pakistanis, Marwaris, and Biharis doing business there, not Bengalis. Exact percentages are almost impossible to determine because of the tangled partnership relationships among the various groups and because of the general inadequacies of Bangladesh's statistical gathering methods and institutions.

One source states, however, "Available data relating to the manufacturing section indicates that at liberation, non-Bengali business houses controlled 47 percent of fixed assets and 72 percent of private industrial assets if we exclude the public sector assets".

In large-scale industrial production, Bengali entrepreneurs were mainly confined to jute and cotton textiles. At liberation, Bengalis owned about one-

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<sup>3</sup> Humphrey Clare E. (1992). *Privatization in Bangladesh: Economic transition in poor country*; the university press limited, Dhaka. Pp-19-20.

third of the fixed assets in the jute industry, and just over half in cotton textiles. However, outside these two industries, there were only six Bengali-owned enterprises with assets of more than taka 2.5 million. Bengalis were more interested in small and medium industries, where they owned approximately 20 percent of fixed assets by the time of independence from Pakistan.

As we approach the time, Bangladesh had to face its economic problems as an independent nation, let us look at a few figures and questions to see just where she stood at the end of the Pakistan period.

Through the direct effort to the **EPIDC** and other government agencies, the following groups of Bengali-owned enterprises were launched in key economic fields (1965-1970).

**Table 1.1: Bengali-owned enterprises**

<u>Field</u>	<u>No. Of Enterprises</u>
Jute Mills	36
Major jute exporting	16
Textiles	25
Sugar	1
Inland Water Transport	12
Bank	1

Source: Humphrey Clare E (1992)

Beyond this, a number of Bengali firms became prominent, if not dominating, in import-export and trade generally; and a significant number did well in the contracting business or as commission agents of various types.

By the end of the 1960s, the percentages attained somewhat more substantial level. In 1969-70, the manufacturing sector was up to 7.8 percent of GDP; and the contribution of large-scale industries was 3.7 percent and small-scale manufacturing 4.1 percent. While this was mildly encouraging, it was not much to show for twenty years of hope and expectation, especially when West Pakistan had progressed much more rapidly. The number of registered "factories" in 1968-1969 was 3,130, of which 791 units worked in textiles, 576 in chemicals, and 406 in food manufacturing.

Most of the economic activity of Bangladesh in 1969-70 was found in agriculture and in the 3,30,000 'industrial' enterprises in rural areas, most of which were really cottage industries located within the homestead. Only 3,500 of these enterprises employed more than 10 persons and therefore, were placed under the factories Act. Unfortunately, No similar statistics exist for small and micro enterprises in urban areas; but there is no doubt that the domestic economy was dominated by such small-scale activity, both in rural and urban locales as independence came to Bangladesh.

### **Land Reform in Pakistan**

When Pakistan came into existence, land reforms fell essentially under three closely related heads, the elimination of intermediaries between the cultivator and the state- this is often referred to as 'Zamindari' abolition, the setting of ceilings on individual holding, and the protection of tenants by providing for security and fair rents. The objective in East Pakistan was the abolition of intermediaries altogether, zamindars were limited to a personal holding of 33 acres (13.3 ha). The big zamindar may be on the way-out, but the 'malik' or ridding proprietor may have gained, and while a few 'kisans' (working peasants) may have improved their position and perhaps even graduate to the malik class the mazdurs or laborers, often attached by debt slavery, are probably as wretched as ever.

Bangladesh



For many years, Bangladesh has been perceived as a hopelessly impoverished nation, always on the brink of massive famine food production, barely met the minimum nutritional needs for the rapidly expanding and mostly destitute population. IN 1975, Bangladesh was called bottomless basket (Henry Kissinger). Yet the county now seems to have turned the situation around and development experts are beginning to talk about a more vibrant Bangladesh, one that is no longer viewed as the “basket case” of Asia.<sup>4</sup>

Bangladesh is located on the Tropic of Cancer in South Asia. It has the world’s highest annual rainfall which affects the territory and the location of economic activities. Much of the territory is partly submerged or subject to

<sup>4</sup> Todaro Michale P. and Smith Stephen C. (2003). Economic Development (Eighth edition). Pp 455-456.

flooding during the rainy season, and cultivation of rice and jute employs a very large portion of the work force.

Bangladesh is the most densely populated agricultural nation in the world, with 140 million people in (2007). It is also one of the poorest and least developed countries in Asia, with a 2007 per capita GNP of only \$500, a life expectancy of 61 years and a literacy rate for women of under 60%. Its labor force is expanding rapidly as a result of high population growth rates, and unemployment and underemployment currently exceed to 38%. Although its income is more evenly distributed than in many other LDCs, because of its very low per capita income, Bangladesh has a high poverty rate 50% in rural areas in (2007).

Despite the high speed of the urbanization process, over three quarters of the population still lives in rural areas, most engaged in subsistence farming. In addition to its vulnerability to frequent monsoons and other natural disasters, the Bangladesh economy suffers from structural constraints such as poor electricity, transportation, and communication facilities, which persists despite attempts by policy makers to remove them.

Agricultural accounts for approximately one-quarter of both GDP and exports. The relatively high dependence on agricultural has not allowed Bangladesh to absorb its rapidly growing labor force or generate a sufficient flow of foreign-exchange earnings. Bangladesh labor force is largely unskilled and uneducated. So despite the large population, human resource development is extremely low. The economy is characterized by a low domestic savings rate and a large balance of payments deficit. In 2006, the country imported \$14 billion but exported only 11.5 billion. Consequently, external assistance (foreign aid) continues to play an important role in providing budgetary and balance of payments support.

Despite repeated disruptions by natural disasters Bangladesh made significant progress in many areas in the past decades. Exports grew through policies designed to promote exports and improve foreign exchange-rate management. Government deficits were lowered through cutbacks in public investment. Policies were pursued to provide incentive prices to farmers, to

deregulate private-investment licensing procedures, and to understate a major decentralization of public enterprises. These policies enabled Bangladesh to achieve a highly respectable average real rate of per capita GDP growth of 5% in the 1990-2007 periods.

Bangladesh, in real economic terms, is on the way of becoming a middle-income economy. The primary objective of the current government effort is to alleviate Bangladesh ubiquitous poverty through increased production of and access to food and other basics. The achievement of these objectives will require a sustained economic growth rate averaging at least 7% to 8% per annum over the longer term and a rapid reduction in the rate of population growth, both of which are within grasp.

As the pioneer in micro credit beginning with the Grameen Bank, and (IBBL) now including a half dozen other major micro credit institute, hope has been brought to millions of impoverished Bangladesh women. In addition, family planning was widely adopted in the 1990s.

Bangladesh will have to work hard to sustain its agricultural output while continuing to expand its industrial base, but recent declines in the rate of population growth, micro credit, and newly found export markets for its manufactured products provide reasons for optimism.

The People's Republic of Bangladesh appeared on the world map as an independent and sovereign state on December 16, 1971. It is located in the northeastern part of the South-Asian Sub-Continent of the globe. The country at its birth inherited a devastated economy and a war-torn infrastructure. From the very beginning of independence, the task of relief and rehabilitation of millions of people affected by the war and reconstruction of the war-ravaged economy, had to be given, top priority. There after, the government has been designing different policy for industry, commerce and agriculture according to the necessity of the situation and demand of the circumstances. As agent of the government, all the scheduled banks of the country are working out those policy and operating the same together with the help of the government and co-operation of the common people. The industrial sector plays an important role in the economic development of a

country like Bangladesh. For sustainable growth in the industry, attention will how ever, need to be given to strengthening the linkages of industry.

Although Bangladesh is mainly an agricultural country, she had some large-scale industries based on indigenous raw materials. Among them, jute manufacturing, carpet, textile, paper and newsprint, sugar, cement and chemical fertilizer, tanneries are important. Other notable industries are cotton textile, handloom industries, engineering, steel and re-rolling, oil-refinery and shipbuilding etc. Most of the industrial units are located in Dhaka, Narayanganj, Chittagong and Khulna. Among the handloom and cottage industries, cloth making, carpet making, coir, bamboo and cane products, earthenware, brass and bell metal products, tobacco, small tools and implements making, ornament making, button making, etc. are remarkable.

The Government of the People's Republic of Bangladesh nationalized all big industries of the country in 1972. The main objectives of nationalization were to control the heights of the economy and to meet progressively and serve better the needs of development of the economy in conformity with national policy and objectives. In the period immediately following emergence of Bangladesh, external economic assistance was mainly geared to support the relief and rehabilitation efforts for the recovery of the war-ravaged economy. With the launching of the First Five Year Plan in 1973, external economic assistance, were supported for the implementation of development projects as well as import of food and essential commodities. Up to June 30, 1974, a total amount of \$ 33,552.4 million of external assistance was committed. The economy of Bangladesh is predominantly based on agriculture, the importance of which in a developing country like ours can hardly be over emphasized. The Industrial sector suffered a physical loss of Tk. 22 core during the war of liberation. The post liberation period up to 30<sup>th</sup> June 1974 was the period of repair and reconstruction and for that purpose the Government had to pay Tk. 22 core to the sector corporations.

The successive governments who came to power after the violent change of government on 15<sup>th</sup> August 1975, realized the necessity to accelerate investment, it has since in the private sector, both local and

foreign, and announced some measures from time to time in that direction. No appreciable step was, however, taken to privatize the major enterprises nationalized in 1972. The State Owned Enterprises cover a significant portion of the manufacturing and service sectors of the economy.<sup>5</sup>

The government, who came to power in March 1982, reviewed the performance of the nationalized sector and concluded that they were unable to contribute to the country's development because of inherent problems of bureaucratic control, lack of proper accountability, contradiction between social justice and commercial considerations, and serious financial constraints from which they were suffering. In order to create a favorable investment climate and establish confidence in the minds of prospective entrepreneurs, the then government in the new industrial policy, announced on 1<sup>st</sup> June 1982, decided to return the Bangladeshi owned jute and textile mills to their former owners.

The following government came to power in 1991. The new government declared their objective to pursue a market-oriented economic policy and launched the privatization policy with a new zeal. It set up in 1993 the Privatization Board with a clear mandate and operating guidelines reporting directly to the Council Committee on Finance and Economic affairs. The government declared their Industrial Policy 1996 structuring the industries in broad three categories namely i. larger big industry, ii. Small and medium enterprises and iii. Small- scale enterprises or micro enterprises. This restructuring will have unbolted and ingrained marketing facility with the enterprises through inclusion of wholesale and retail operation in it. Poverty eradication is one of the prime objectives of industrial policy of Bangladesh, 1996. Such objective can be attained through holistic approach trickling down the benefits of growth to poor along with grassroots level programs.

The later government of Bangladesh has put in place the forward - looking Industrial Policy, 1999, incorporating additional facilities and incentive packages to attract private investors, including foreign investors. The

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<sup>5</sup> Hossain Amir (2006). Loan and Investment Management variety of conventional and Islamic banking; Ph.D. Thesis, department of Management Studies, University of Dhaka. Pp 05-10.



government has also issued several circulars and orders to announce its liberalized rules and regulations facilitating the investment climate further. The ratio of grants in the total aid is declining in respect of both commitment and disbursement. The capital market will also remain open for portfolio investment. In order to take full advantage of the liberalized trade environment, we should adopt some strategies that will keep us in good stead in the world competition of the trade and development. Like all other developing countries, Uruguay Round has both challenges and prospects for Bangladesh also. It depends mainly on how we face the challenges to reap the benefits of the Round. Of course Bangladesh argues well in the field of liberalization.

### **Landless People in Bangladesh**

After 1971, when Bangladesh came into reality as a nation-state, the condition of 'cumulative diseconomies' (e.g. fragmentation of land) as termed by economist S.K. Lyengar is in 'A Decade of Planned Economy', that is being continued. The extension of education and urbanization, which break down the joint family system and the Muslim hereditary property law, both, added to the fragmentation of our lands.

The bounteous land of Bangladesh is coming under a pressure of rising population growth. More and more people are getting landless 54% (2007) and many of them are migrating to cities and towns to live as floating people. On the other hand, there are absentee landowners living in cities and towns and getting one-third of the production on their land or the equivalent of its cash value.<sup>6</sup>

### **Poverty Situation in Bangladesh**

According the Cost of Basic Needs (CBN) method used in the survey, the incidence of poverty at the National level declined from 48.9% in 2000 to

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<sup>6</sup> Mahamud, Anu (1997). Inside Bangladesh economy (BIAM) Dhaka, Bangladesh. Pp 09-27.

40.00% in 2005, in FY 1972-73 that was about 70%. BBS found that the number of the abject poor in the country is 27 million but the figure in the year 2000 was 20 million. The survey also revealed that the number of poor people or those not in abject poverty but considered to the poor also rose in the same period. The number of the poor (including abject poor) was estimated at 91 million in the year 2000, which increased to 94 million in 2005. After 2005, it also more in the last three years because of unrest political situation, prolong twin flood, SIDR and skyrocket prices inflation.

### **GDP Growth in Bangladesh**

During first five-year plan 1973-78 the growth performance had been around 3.8 only. Then during second year plan and second Five-year plan, the growth performance had been around 3.8; the growth performance of Bangladesh economy had been relatively strong during the 1990s showing considerable improvement over the previous two decades. During the 1990s growth performance had been around 5.3 percent GDP growth has further accelerated and reached 5.7 percent per year over the last 6 year. The GDP growth in FY 2005-2006 has been projected at 6.71 percent, which is one of the highest growths in the last three decades.<sup>7</sup> But in the FY 2006-07 it has been projected at 5.58 to slow down because of internal conflict and anti corruption drive. In 2007-2008 FY, prolong flood and devastating SIDR caused growth rate to slow down. On the other hand, Indian and Chinese growth performance had been relatively stronger than Bangladesh. These two country's growth performance had been respectively around 8-9 & 10-11 percent.

### **Agriculture In Bangladesh**

Agriculture is the single largest sector of Bangladesh. In FY 2005-2006, the combined contribution of GDP is 21.77 percent. In FY 1972-73 the contribution of Agriculture was 57.60 percent, in 1979-80 it was 54.58%. Then

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<sup>7</sup> Bangladesh Bureau of Statistics (BBS)

in FY 2003-2004 it was 22.83 percent of the total labor force of Bangladesh 51.7 percent are engaged in agriculture (BBS labor force survey 2002-2003). But of the total labor force of Bangladesh 79% was engaged in agriculture in 1972-73.

According to the final estimates, the volume of food production in 2004-2005 was 261.33 lakh metric tons. Food grains production for FY 2005-2006 was estimated as 314.39 lakh metric tons. Food grain production for FY 2006-07, 2007-08 was estimated as 300 and 306 lakh metric tons respectively. Globally agriculture has changed in the last two years with oil price over \$100 a barrel. The prospect of bio-fuel has suddenly come in viable proposition. So global agriculture has taken a turn from food and feed to fuel. Internal condition of Bangladesh agriculture has also been changed in the last two years due to fertilizer price hike and climate change. Twin floods, cyclone SIDR has worsened this condition. In this context rice and other food grains' production have slowed down. Food deficit has increased up to 3.6 million metric tons. Commodity imports are set to increase sharply in the current FY (2007-2008) more than \$ 21 billion, boosted by the higher costs of food grains and fuel according to a forecast by Bangladesh Bank (BB). On the other hand the World Bank has projected Bangladesh's economic growth as 5.5 percent for the current year lower than domestic estimates due to political tensions, severe flooding and cyclone Sidr.

The demand for food in Bangladesh and around the world is changing rapidly driven by economic growth due to rising income and urbanization, demand is shifting away from traditional staples toward high value agriculture commodities. Much of the fish and livestock products are processed before reaching the market. In Bangladesh, additional demand for these commodities is projected to be worth about \$ 8 billion by 2020 (in 2005 prices).

This represents an enormous opportunity for food producers, processors, sellers, food based industries, agro-industries, agriculture related banks, IBBL and NGOs. Owing to the greater labor intensity agriculture production has high value. It also provides an opportunity to generate rural employment and income. More than 80% of people living on less than \$ 2 a

day in Bangladesh live in the rural areas. This special distribution of poverty makes capitalizing on the opportunities afforded by high value agricultural production an important strategic priority for those seeking to reduce poverty in the country.

Adequate marketing facilities for agricultural products are of prime importance for the growth of high value agriculture. Coordinated development of agriculture and food processing industries are vital for its overall growth. Huge quantities of Pineapple, Jack Fruit, Tomatoes and Mangoes cannot be preserved for lack of such industries. Increased support to agriculture like subsidies and bank loans on easy terms is necessary for continued growth of the agricultural economy.

The economy of Bangladesh is basically surviving based on agriculture, ready-made garments, remittances sent by the NRBs and NGO's activities. Among them agriculture is basic to the well being of the nearly 90% of the population of the country. Agriculture is vital for the food security of the country and its macro economic stability. The population of Bangladesh grew from 75 million in 1971 to over 140 million now, or it doubled in over three decades. The average rice production was some 11 million tons till 1971, which increased to 26 millions in recent years.

The average output per hectare was 1 ton in 1972; in 1980 it was 2.11 tons and now 3 tons. The average output per hectare must be raised from existing 3 tons to 5 tons. This should be possible considering Bangladesh's soil fertility. Bangladesh was once self sufficient or nearly so in pulses, milk, fishes, livestock, spices and cooking oil and other edibles. However, a bigger part of the demand for these has to be met now a day with import. The growth of the agriculture sector was 1.80%. But the growth must be raised from existing 1.80 to 4 percent.

## **Industries In Bangladesh**

Industrialization is the process of manufacturing consumer goods and capital goods and of creating social overhead capita in order to produce capital

goods and services to both individuals and business. As such, industrialization plays a major role in the economic development of a developing country like Bangladesh.

Industrialization is a pre-requisite for economic development as the history of advance countries shows. For development, the share of the industrial sector should rise and that of the agriculture sector decline.

The contribution of the industry sector to Bangladesh economy has been on the increase, in FY 2005-2006. The contribution of the industry sector to GDP is 29% while it was 17.31% in FY 1980-81, and it was only 09% in FY 1972-73.<sup>8</sup>

In FY 2005-2006, the growth of the manufacturing sector reached digit level (10.45%), which is 2.26% higher than that of the previous financial year (2004-05). This trend of growth in manufacturing sector has added further momentum to the process of economic development. The driving force that worked behind achieving this growth is readymade garments and knitwear industry. RMG & knitwear sector is labor-intensive. So about 25 million people are employed in this sector. But in FY 2006-2007 and 2007-2008 political conflict, labor unrest in RMG and the reform initiative by the present CTG have slowed down Bangladesh economy. For the reform measures, many businesspersons are now out of business and many scared of further investment which resulted in a low investment in recent times, therefore, industrial growth target will be hampered.

### **Inflation & Stagflation In Bangladesh**

Inflation exists when there are continuous increases in the price level over time when prices of goods go up, the real income and buying capacity of people go down. Therefore, poor, middle income and fixed income level people always dislike inflation. The consumer prices index (CPI) based annual rate of inflation was 7.16% at the end of June 2006, against 6.48% on the end of June 2005. In 2000 – 2001, it was only about 2%, in 1997-1998 it was 10.4%. However, due to various domestic and international factors,

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<sup>8</sup> Bangladesh Bureau of Statistics (BBS)

inflation continues to hit the common people. Food grain such as rice, Atta, flour, pulse, edible oil etc rose more than ten percent. Price of essential commodities is increasing day by day. Price hike of the food grain has become a headache for the caretaker govt. Inflation remained stubbornly high at a rate over 11 percent in the first month of the year (2008) with galloping prices, continuing to empty the consumer's wallets, according to BBS.<sup>9</sup>

The urban food inflation was as high as 15% in the month of January which was 15.77% in December. The double-digit inflation simply proves that all efforts made by the CTG to contain inflationary pressure have failed. Soaring prices are eating into the saving of fixed income group people and forcing them to spend more to meet their minimum needs.

Stagflation is a situation of high inflation and high unemployment. In FY 2006-2007, and FY 2007-2008 Bangladesh Economy also has been suffering from stagflation because of high inflation and high unemployment. Many people are unemployed because of some jute industries have been closed. On the other hand, SIDR has destroyed many SMEs; also, the business community in Bangladesh is suffering from lack of business confidence. So unemployment and under employment rate is high about 38%.

## **Export in Bangladesh**

Bangladesh had been showing strong export growth for many years. The value of total exports in 2005-2006 stood at \$10,525 million to \$ 8,655 million in 2004-2005 but the volume of total exports in 1972-73 stood, \$ 71.39 million only. Total export of Bangladesh increased by 21.62% in 2005-2006 as against 13.84% since independence in 2004-2005. It increased by 35 multiples. Our potential export sectors are RMG and knitwear; pharmaceutical and food items but recently it fell significantly. In 2006 there was a terrific disturbance in our economy because of political instability in the country. The anticorruption drive of this govt. has made the business community shy away from investment and taking part in many business activities. As a

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<sup>9</sup> Bangladesh Bureau of Statistics (BBS)

consequence, there is a huge impact on export. In the first five months of the current fiscal year, export has declined by about 5% than last year.<sup>10</sup>

## Imports in Bangladesh

Total volume of import in 2005 – 2006 was \$ 14,746 Million as against \$ 13,147 million in 2004-2005 indicating 12.16% growth in 2005-2006 as against 20.58% in 2004-2005 but in 2002-2003 it was \$ 9,658 million. In FY 1984-85 it was \$ 2, 647 million. In FY 2006-2007 we imported goods worth more than \$16,000 million. In FY 2007-2008 we had to import goods worth more than \$ 21,000 million because of twin prolonged floods and devastating cyclone SIDR. Only rice import has increased by 600% in quantity and 1000% in price in the first eight months of the fiscal year due to huge production shortfall and soaring global price. Statistics released by BB showed that 1.795 million tones of rice were imported between July and the first week of March which was at least 613% more than that of the same period of last year. Not only that but also wheat, sugar and crude edible oil pulses have been imported with high prices.

Global crude oil prices touched \$ 109 per barrel so its import volume must be high in this FY 2007-2008. The growing losses of Petrobangla forecast \$ 1 billion in FY 2007-2008.

According to the Agricultural Ministry estimate, the volume of subsidy on fertilizer could reach Tk. 40 billion for FY 2007-2008 against the previous projection of Tk. 25 billion. This year additional Tk.15 billion subsidy will be needed. The demand for Urea has been estimated at over 2.8 million tons for FY 2007-2008 but production in Bangladesh is only 1.7 million tons. Food items Import cost is Tk. 50,000 cores only. But it was only Tk.10,000 cores only last year (2006-2007). In FY 2005-2006 it was only 5,000 corers only.

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<sup>10</sup> Bangladesh Bureau of Statistics (BBS)

## Balance of Payment (BOP)

The status of balance of payment (BOP) of an economy is an important indicator of its overall health. A deficit position of BOP for a economy means that it has spent more than it has earned in terms of its economic transaction with other countries that means economy is a net debtor. BOP recorded a smaller deficit of \$ 2.879 million during FY 2005-2006 compared to the deficit of \$ 3.297 million during FY 2004-2005, but FY 2006-2007 the deficit of US\$ 3500 million. But in FY 2007-2008 a BOP deficit will be dipped is by about more than \$ 7 billion because only last July to November has dipped, as by \$ 2.9 billion within the last 37 years it is the highest level of deficit ever.<sup>11</sup>

## Saving and Investment

Saving and Investment register is a gradual rise along with the economic growth. According to provisional estimates, the rate of domestic and national saving will stand at 20.26% and 26.61% of GDP in FY 2005-2006. The rate of national investment will pick up to 24.97% in FY 2005-2006.

FDI or foreign and joint venture investment has also been registering growth in FY 2005-2006 84% more. But in 2006-2007 & 2007-2008 FDI growth declined. But on the context of corruption drive, two prolonged floods & devastating SIDR, political instability and global oil price that had ever highest touch of \$ 109. The price of rice, wheat, sugar, pulse edible oil is increasing day by day. So saving of the middle-income people has been low. By this time, the investment situation has been really bad because of political in-stability, natural disaster, bureaucracy problem, infrastructure and heavy disruption in the supply of electricity. The business communities in Bangladesh & foreigners are suffering from lack of business confidence.<sup>12</sup>

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<sup>11</sup> Bangladesh Bureau of Statistics (BBS)

<sup>12</sup> Bangladesh Bureau of Statistics (BBS)



## **ADP In Bangladesh Economy**

Annual Development Program is an important development policy of Bangladesh Govt. Actual expenditure against the revised allocation of ADP was around 90% over the last decade. In FY 2004-05 and in FY 2005-06 is good at 89, 92 and at present its volume was respectively Taka 16,817; 18,771; Taka 19,472; million. But in reality the situation of this fiscal (FY 2007-2008) appears to be worse than that of the past years as far as implementation of the ADP is concerned. During the first half of the current fiscal year the project implementation rate being as low as 20% evoked sharp reaction from the Chief Advisor as well as the Finance and Planning Advisers.<sup>13</sup>

## **Un-employment and underemployment situation**

Employment creation needs to be a very important objective in every economy for the simple reasons that unemployed persons are a burden at every level in the society. First, they are burden for their families. In the overall economic sense, unemployed people are liabilities for the economy because they do not produce but only consume. Underemployment is meaningless than optimum engagement in work. Recently (2008) a seminar was held in the capital city. The participants drew the attention of all concerned to the huge number of the unemployed and underemployed persons in Bangladesh. Some 38% of the 68.3 million workforce in Bangladesh are currently unemployed or under-employed. The home economy may not expand sufficiently and proportionally to provide jobs to the rising number of unemployed people. A number of factors are adding to unemployment problem in the country. Natural calamities in 2007, were at the source of additional woes of unemployment. The rate of new investment in the economy continues to be sluggish. Both local and foreign investors have been holding

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<sup>13</sup> Bangladesh Bureau of Statistics (BBS)

back from investments for various reasons. A major factor behind such indecision is the political situation.

## **The Relation between Food and Population Growth**

Our population is going up at the rate of 1.47 percent per annum (2001). At this rate, the population of the country will be more than 150 million by 2010. If this population is to be provided with required calories from the domestic sources, production of grains must go up to 50 million tons by the 2010.

However, this growth rate is not an unattainable goal if all necessary measures are taken by the government to provide the peasants with modern inputs and credit. Measures will also have to be taken to reduce crop damage because of Flood, SIDR, Tsunami, tornado, river erosion, droughts etc. The policy measures should be based on the assumption that the government will endeavor to raise the growth rate of food grain production by more than 4.5% per annum.

## **1.2. Importance of Rural Development in Bangladesh**

### **1.2.1 Food Security and Sufficiency**

Food is a basic need of human beings. Food security is crucial for the survival of any country. Political, economic and social stability is jeopardized if food security falls. Then starvation, death and disorder will follow. Governments, therefore, need to attach top most priority to food security. However, food security depend on rural development only. After liberation, the country was hit by catastrophic famine in 1974. The death toll released officially was 27,000 the actual figure was reportedly much higher.

Global agriculture has changed in the last years with oil price over \$ 110 per barrel. The prospect of bio-fuel was suddenly evident as a viable proposition. So global agriculture has taken a turn from food to fuel. Internal condition of Bangladesh agriculture has also changed in the last two years when fertilizer price went up, climate change, twin floods and cyclone SIDR occurred. In this context rice and other food grains production slowed down. Food deficit has increased 4 million tons.

The demand for food in Bangladesh and around the world is changing rapidly being driven by economic growth, rising incomes and urbanization. Demand is shifting away from traditional staples towards of agricultural commodities, like fish and livestock. Product of which are processed before reaching the market.

In Bangladesh, additional demand for these commodities is projected to be worth about \$ 8 billion by 2020 (in 2005 price) But food production, distraction, processing sealing value adding food and agro based industries fully depend on rural development. Now public spending on agriculture in Bangladesh is only 4% compared to 11% in other transforming countries (World Bank & IFC).

For food security & sufficiency Bangladesh needs rural development. Because we need to ensure adequate agricultural inputs like seeds, fertilizer, water and to improve research capacities to breed varieties that can give even higher yields in the climatic condition of Bangladesh.

1. **Seeds:** A short cut to increase yields is the adaptation of hybrid rice. But hybrid rice costs high. Without rural development hybrid rice production is impossible.
2. **Fertilizer:** Without rural development, rural poor people are not able to buy fertilizer. So Bangladesh govt. should provide subsidy for fertilizer.
3. **Irrigation:** Irrigation is very important for food security and sufficiency but water supply depends on petrol, diesel price and electricity price. Without rural development poor people can not use water at all.
4. **Research:** Without research and development rice & other food grain seeds, fertilizer production, electricity for water generation is impossible. At present Bangladesh expends only 0.2% in research for agriculture development but we need 2% research cost or more. This research also depends on rural development.

### **1.2.2 Poverty Reduction**

About 85% people of Bangladesh live in the rural areas. They are poor and primarily engaged in agriculture and associated with activities. According to the Bangladesh Bureau of Statistics (BBS) the number of the abject poor in the country is 27 million (2005) but the figure in the year 2000 was 20 million. The number of the Poor (excluding the abject poor) was estimated at 91 million in the year 2000 which increased to 94 million in 2005. So, poor people those who live in the rural areas are about  $94 \times 85\% = 79.90\%$ , not only that, maximum poor people live in the rural areas. Therefore, original rural poor must exceed to 82 million. Without their food sufficiency and other basic needs such as education, healthcare facilities, housing and clothing, poverty alleviation is impossible. So rural development is needed for poverty reduction.

### **1.2.3. Increasing Rural Employment**

Rural development is needed for increasing rural employment creation. Available official statistics, periodically captured in the LFS (Labor Force Survey) suggest that the economic activity in rural Bangladesh engages about 78% of the employed population. More than 62% of the employed population in the country as a whole remains involved in agriculture. The rural economy, with its diverse activities, still revolves around agriculture. Agriculture also expands and diversifies employment opportunities in rural areas. As agricultural productivity and farm income increase, non-formal rural employment expands and diversifies.

### **1.2.4 Rural Development and GDP Growth**

The GDP growth in Bangladesh is aided by growth in agriculture (Rural main sector). Sectoral growth in each of the corresponding year shows that there is a positive correlation between growth rate in agriculture and that of GDP. For example in the year 1999-2000 the first phase an as founding 7.38% growth

in agriculture had pushed the GDP growth rate up to 5.94%, which had gone down to 5.27% in the following year as the agricultural growth slipped to 3.14%. The GDP growth climbed up to 6.27% in the Fiscal Year 2005-06 when the agriculture continued to grow by 4.1%.

### **1.2.5 Importance of Rural Development for "Market Contribution"**

Rise in rural purchasing power, within the increasing agricultural surplus is a great stimulus to industrial development. The market for manufactured goods is very small in Bangladesh. Peasants, farm laborers and their families, comprising typically, 70%-80% of the populations are too poor to buy any factory goods in addition to whatever little they already buy. The lack of real purchasing power reflects the low productivity in agriculture or rural activities. The basic problem thus is low investment returns caused by the small size of the market. By increasing rural purchasing power caused by expansion of agricultural output and productivity will tend to rise the demand for manufactured goods and extend the size of the market. This will lead to the expansion of the industries sector. Moreover, the demand for such inputs as fertilizer, better tools, implements, tractors, irrigation facilities in the rural sector will lead to the greater expansion of the industrial sector. Besides, the means of transport and communication will expand when the agricultural surplus is to be transported to city areas and Industrial goods to the rural areas. This is what *kunzites* calls the market contributions of rural sector when it trades with others.<sup>14</sup>

### **1.2.6 Importance of Rural Development for improving Balance of Payment**

Bangladesh mostly specializes in the production of a few rural agricultural goods for exports such as jute, fish, leather goods etc. In fiscal year 2005-06 total export earning of Bangladesh was \$ 10,526.16 million. Among them rural

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<sup>14</sup> Jhingan M L (2002). The economics of development and planning (35<sup>th</sup> revised and enlarged edition) Vrinda publications (p) Ltd. India. Pp 335-337.

sector's contribution was about directly and indirectly 35% of that amount was \$ 36,000 million. If Bangladesh enhances the rural development, the output and productivity of the exportable goods, expands her exports, larger foreign exchange earnings will increase. Not only that, rural surplus will lead to capital formation when capital goods are imported with this foreign exchange, similarly, increasing market surplus of food grains will leads to a net saving of foreign exchange as the economy tries to achieve the goal of self sufficiency in food production. Larger production of food grains and export commodity not only conserve and earn foreign exchange but also lead to the expansion of the economy. Foreign exchange earning can be used to build the efficiency of other industries and help the establishment of new industries by importing scarce raw materials machines, capital equipment and technical know how. **Kunzites** calls it the "production contribution" of rural agriculture which first argue the growth of net output of the economy and secondly the growth of per capital output.

Bops other part is also import. Total volume of import in 2005-06 was \$ 14,796 million. In Fiscal year 2006-07, we imported goods worth more than \$ 16,000 million. By Fiscal year 2007-08, it will be much higher than \$ 21,000 million because of twin pro-long floods and devastating cyclone SIDR. Only rice import has been increased by 600% in quantity and 1000% in price in the first eight months of the fiscal year, due to huge shortfall of production and so, it hit global price. In Fiscal year 2007-08 these food items, product items such as rice, wheat, onion, sugar, crude edible oil, pulse, milk etc. will be Tk. 50,000 crores only. If we enhance the rural development, the output and productivity of the Importable goods will expand, imports will decline and result in larger foreign exchange saver and balance of payment must improve. Not only that this foreign exchange will also be capital of human resource and industrial development.

### **1.2.7 Capital Formation**

Bangladesh needs large amount of capital to finance the creation and expansion of the infrastructure and for the development of basic and heavy industries. The taxation of agriculture in one form or another is essential for mobilizing rural surplus in order to accelerate economic development. **Kunzites** calls it the "factor contribution".

### **1.2.8 Rural Development for Increasing Employment**

Rural development also expands and diversifies employment opportunities in rural areas. As agriculture productivity expands and diversifies, landless and marginal farmers are primarily engaged in non agricultural pursuits which includes the manufacture of textiles, furniture, tools, handicrafts, leather and metal work processing, marketing transport, repair work, construction of house and other buildings, education, medicine and other service. In Bangladesh, about 40% people are engaged in such activities in rural areas.

### **1.2.9 Rural Development for Rural Welfare**

Rural development needs because of improving rural welfare. When Bangladesh Govt. & other NGO's will enhance rural development scheme, peasants will start consuming more food especially of higher nutritional value in the form of superior quality cereals, eggs, ghee, milk, fruits, meat, fish etc. They will build better houses fitted with modern amenities like electricity, furniture, radio, TV, fan etc. They will also receive direct satisfaction from such services as schools, health centers, irrigation, banking transport and communication facilities.

## **1.3 Role of Banking in Rural Development in Bangladesh**

Rural development, though depends primarily on Agricultural progress, it implements much more. It will raise rural farms and confirm rural real incomes through creating job opportunities. (i) rural agro based industrialization and

the increased provision of education, health and nutrition, housing and a variety of related social and welfare activities (ii) a decreasing in equality in the distribution of rural incomes and lessening of urban rural imbalances in incomes and economic opportunity (iii) the capacity of rural sector to sustain and accelerate the pace of these improvements over time.

Among the parts of rural development, agriculture is the backbone of all economy. Economy of Bangladesh draws its strength and stability mostly from agriculture. Efficient management of agriculture is very crucial for socio economic development. Most Bangladeshi's earn their living from agriculture. Rice and jute are the primary crops, assume greater importance.

26% of its GDP comes from agriculture which is more than 13% of its export earning. Over 70% of the population is directly engaged in agro related activities.

Bangladesh is still importing an average of 2 million tons of food grains each year to meet minimum needs. When floods, SIDR etc. occurred in Bangladesh food grain crisis might create famine. In that case, the state owned banks and even the specialized banks like Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (RAKUB) etc can play important role for agriculture development. The attitude of the banks and non-banking financial institution towards agriculture should change.

In fact, the banks of Bangladesh supply credit to rich industrial sector and service sector only. Credit is collateral, so poor rural people do not get credit. Without credit now a days agricultural development is impossible because:

- i) Hybrid seeds are mostly expensive.
- ii) Cost of fertilizer uses goes high day by day.
- iii) **Irrigation:** without irrigation system the increasing of agricultural food is impossible. But the price of input of irrigation oil, electricity, diesel, power pump etc is soaring up in the world market.
- iv) **Research and Training:** Generally, applied-research and training on farming system is a must for boosting agricultural production. The Hyv or Hybrid crop, varieties of animals, birds and fish instead of



indigenous, need applied research from the standpoint of their acceptability, adaptability and profitability. Agricultural development training is necessary for the rural peasants. Only Bank credit system can help the poor people in this context.

- v) Agricultural goods storage cost.
- vi) Agricultural goods marketing cost.
- vii) Agricultural goods diversification cost.
- viii) Agricultural goods or agro based industries cost.

But Bangladesh Bank-rule is dispiriting such step. Because according to Bangladesh Bank-rules "banks are obliged to open their urban and rural branches at a ratio of 4:1" but 85% people live in the rural areas. On the other hand, credit distribution system is also disparitive. As 3.25 percent credit was used in Agriculture in FY 2006. During fiscal year 2004-05, disbursements stood at Tk. 4956.78 crore against the target of Tk. 5537.91 crore. The target of credit disbursement through Bangladesh Krishi Bank, Rajshahi Krishi Unnayan Bank, Nationalized Commercial Banks in the fiscal year 2005-06 was 5542.21. Disbursement of farm loan by private commercial banks was only Tk. 324 crore in 2006-07. It stood Tk. 1.117 crore.

The overall situation relating to agricultural credit during FY 2000-2006 is presented in Table 1.2.

**Table 1.2 Agricultural Credit Disbursement, Recovery and outstanding Balance (In crore Tk.)**

Financial Year	Target	Disbursement	Recovery	Balance
2000-01	3265.92	3019.67	2877.87	11137.26
2001-02	3326.64	2954.91	3250.27	11355.58
2002-03	3560.53	3278.37	3516.31	11913.35
2003-04	4388.94	4048.41	3135.32	12705.95
2004-05	5537.91	4956.78	3171.15	14408.94
2005-06	5542.21	5789.71	4123.91	16182.44

Source: Bangladesh Bank

Fisheries, livestock and forestry are also neglected by the Banking sector. There is no significant credit distribution system applied in these sectors. But these sectors are very important for rural development.

Education, health, rural agro based industries are also neglected by Banking sector. Not only that, private banks are not going to rural areas because of risk. On the other hand, banks disburse many of their portions in the urban economy. The Banking sector in Bangladesh contains about Tk. 15,000 crore as idle money despite the fact that farmers borrow at 50 percent interest rate from the traditional moneylenders to meet their financial needs during peak farming seasons. Not only that, urban industrial credit classified (defaulted) investment as on 31.12.2006 was 14% that is higher than 20,000 crore.

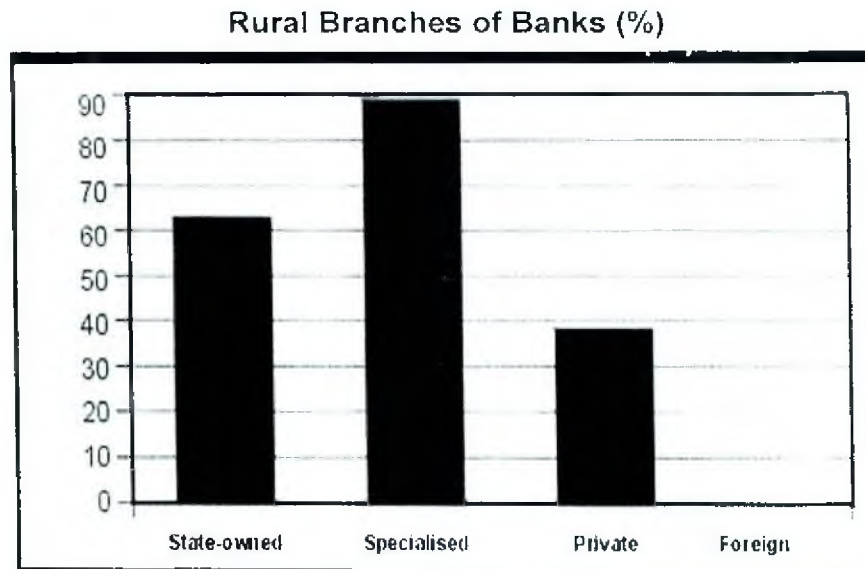
Recently private commercial banks (PCB's) are increasingly penetrating into rural Bangladesh to tap business potentiality, according to sources in the banking sector.

About the business prospects bankers think that rural areas include remittances, agriculture, small credits and possibility of attracting more deposits. IBBL, NB, BRAC, Prime Bank (the fastest growing private sector bank) now await the central bank's permission for opening of many branches in the rural areas.

According to Bangladesh Bank, as of 2007, there are 6,576 public and private bank branches in Bangladesh. Of which, 3,839 branches or 58.38 percent are in rural areas and the remaining 41.62 percent in urban areas.

The density of banks in rural areas is more than the urban ones due to specialized and state-run banks, which have 88.59 percent and 63.42 percent of their branches respectively in rural areas.

Fig 1.1 Rural Branches of Different Banks



Source: Bangladesh Bank

PCBs are lagging behind with only 27 percent of their branches located in rural areas, according to the central bank, which in a new directive has recently asked the PCBs to open branches in rural areas.

Currently, banks are obliged to open their urban and rural branches at a ratio of 4:1. But recently PCBs are going at faster pace in terms of opening rural branches.

#### **1.4 Role of IBBL in Rural Development in Bangladesh**

In a country like Bangladesh where rural poverty is still a chronic problem, the rural income inequality gap is persistently widening, the unemployment is prevalent, the literacy rate is still far below the desired level and so on. The IBBL should certainly have other obligatory measures to peruse. Thus, the IBBL has a critical role to play for the rural economy to function.

Rural-urban economic disparity, lack of proper health, sanitation facilities and education opportunity are other problem of Bangladesh. In this context IBBL is trying to remove the problems of rural economy.

IBBL has been founded with the major objective of establishing Islamic economy for a balanced economic growth by ensuring reduction of rural urban disparity and equitable distribution of income.

In view of the above, Branches of the IBBL have been encouraged to invest their deposits in their respective areas and in particular for the economic uplift of the rural people.

### **1.5 History of Islami Bank Bangladesh Limited**

About 90% people of Bangladesh are Muslims. According to their belief, they cannot be involved in any interest-based transaction. The Holy Quran declares warning of war from Allah and his messenger against them who involve themselves in any interest based transaction (2:279). Prophet Muhammad (sm.) also strongly condemned them. From ideological point of view, no Muslim would generally agree to do anything against the will of Allah (SWT) and the Prophet (S.). They have a total abhorrence of interest. Many potential clients would not at all come to the interest-based bank only to avoid riba (interest). Therefore, the majority people have been demanding interest free Islamic banking in Bangladesh.

On the other hand, government has felt seriously the necessity of Islamic banking for religious as well as socio-economic reasons. They had been making careful study of various issues connected with the establishment of Islamic banking in the county since 1974.

Banking plays an important role for economic growth and socio-economic development in any society. As such, to improve the fate of common mass and to ensure equitable distribution of income and wealth. Bangladesh Government gave much importance to expand banking activities. Within a decade just after liberation, there was a tremendous growth of bank-branches and expansion of bank-business in both volume and dimension. But this growth of banking business could not materialize its object. Rather, the poor became poorer and the rich became richer. It has been experienced that an economically dominating class or people have been exploiting the society

through accumulation of wealth with the help of prevailing interest based banking mechanism.<sup>15</sup>

During 1973 to 1983, at an average 6-7 percent interest rate, the banking sector would collect savings of the entire society and would supply it to the richer section of the people (well-established entrepreneurs) in the form of credit at an average interest rate of 10-11 percent. The entrepreneurs made high profit ranging from 50 percent to 300 percent depending on the nature of business and frequency of income cycle. Prices of essential commodities were under their control. Rate of inflation began to increase. It was unfortunate that the rich borrowers made high profit from the society by using society's money and became owners of more & more real assets. Even in case of high inflation, the rich borrowers are highly gainer, but the poor people including depositors are badly affected in an interest-based economy, which has practically been felt in Bangladesh. In the non institutional sector the rich lender used to exploit the poor borrower through high rate of interest (120%) and in the institutional sector the rich borrower used to do the same with the poor lender (depositor) and consumer (general mass) through low rate of interest.

Existing well-established firms and enterprises increased their monopoly, because the new comers were hesitating to take risk to compete with them due to fixed rate of interest to be paid. Since 1972, banks supplied huge amount of capital for the establishment of different industries, fisheries, poultry and dairy firms, agro projects etc. But the industries and other projects were not developed as expected. The loan amount had been misused and diverted to other undesired sector. The risky, less viable but socially desirable and beneficial projects were unattended by the entrepreneurs. The credits received for the purpose were used in speculative and un-productive activities accelerating inflation. Therefore, the devilment policy could not be materialized. The economic condition of the common people deteriorated though there was a high growth of banking sector. The number of landless

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<sup>15</sup> Haque A.K.M. Fazlul (1989). *Islamic Banking in Bangladesh*, International university of Japan. Pp 47-57.

households and percentage of households below poverty level income increased rapidly. The percentage of households below poverty level income was near 50 percent in 1970-71. However, it became 74.5 percent and 80.0 percent in 1973-74 and 1976-77 respectively. This was also the case in other spheres of life. The economists identified many reasons responsible for happening such situation, among which uneven distribution of income and wealth and misuse of bank credits are important. They expressed that if bank credits would be made on PLS basis, the proper use of the credits could be ensured and the income generated, though it might be high, and could be redistributed to the large number of depositors in the form of profit and to the poorer section of people as Quard & Zakat. The second Five-year plan of Bangladesh (1980-85) recognized that the trend of development initiated earlier could not be maintained and economic condition of the poorer section of small farmers, share-croppers and landless laborers remained well below the 1969-70 level. In the circumstances, a number of practicing bankers, economists, researchers, academicians, businesspersons and prominent Islamic thinkers opined for establishment of Islamic banking in Bangladesh and started preparatory works for the purpose. Some of the important actions taken in government and private levels are mentioned below:

### **Government Level Actions**

Bangladesh, being one of twenty-two founder members, signed the Charter of the Islamic Development Bank (IDB) in Finance Ministers' Conference held at Jeddah in August 1974. By adopting the IDB charter, the member countries including Bangladesh have implicitly agreed to bring the economic, financial and banking activities in their respective countries in the line with the Islamic Shariah. The implicit undertakings were later explicitly stated in a number of international conferences.

In April, 1978, Islamic Foreign Ministers' Conference, held in Senegal, accepted the definition of Islamic Bank and recommended to the members of OIC to make systematic efforts to establish Islamic bank gradually.

Bangladesh participated in the conference and subscribed to the above recommendation.

Prof. Shamsul Huq, the then Foreign Minister of Bangladesh, proposed in the Islamic Foreign Ministers Conference held at Islamabad, Pakistan in May 1980 that steps should be taken for the development of an international Islamic Banking system with branches in all Islamic countries.

At the third Islamic Summit conference held at Makkah and Taif, Kingdom of Saudi Arabia in January 1981, Bangladesh late president Ziaur Rahman suggested in his speech that the Islamic countries should develop a separate banking system of their own in order to facilitate their trade and commerce. Both in public and private sectors, the Islamic countries would promote joint ventures and financial institutions, which could profitably use Islamic investments.

The above attitudes and thinking of government indicate that as distinguished from the riba-based banking system, the Bangladesh government was inclined to develop a national and regional banking system based on Islamic principles.

### **Official Level Actions**

The following official level actions were taken in line with the government policy in respect of introduction of Islamic banking in Bangladesh.

Mr. Mohammad Mohshin, the Ambassador of Bangladesh in UAE, wrote a letter in November 1979 to the Secretary, Ministry of Foreign Affairs recommending establishment of Islamic banks in Bangladesh in line with Dubai Islamic Bank. In support of his recommendation, he enclosed a report on Islamic banking seminar organized by Dubai Islamic Bank in May 1977.

The Ministry of Finance, its Investment Division and Banking wing wrote to Bangladesh Bank (BB) in December 1979 seeking their view on the establishment of an Islamic Bank in Bangladesh.

In November 1980, the BB deputed its then research Director Mr. A.S.M. Fakhru Ahsan to study the workings of a few Islamic banks in the Middle East. Mr. Ahsan visited (i) Dubai Islamic Bank, Dubai, (ii) Faisal

Islamic Bank of Egypt. (iii) Naser Social Bank in Cairo and (iv) The Cairo office of the International Institute of Islamic Banks. After his visit Mr. Ahsan submitted a report to the government in January 1981 recommending the introduction of Islamic banking in Bangladesh.

The Governor of BB inaugurated an international seminar of Islamic banking at Dhaka on December 15, 1980. The seminar was participated by, among others, delegates from Saudi Arabian Monetary Agency and IDB. The BB Governor in his inaugural address recommended early introduction of Islamic banking in Bangladesh.

Bangladesh Institute of Bank Management (BIBM), the apex training body in banking sector held an Islamic banking seminar in March 1981. The seminar inaugurated by the BB deputy Governor, also recommended early introduction of Islamic banking. In the same month, BB Governor attended a meeting of Governors of central banks and monetary agencies of the OIC member countries held at Khartoum, Sudan to consider a report on the promotion, regulation and supervision of Islamic banks.

The Ministry of Finance, Banking and Investment Division wrote to BB in early April 1981 to undertake an experiment in the matter of Islamic banking by opening separate counter in every branch of nationalized commercial banks. On April 13, 1981, the representatives from six nationalized and three specialized banks met at BB under the Chairmanship of its Governor and discussed the proposal of Finance Ministry. The meeting decided that the introduction of Islamic banking should not be delayed any further but initially it should be limited to the metropolitan city and district town branches to get some experience before launching any large-scale program.

First inter-bank residential training course on Islamic banking was held at Sonali Bank Staff College during October 26-November 24, 1981. During January 18 to 30, 1982, the second residential training course on Islamic Banking was organized by BIBM.

These courses were attended by 69 senior and mid-level executives from BB, all public sector banks, BIBM and the then proposed Islami Bank Bangladesh Ltd.



The representatives of six nationalized commercial banks and three specialized financial institutions met again under the chairmanship of BB Governor on October 17, 1982 and reviewed the institutional preparation for introducing Islamic Banking. They confirmed their earlier decision taken on April 13, 1981 and decided to implement the decision quickly.

In November 1982, a delegation from IDB visited Dhaka on an appraisal mission, studied the feasibility of the joint venture Islamic bank in the private sector and favorably recommended for equity participation by the IDB in the proposed Islamic bank.

During March to December 1982, The Bangladesh Islamic Bankers Association (BIBA), a voluntary association of bankers committed to the cause of Islamic banking, conducted five 30 days long evening courses on Islamic banking. The courses were participated by 211 senior and mid-level bankers. Another multi-disciplinary voluntary research body, the Islamic Economic Research Bureau (IERB) of Dhaka conducted an evening course on Islamic banking during August 1982, which was participated by 31 practicing bankers and economists.

Thus, 311 key-personnel who could give up thrush to Islamic Banking in the country had been trained up before Islamic Bank came into being.

### **Public Opinion**

During 1977 to 1982, as many as nine seminars on Islamic banking and Islamic economics, apart from those mentioned above, were held under the sponsorship of different voluntary social organizations among which the following six were important.

Table 1.3 Public opinion about Islami Banking

Period	Venue	Sponsors
July, 1977	Dhaka	IERB, Dhaka
December, 15-17 1980	Dhaka	IERB, Dhaka
January, 1981	Dhaka	WGIBB
March, 1981	Dhaka	BIBM
April 13, 1981	Chittagong	BSIGP
December, 1982	Dhaka	Islamic Foundation, BD

Source: Haque AKM Fazlul (1989)

All these seminars were attended by large number of people from all lifestyles. They called upon the authorities concerned to establish Islamic Banking in the country within the shortest possible time.

### Elite Group

The elite groups of the society who played vital role in development process had been showing equal interest like general public to Islamic Banking. To educate their members the Lions and Rotary Clubs arranged the following indoor lectures on Islamic Banking in 1982.

The lecturers were delivered by Mr. M. Azizul Huq, Formerly the Executive President of IBBL, which stimulated wide participation by the members present. Both Lions and Rotarians were pleased to welcome Islamic banking. On the other hand, some prominent businesspersons,

Table 1.4 Elite Group opinion about Islami Banking

Period	Venue	Sponsors
February, 28	Hotel Intercontinental, Dhaka	IERB, Dhaka
April, 2	Hotel Sonargaon, Dhaka	
August 17	Hotel Intercontinental, Dhaka	Rotary Club

Source: Haque AKM Fazlul (1989)

industrialists and social workers who later became the founders of IBBL have started fruitful negotiation with the prospective overseas sponsors for collecting foreign capital, and with the authorities concerned for having necessary permission to establish private sector Islamic bank in Bangladesh. Ultimately, they got necessary foreign capital and government permission.

Having all these supporting ground works, a private sector Islamic bank in the name of Islamic Bank Bangladesh Limited (IBBL) was incorporated on March 13, 1983 and received its banking license on March 28, 1983. IBBL started functioning on March 30, 1983.

## **1.6 Objectives of IBBL**

For the attainment of some noble goals IBBL was established in Bangladesh. These objectives are summarized in the following points.

1. To conduct interest free banking.
2. To establish participatory banking instead of banking of debtor – creditor relationship.
3. To invest through different modes permitted under Islamic shariah.
4. To accept deposits on profit –loss sharing basis.
5. To establish welfare oriented banking system.
6. To extend cooperation to the poor, the helpless and the low income group for their economic uplift.
7. To play vital role in human development and employment generation.
8. To contribute towards balanced growth and development of the country through investment operation particularly in the less developed areas.
9. To contribute in achieving the ultimate goal of Islamic system in the country.

## 1.7 Objectives of Islami Banking

The primary objective of establishing Islamic banks all over the world is to promote, foster and develop the application of Islamic principles in the business sector. More specifically, the objectives of Islamic banking when viewed in the context of its role in the economy are listed as following:

### a) Economic Growth<sup>16</sup>:

The basic ingredients for sustained growth are saving, investment, hard and conscientious work, technological progress and creative management. The healthy influence of Islam on saving and capital formation has already been indicated. Islam has recognized the role of profit and has allowed the individual to pursue it, though within the bounds of moral values and constraints of general welfare.

The abolition of interest and its replacement by profit sharing according to a fair ratio between the financier and the entrepreneur should remove one of the major sources of uncertainty and injustice and be more conducive to investment and growth.

Islam is absolutely positive in terms of its esteem for hard work. One of the primary obligations of a Muslim is to fulfill all his responsibilities conscientiously and diligently with the maximum possible degree of care and skill. The Prophet exhorted: "God has made excellence obligatory upon you" and that "God loves that when anyone of you does a job he does it perfectly. This esteem for work, along with the urge to improve one's living conditions and those of others, should be highly conducive to growth provided that an appropriate political and economic environment is available.

The contention that Islamic values are conducive to economic growth does not imply that the concept of growth in Islam is the same as under capitalism. As already indicated earlier, Islam stands for steady growth within the framework of its overall value such that there is harmonious development

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<sup>16</sup> Chapra, M. Umer (1985). Towards a just monetary system, The Islamic foundation, Leicester, UK. Pp 112-122.

of both the spiritual and economic aspects of Muslim societies and that there is no weakening of the moral fiber of human beings.

**b) Offering Financial Services:**

Interest-based banking, which is considered a practice of *riba* in financial transaction, is unanimously identified as anti-Islamic. That means, all transactions made under conventional banking is unlawful according to Islamic Shari'ah. Thus, the emergence of Islamic banking is clearly intended to provide for Shari'ah approved financial transaction.

**c) Islamic Banking for Development:**

Islamic banking is claimed to be more development oriented than its conventional counterpart. The concept of profit sharing is a built-in development promoter since it establishes a direct relationship between the bank's return on investment and the successful operation of the business by the entrepreneurs.<sup>17</sup>

**d) Optimum Allocation of Resources:**

Another important objective of Islamic banking is the optimum allocation of scarce resources. The foundation of the Islamic banking system is that it promotes the investment of financial resources into those projects that are considered to be the most profitable and beneficial to the economy.

**e) Islamic Banking for Equitable Distribution of Resources:**

Another important objective of Islamic banking is to ensure equitable distribution of income and resources among the participating parties: the bank, the depositors and the entrepreneurs. Providing banking services of the highest standards according to Islamic Shari'ah without dealing in *Riba* (interest on money) and by using the state of the art technology in computer, telecommunication and information system.

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<sup>17</sup> Hassan, M. Kabir (2003). Islamic Banking, Islamic economic research bureau, Dhaka. Pp 76.

Investing funds prudently to achieve optimum profits for the mutual benefit of customers and the bank. Coordination, cooperation and integration with other financial bodies that apply Islamic Shari'ah in their dealings, in order to support creating a base and regulations for an Islamic financial system.

Development of the Islamic society in all fields of the economy by investing in industries, agriculture, commerce, and real estate in order to provide job opportunities is one of the most important aims of Islamic Banking. Promotion of social benevolence through its Islamic methods, particularly through Zakat is a very important function of Islami Bank. Contributing to the welfare of society in line with the five main tenets of Islam, namely protection of life, purity of mind, property, honor and social justice is also its important goal.

Promoting the savings habit and encouraging people to invest wisely within the parameters of Islamic Shari'ah through investment and finance instruments to suit individual requirements.<sup>18</sup>

Making available the necessary capital for entrepreneurs for the establishment of economic projects and creation of alternative instruments for finance according to Islamic Shari'ah are basic objective of Islamic Banking.

## 1.8 Functions of Islami Bank Bangladesh Limited

Table 1.5 Function of IBBL

<input type="checkbox"/> Deposit Collection	<input type="checkbox"/> Expatriate Services
<input type="checkbox"/> Industrial Finance	<input type="checkbox"/> Import Finance
<input type="checkbox"/> Real Estate Finance	<input type="checkbox"/> Export Finance
<input type="checkbox"/> Consumer Finance	<input type="checkbox"/> Letter of Credit
<input type="checkbox"/> SME Finance	<input type="checkbox"/> Bank Guarantee
<input type="checkbox"/> Treasury Operations	<input type="checkbox"/> Correspondent Banking
<input type="checkbox"/> Brokerage Service	<input type="checkbox"/> ATM/ Card Services

Source: Islami Bank Diary

<sup>18</sup> Raquib Abdur (2007). Principles and practice of Islamic banking. Panam press Ltd., Dhaka Bangladesh. P 71.

**Some important functions are discussed below:**

### **1.8.1 Deposit of Banks**

Islamic Banks mobilize their deposits through the application of the following two Shari'ah principles:

- a) Al-Wadiah and Mudaraba

#### **A) AL-WADIAH**

Al-Wadiah principle implies that the Bank receives funds with undertaking to refund the deposit on demand and also with authorization from the depositors to use the funds for the benefit of the people at the risk of the Bank. Islamic Bank's Current Account Deposits are managed on this principle. By opening such account, a depositor does not acquire any management (voting) right on the Bank or on the funds deposited. Al-Wadiah Accounts holders are provided with a Cheque Book for withdrawing any amount at any time retaining a minimum balance in the account.

#### **B) MUDARABA**

The Mudaraba Deposit Accounts of Islamic Banks are different from the Savings Bank Account of a conventional bank. Mudaraba is a form of business contract where one party supplies money and the other manages the business by investing labor, skill and time. The Financier is called Sahib-al-Maal and the person who undertakes the venture is called Mudarib.

Mudaraba principle implies that the Bank receives deposits from the depositor with the authority that the bank will have exclusive right to manage the fund and the profit resulting from such deposits will be shared between the Bank and the depositor at a pre-agreed ratio and the loss, not resulting from the negligence of the Bank or any of its representatives, will be borne by the depositors. Profit-loss sharing i.e. Mudaraba Savings Accounts and various Term Deposits of Islamic Banks are conducted on this principle. However, for

these accounts, the depositors do not acquire any management (voting) right on the Bank or on the deposits.

The Islamic Banks in Bangladesh practice the following types of Mudaraba Accounts:

1. Mudaraba Savings Account.
2. Mudaraba Term Deposit Account
3. Mudaraba Special Notice Account
4. Mudaraba Hajj Savings Account  
(a special account to facilitate performance of Hajj by fixed income groups)
5. Mudaraba Special Savings (Pension) Account
6. Mudaraba Savings Bond
7. Mudaraba Foreign Currency Deposit (Savings) Account
8. Mudaraba Monthly Profit Deposit Account
9. Mudaraba Muhor Savings Account
10. Mudaraba Waqf Cash Deposit Account. \*

\*Source: 1. Islami Bank 24 Years of Progress 2007.

2. Annual Report 2006: IBBL

### **Mudaraba Savings Account**

Mudaraba Savings Account of Islamic Banks is conducted under Mudaraba principles of Islamic Shari'ah. Under this principle, the Account holders i.e. Depositors are called 'Sahib Al-Mal' and the Bank is Mudarib. The bank will manage and deploy the fund without any intervention of the depositors. The profit earned by the bank by deploying such deposits is shared by the Bank and the depositors as per agreed ratio say bank 35% and the depositors 65% or like this. If any loss is incurred by the negligence or incompetence of the depositors. The loss is to be borne by the depositors as per Shari'ah. This account may be opened in single or joint name of individuals or in the name of any organization. The depositors are generally allowed to deposit several times as they require but in case of withdrawal of money there is some restriction as per rules and practices of the bank concerned.



### **Mudaraba Term Deposit Account**

Like Mudaraba Savings Account, Mudaraba Term Deposit Account is also conducted under Mudaraba principles of Islamic Shari'ah. Generally, deposit is accepted in different terms from 3 months to 36 months. While allocating profit, higher rate of profit is given to this account. No withdrawal facility is allowed here. However, the depositor may enjoy premature encashment facility or he can avail guard against lien of his account as per norms of the bank.

### **Mudaraba Special Notice Account**

This account is also operated under Mudaraba principles. The very special character of this account is seven days prior notice for any withdrawal.

### **Mudaraba Hajj Savings Account**

Hajj is one of the basic pillars of Islam. Islamic Banks accept deposits on installment basis or in piecemeal from the intending pilgrims under Mudaraba principles. Considering the religious aspects of this account and to inspire the individual to perform hajj, a better rate of profit comparing to other Mudaraba Accounts is given to this Hajj Account. The aim of this deposit is only to perform Hajj. The intending pilgrim may choose different terms from 1 to 25 years as per his capacity and age.

### **Mudaraba Special Savings (Pension) Account**

This is an attractive deposit scheme of Islamic Banks. It is governed by Mudaraba principles also. All categories of people particularly the small income groups are able to make savings on monthly installment basis at a very higher rate. Generally, the term is for 5 to 10 years and size of installment is minimum Taka 20,000 (it may be varied from bank to bank).

### **Mudaraba Savings Bond**

It is a bond of different terms say 5 years, 8 years of different denomination like in Tk. 1,000; Tk. 5,000; Tk. 10,000; Tk. 25,000; Tk. 50,000; Tk. 1,00,000; Tk. 5,00,000 etc. This bond is issued under Mudaraba principles. The bondholder may withdraw profit in this account once in a year at a provisional rate.

### **Mudaraba Foreign Currency Deposit (Savings) Account**

Mudaraba Foreign Currency Deposit Scheme (Savings) has been introduced by Islamic Banks under Mudaraba Principle. Bangladeshi nationals residing, working and earning abroad; foreign nationals residing in Bangladesh and also foreign companies registered abroad and operating in Bangladesh; foreign missions and their expatriate employees can open this account.

### **Mudaraba Monthly Profit Deposit Account**

For the benefit of the retired service holders and wage earners residing abroad who want to help their dependants/ relatives by contributing a certain amount of money on monthly basis from the profit of their one-time deposit, Islamic Banks, particularly Islami Bank Bangladesh Limited, has introduced this Mudaraba Monthly Profit Deposit Scheme in accordance with the Mudaraba principles of Islamic, Shari'ah. Any individual may open account under this Scheme by depositing a minimum amount say Taka 1,00,000/- and multiples thereof at a time for a specified term. Monthly provisional profit, subject to adjustment after declaration of final rate of profit, is given to the account just after completion of 30 days from the date of opening of the account.

### **Mudaraba Muhor Savings Account**

Muhor, even it is very small, is compulsory to pay to the wife by his husband as per Shari'ah. But some husbands are reluctant to pay Muhor to their wives

due to inability. Considering this and to protect the rights of the women ensured by Islam, Islamic Bank has introduced 'Mudaraba Muhor Savings Scheme giving higher weight age of profit to encourage the husbands to save by monthly installments according to their capability for building up sufficient fund in order to meet the obligation of Muhor to their wives. The scheme has different terms, say 5 years, 10 years. Accounts under this Scheme may be opened for monthly deposit of different amount, say Tk. 500.00, Tk. 1000.00, Tk. 2000.00, Tk. 3000.00, Tk. 4000.00, Tk. 5000.00 and like this.

### **Mudaraba Waqf Cash Deposit Account**

Some Islamic Banks namely Social Investment Bank Limited and Islami Bank Bangladesh Limited have introduced a new deposit scheme in the name of 'Mudaraba Waqf Cash Deposit Account' through which fund is pooled for the purpose of Waqf by the well off and the rich people of the society. The income to be generated there from may be spent for different benevolent purposes. It can work as supplement of the financing of various social investment projects. Under this scheme one may undertake Cash Waqf at a time or may start with a minimum deposit as per norms of the Bank and the subsequent deposit shall be made by installments(s) of a certain amount or in multiple of this amount.

### **1.8.2 Investment<sup>19</sup>**

IBBL Invests its funds with the prime object to help growth of rapid industrialization and promotion of trade and commerce in Bangladesh, and to earn halal (permissible) income through such mechanics/instruments that are free from interest and approved by Shariah Since present world is familiar with the interest-based banking for long time, bank investment without interest seems to be impossible for many people. According to their opinion, a bank cannot exist without interest. This section approaches to examine the tools /

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<sup>19</sup> Haque A.K.M. Fazlul (1989). Islamic Banking in Bangladesh, International university of Japan. Pp 89-120.

instruments through which IBBL invests its funds by avoiding interest (riba). IBBL has so far designed following eleven tools/ instruments for investment.

Mudaraba, Musharaka, Murabaha, Bai-Muajjal, Bai-Salam, Ijara, Hire purchase, Direct Investment, Investment auctioning, Quard and Quard-e-Hasana. Among them Mudaraba and Musharaka are said to be ideal ones. I would first out line in brief some aspects considered by IBBL during securitization of investment proposal and then expound mechanics. Proposal received from the client for investment under any of the above mechanics is properly appraised by IBBL according to the existing banking norms. If the proposal is a good one in terms of Shariah and existing investment norms, then the following points are examined, otherwise it is rejected outright.

Introductory and general overview:

1. Technical aspects:
2. Market aspects:
3. Economic aspects:
4. Financial aspects:
5. Security

### **Mudaraba**

Definition Mudaraba: It means an agreement of partnership business between two parties where one party (Sahib-Al-Mall) provides entire capital and the other, i.e. entrepreneur (Mudarib) contributes his skill, efforts and work for a percentage of profit, has already been explained in section 5.2.2. Under Mudaraba system, bank provides capital to Mudarib (entrepreneur) for specific business. Profit is shared by the bank and Mudarib as per agreed ratio, which is determined considering the nature of business. Generally Mudarib's share of profit varies from 30 percent to 50 percent. Entire loss, if any, is borne by the bank (Sahib-Al-Maal).

As it is somewhat difficult to select honest and capable entrepreneur, IBBL made a very few Mudaraba investments to small booksellers and self-employed persons. We know that Sahib-Al-Maal (bank) cannot participate in

management and entire genuine loss should be borne by the bank. As such, honesty, integrity and capability of Mudarib are prerequisite for Mudaraba investment. IBBL is now carefully examining the possibility for large-scale finance under Mudaraba since amount of Mudaraba business is very small, the figures under this investment was shown in others (miscellaneous) investment. At present, this mechanism is almost inoperative.

## **Musharaka**

Musharaka means a joint business of two or more partners where in every partner contributes in the capital. The contribution may be equal or unequal in Musharaka practiced by Islamic bank, which is called Musharaka-Al-Inan. All partners are entitled to manage the business / project. Profit is shared by the partners as per ratio agreed and the loss, if any, is to be shared as per ratio of capital contribution. Musharaka was very popular at the time of Prophet (sm.) and his companions, not only in trade and commerce but also in agriculture and gardening. There are four types of Musharaka. These are Musharaka-Al-Mufavada, Musharaka-Al-Inan, Musharaka-As-Sanai and Musharaka-Al-WajooH.

Mufavada means equality of all partners in everything, like capital social and religious status, profit, loss etc. Equal status of all partners in all respects is a pre-requisite for Musharaka-Al-Mufavada. It is not valid between a believer and a non-believer, master and servant, man and woman; profit and loss should be shared equally.

In Musharaka-Al-Inan, capital contribution of the partners may be equal of unequal. It is valid between master and servant, Muslim and non-Muslim, man and woman. Equal status is not necessary for this type of Musharaka. This is the most suitable partnership for Islamic banks and financial institutions. Profit can be shared as per any ratio agreed, but loss is to be borne as per capital ratio. IBBL is practicing only Musharaka-Al-Inan for its investment. So, when we use Musharaka for IBBL's investment, it means Musharaka-Al-Inan.

Musharaka-As-Sanal means partnership with skill. It means, no capital in terms of money is required for Musharaka-As-Sanal business. Share of profit it may be equal or unequal as per agreement considering the quality, nature and importance of skill employed in the business.

Musharaka-AI-Wajoooh means partnership with integrity and reputation. In this type of partnership, partners are to run the business on credit depending on their reputation and integrity in the market. Capital in terms of money is not involved. Share of profit must be equal in Musharaka-AI-Wajoooh business.

### **Murabaha**

Murabaha is a "Contract sale on profit", in other words, sale with mark up or cost-plus sale, i.e. cost price plus a percentage or an amount of profit. There would be a commodity and three parties shall be involved in the transaction. They are the seller, the bank and the ultimate buyer (client) of the commodity. The Murabaha contract shall be conducted between the bank and the ultimate purchaser (client). This is the case where a client approaches the bank asking that a certain commodity or equipment be bought or acquired for him for specific price and the agrees to buy it later from the bank at an agreed profit. Client can revoke the agreement before delivery of the goods if it differs from the specification mentioned in the agreement and the bank has option to withhold the delivery of goods if the client fails to lift the goods as per agreement in due time.

### **Bai-Muajjal**

Definition Bai-Muajjal means contract sale of anything on deferred payment basis. It is like Murabaha contract with condition for supplying contracted goods / commodities on deferred payment. It is a contract in which a client wishing to purchase raw materials, finished goods, commodities, spares, machineries, equipments or any other goods requests IBBL to procure the

items and sell them to him at a price (total cost plus profit) payable at a specific future date in lump-sum or in installments.

It is a credit sale. Ownership and possession of goods is transferred to client before receipt of sale price. Price of goods once fixed is not increased even if the payment is delayed by the client. Other features of Bai-Muajjal are synonym to that of Murabaha. Under Bai-Muajjal, goods procured by IBBL are delivered to the client on receipt of cash margin and collaterals. Since the mechanics involves deferred payment, higher rate of profit is charged and more emphasis is given on collaterals.

### **Bai-Salam**

Bai-Salam is a sale contract with condition for payment of price prior to delivery of goods. It means, delivery of goods is effected on deferred basis. In such a deal, payment of price (total cost plus profit) of contracted goods is made earlier by client and delivery is made later on after procuring the goods by the bank within a specific time. The price, specification, time and modes of delivery should be known to both the bank and the client. Since the payment is made in advance at the time of contract, the profit margin charged by the bank is lower in case of Bai-Salam. Other features are similar to those of murabaha IBBL has the provision for this method of investment; but operation under this method has not yet been started. Clients are not willing to make advance payment at the time of contract because of lack of capital.

### **Ijara (Leasing)**

Ijara or leasing means a system of business transaction in which movable or immovable property/asset purchased by the bank is leased out to a party (client) on rental basis for an agreed period of time, the bank remaining the legal owner and the lessee (client) having right to use the property for the duration of contract as per agreed terms and conditions.

## **Hire Purchase**

Hire purchase means transfer of ownership of a leaseable thing on payment of some rental installments. These installments include the principal amount and a portion of rent received. On completion of payment of the installments, the hirer/lessee (client) becomes the owner and the bank (lessor) ceases to continue its ownership. In case of Hire Purchase, the hirer (lessee) acquires ownership on the asset on full payment of agreed value, but in case of Ijara (leasing) operations, ownership of asset is not transferred to the lessee.

Under Hire purchase contract, IBBL invests in equipment, machinery, building, transport or other leaseable asset for the client against an agreed rental together with an undertaking from the client to make full payment of the price to IBBL in lump sum or by periodical installments for the purpose of eventual purchase of the concerned asset. Possession of the asset is passed on to the client for his exclusive use. In case of investment in transport sector, the vehicle is registered in the name of the bank and client, bank as owner and the client as hirer. If necessary, suitable securities and guarantee from respectable person with credit worthiness are demanded by the bank.

## **Direct Investment**

Direct Investment means finance to any project or business establishment whose sole ownership lies with the bank. Overall management control of the project / business beginning from A to Z lies with the bank.

## **Investment Auctioning**

Investment Auctioning means auction sale of bank's own project. Bank prepares blue print, procures land and machineries and installs those and makes the project complete. On completion of the project bank invites quotations from intending investors for purchase of project. Bank may fix a reserve price, which may include a reasonable profit margin. The project then be sold, for cash or on credit whichever the bank decides, to the highest



bidder normally. The bank may sell the project to any other bidder if it considers him capable of more efficient running of the project, provided that the bid is higher or at least equal to reserve price.

### **Quard**

The Word "Quard" means loan. The literal meaning of Quard is "to cut". It is so called because the property is really cut off when it is given to the borrower as loan. According to the saying of the prophet (sm), loan advancing by way of Quard is more pleasing to Allah (SWT) than alms giving. According to Shariah, all Quard or loan must be interest-free. Quard draws forth no profit for the creditor. Quard is always for the benefit of the borrower. IBBL divides Quard into, Quard (Interest-free loan) and Quard-e-Hasana (interest-free beautiful loan on good faith).

The term Quard is used by IBBL for financing by lending without interest but with actual service charge. It means, IBBL does not charge any profit or benefit but recover service charge from the borrower under quard. Provision for Quard is made only for its account holders who face temporary difficulty. This may be compared with the Over Draft facility extended by the conventional bank with exception of interest. Currently IBBL allows this facility under exceptional circumstances to the holders of PLS-TD accounts to tide over their temporary problems against pledge of PLS-TDR as security.

### **Quard-E-Hasana**

Quard means loan without interest and Hasana means beautiful. So, Quard-e-Hasana implies beautiful loan on good faith or beneficial loan IBBL does not recover any charge, even service charge, from Quard-e-Hasana account. Luanne has to repay the principle amount. This loan facility is extended only to deserving cases on compassionate grounds and special welfare consideration. The principal amount is refundable within a reasonable time when the beneficiary is supposed to be able to repay. IBBL grants this loan not only for consumption purpose but also for owning factor(s) or production.

The ultimate objects of both the consumption and production Quard-e-Hasana are to enable the loaners to support their families and to own means of production for permanent solution of economic problems. The volume of operations under Quard-e-Hasana depends on the financial strength of the bank concerned. Normally, a certain percentage of cost free deposit (current a/c deposit) is earmarked for Quard-e-Hasana every year on the basis of performance during the preceding year. IBBL disbursed Tk. 10 mil and Tk. 77 mil. during 2006 and 2007 respectively to the poor and needy in the low income brackets for medical care, higher study, purchasing sewing machine, fishing net, hand loom, van, rickshaw, auto rickshaw, etc. It necessary, IBBL asks for suitable security and / or third party guarantee. Percentage of Quard-e-Hasana to total investment increased to 0.04 percent in 2007 from 0.01 percent in 2006.

IBBL has a plan to extend this loan, in near future, to those government and non-government projects, which are financially non-viable but socially desirable and beneficial.

### **1.8.3 Foreign Exchange and Foreign Trade**

IBBL involvement in foreign exchange and foreign trade transactions can be classified into two categories:

- (a) Bank serves as an agent for the transactions,
- (b) Bank invests its fund in the transactions, and bank's income earned from the transactions (foreign exchange and foreign trade transactions) can be divided as (i) income earned by rendering services and (ii) income earned by deploying its fund.

**Table-1.6 Stages of bank's involvement in foreign trade and foreign exchange transactions:**

Stages	Nature of bank	Bank's fund involved	Nature of finance	Bank acts as	Bank's income
1 <sup>st</sup>	Intr. bank*	100%	Loan/Advance without margin	Lender	Interest
	Ism bank**	100%	Direct Investment	Owner	Profit margin
2 <sup>nd</sup>	Intr. Bank	1%-99%	Loan/Advance without margin	Lender	Interest
	Ism. Bank	1%-99%	Musharaka	Partner	Profit/Loss
3 <sup>rd</sup>	Intr. Bank	Nil	No finance, agency service	Agent	Service charge, commission, postage, exch. rate difference etc.
	Ism.bank	Nil	No finance, agency service	Agent	same as above

\* Interest-based bank

\*\* Islamic bank

Source: Devised by the Researcher

There is no major difference between the earning of conventional banks and Islamic banks for their agency services rendered. But the bank's income under Islamic banking system differs from the income earned by the conventional banks on their funds involved in the transactions. For category (a), (an IBBL earns service charge, Commission, exchange rate difference and realizes other charges like telex charge, postage, etc. In case of category (b),

It invests its fund through any of the mechanisms suitable for mentioned before.

Foreign trade and foreign exchange transactions of Islamic bank as well as conventional bank can be classified into three stages considering in the nature of bank's finance involved. Accordingly, the bank's income will differ. These stages and difference of income are shown in Table 1.6, which may work as a guide for Islamizing the transactions of existing conventional banks from earning point of view.

Since its inception, IBBL handled a sizeable volume of foreign exchange and foreign trade transactions resulting significant contribution to country's economy.

**Table- 1.7 IBBL's foreign exchange business during 2005 and 2006**

Types of business	Amount in million Tk.	
	2006	2005
Export	5113300	3616900
Import L/C opened	9687000	7452500
Foreign Remittance	5381900	3694800
<b>Total</b>	<b>20182200</b>	<b>14764200</b>

Source: IBBL'S Annual Report 2006

Figure has been increasing every year due to the same reason stated in deposit section. In addition, Al Rajhi Company (One of the partners of IBBL) recovers remittance charge at a concessional rate from its clients who send money from abroad to Bangladesh through IBBL. Major portion of remittance figure composed of foreign currency sent by the Bangladeshi wage earners working abroad.

IBBL expanded its list of foreign correspondents around the world to route its business without any hindrance. The worldwide network facilitates smooth routine of banking business and familiarizes Islamic banking system,

which is a new concept with world banking community in general, traders, and businesspersons in particular.

#### **1.8.4 Welfare Functioning Through Islami Bank Foundation**

One of distinguishing features of Islami Bank Bangladesh Limited is that its overall activities are directed towards the welfare of the society. The Bank, since its inception, has dedicated itself for the uplift and emancipation of the helpless and downtrodden people of the society. With this end in view, the Bank has created a separate fund which was earlier known as Sadaqua Tahbil. In 1991, the Sadaqua Tahbil was reorganized and enlarged under the new name of 'Islami Bank Foundation' in order to conduct social-welfare activities on a wider scale. As one of the leading non-government voluntary organizations of the country, the Foundation has been working with unique and special programs for the welfare of distressed humanity and to make poor, downtrodden, landless and asset less people self-reliant.

The aims and objectives of the Foundation are to serve distressed humanity, promote people oriented mass education, extend health and medicare facilities to the poverty- stricken people in urban and rural areas, create facilities for productive self-employment and develop human resources for improving economic condition and quality of life, assist healthy growth of art, culture and literature, science and technology, sports, research and propagation of Islamic teachings. The Foundation has taken up a number of projects covering the whole of Bangladesh.

The welfare activities of Islami Bank Foundation are as under:

1. Income Generating Programs.
2. Educational Programs
3. Health and Medicare Programs.
4. Humanitarian Help Programs.
5. Relief and Rehabilitation Programs
6. Dawah Programs.

### Special Schemes

1. Islami Bank Hospital
2. Islami Bank Medical College, Rajshahi
3. Islami Bank Community Hospital
4. Islami Bank Nursing Training Institute
5. Islami Bank Institute of Health Technology
6. Islami Bank Homeopathic Clinic
7. Monorom: Islami Bank Crafts & Fashion (Sales Centre of Products of Distressed Women)
8. Islami Bank Service Centre
9. Islami Bank Institute of Technology
10. Islami Bank International School and College
11. Bangladesh Cultural Centre
12. Distressed Women Rehabilitation Centre. \*

Source: IBBL'S Annual Report 2006

## 1.9 Organization of IBBL<sup>20</sup>

### Management

The management of IBBL lies with the Board of Directors who works through two committees namely General Executive and Administrative Committees (GEAC) and Management Committee (MC), one Executive President (EP), three Executive Vice Presidents (EVPs). It has a Shariah Council, advisor and a Legal Advisor. The highest body in management structure is the Board of Directors. They implement their policy decisions through EP who is the Chief Executive of the bank. The EP executes Board's decisions and conducts bank's overall transactions through other executives, branch managers, officers and staff members.

According to the article 59 of Memorandum and Articles of Association, the management of IBBL should be with local Directors Management components are explained below:

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<sup>20</sup> Islami Bank Bangladesh Limited (2007). Annual Report-2006, Dhaka, Pp 36-47.

Practically the actual operations of IBBL are managed by the Executives and Advisor. The responsibility for implementing banks policy decisions and conducting over all transactions lies with the EP, EVPs, Sr. AEVPs (Senior Assistant Executive Vice President), AEVPs (Assistant Executive Vice President) and the Managers for branches and departments of Head Office.

The EP is the full-time salaried person and is the chief Executive of the bank. His position is equivalent to the Managing Director of other schedule bank.

## **The Board of Directors**

Composition, Size and Effective Functioning of the Board.

The Board of Directors consists of 13 (thirteen) non-executive members. The number of Board members is within the maximum limit set by the Central Bank.

The Board is composed of experienced members with diverse professional experience such as business, administration, banking & finance, accounting, general management, diplomat, government service, engineers, fund managers which made the Board very efficient & balanced in deciding & directing on the various issues of the Bank.

The Board members are independent and express their views & opinions free from any influence. The Directors are also independent from management, business/ other relationship of the Bank that could materially interfere the activities of the Bank.

There also a clear delineation of duties and responsibilities between the Board and management. While the Board is responsible for creating the broad policy framework, within which the Bank is objectives. The Board exercises independent oversight on the management.

## **Committees**

The Board has two standing committees viz Executive Committee and Audit Committee. The Committees operate within clear terms of reference.

### **The Executive Committee**

The Executive Committee consists of 8 (eight) members and is entrusted with the task of policy making and taking important & decisions as authorized by the Board within the norms set by the Bangladesh Bank.

### **The Audit Committee**

The Audit Committee formed by the Board of Directors as per instruction of Bangladesh Bank consists of 3 (three) members and is entrusted with, among others, the task of exercising their duties & responsibilities with regard to:

- Internal control
- Disclosure of financial report
- Internal audit
- External audit and
- Compliance of the existing laws & regulations (as formulated by Central Bank & other relevant authorities).

### **The Management Committee**

Management Committee of the Bank comprises of top-level executives, headed by the Executive President (CEO) of the Bank. The Committee with financial, administrative & business discretionary powers delegated by the Board is mainly responsible for implementation of the policies and guidelines of the Board. The Management Committee thoroughly scrutinizes the issues before placing to the Executive Committee/ Board. The Management Committee thoroughly evaluates the performance of the Bank, takes strategic action plan to achieve various targets of the Bank set by the Board of Directors.



## 1.10 Present Functions of IBBL

IBBL is the largest private sector bank of the country. Total deposit of the Bank as on 31.12.2007 was taka 166,777 million and total investment was taka 174,058 million. IBBL handled foreign exchange business of tk.287,989 million during the year 2007. IBBL is now in first position for import, export and foreign remittance at national level. IBBL exclusive performance can be highlighted as :

- The largest network of Branches among Private Commercial Banks
- On-line banking facilities in 95 Branches (largest online network in the country)
- 3.8 million Deposit customers
- Over 5 lac investment clients
- 55% of total investment in industrial sector
- Employment generation for more than 1 million people
- Poverty alleviation through investment to more than 5 lac people
- Highest taxpayer in banking sector of Bangladesh
- Highest foreign currency earner for Bangladesh.\*

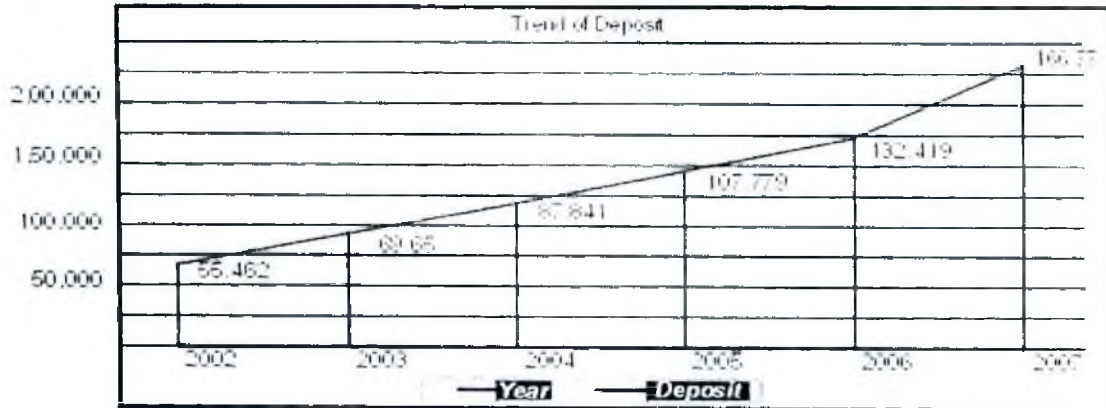
\*Source: IBBL'S Annual Report 2006

### Mobilization

The year 2007 was another successful year of mobilization of deposit. Total deposit stood at tk.1, 66,777 million as on 31<sup>st</sup> December 2007 as against tk.132, 419 million of the preceding years registering an increase of tk.34, 358 million, i.e. 25.57% growth as compared to the growth rate of 16.70% of the Banking Sector during 2007. The percentage of growth of Deposit in 2006 was 26.67%.

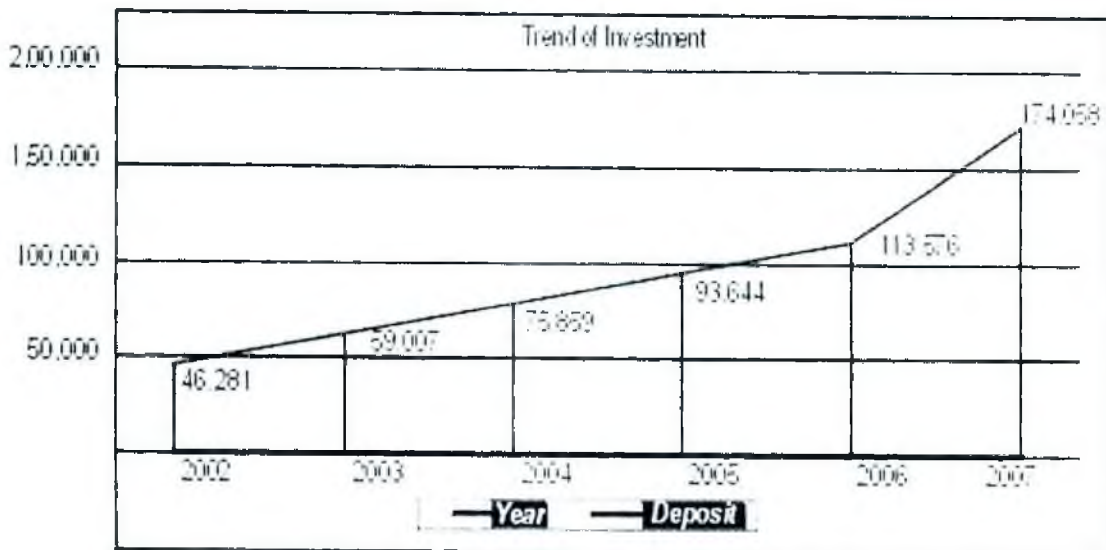
The share of deposit of IBBL in banking sector as on 31.12.2007 was as 7.48% from 7.74% as on 31.12.2006. Total number of depositors of IBBL increased to 38,02,709 as on 31<sup>st</sup> December 2007 from 3,207,131 of the preceding year, registering an increased of 18.57% as against increase of 18.56% as on 31.12.2006.

Figure 1.2



Investment of the Bank increased to tk. 1, 74,058 million as on 31.12.2007 from tk. 1,13,575 million as on 31.12.2006 showing an increase of tk.60,483 million, i.e. 40.42% growth as against 17.24% growth of investment of the Banking Sector. This increased investment growth of the Bank in 2007 is due to the thrust given to promote investment for effective utilization of depositors fund. The percentage of increase of investment of IBBL in 2006 was 25.26%. The share of Investment of IBBL in banking sector as on 31.12.2007 increased to 8.27%, from 7.67% as on 31.12.2006.

Figure 1.3 Deposit of IBBL



**Sector-Wise Investment:**

Sector-wise distribution of investment as on 31<sup>st</sup> December 2007 vis-a-vis the corresponding period of last year is given below:

**Table 1.8 Sector-Wise Investment of IBBL (Amount in Million Taka)**

Sl. No	Sector	2007		2006	
		Amount	% to Total Investment	Amount	% to Total Investment
1	Industrial	78,788.15	51.43%	62,642.10	55.15%
2	Commercial	46,345.60	31.98%	28,983.80	25.52%
3	Real Estate	8,869.14	6.12%	8,357.80	7.36%
4	Agriculture including Investment in Fertilizer & Agriculture Implements	4,492.53	3.10%	5,890.00	5.19%
5	Transport	2,565.09	1.77%	2,722.40	2.40%
6	Special Schemes	4,492.53	3.10%		
7	Others	4,043.28	2.79%	4,978.97	4.38%
	<b>Total</b>	<b>149,596.32</b>	<b>100%</b>	<b>113,575.07</b>	<b>100%</b>

\*Source: IBBL'S Annual Report 2007

**Welfare Oriented Investment (Special Scheme)**

In addition to the normal Commercial and Industrial Investment operations, many special Investment Schemes like:

- i) Rural Development Scheme,
- ii) House-hold Durables Scheme,
- iii) Investment Scheme for Doctors,
- iv) Transport Investment Scheme,
- v) Car Investment Scheme,
- vi) Small Business Investment Scheme,
- vii) Micro-Industries Investment Scheme,

- viii) Agricultural Implements Investment Scheme,
- ix) Housing Investment Scheme,
- x) Real Estate Investment Program,
- xi) Mirpur Silk-weavers Investment Scheme,
- xii) Poultry Investment Scheme and
- xiii) Small Transport Investment Scheme. \*

\*Source: IBBL'S Annual Report 2007

### 1.11 Future Function of IBBL

IBBL is expanding its activities throughout the country to reach the doorstep of general people of the country. It has taken many welfare oriented deposit and investment programs. IBBL is committed to serve to the country people. To fulfill this commitment, it has taken five-year plan. Moreover, it wants to reach 85,000 villages of the country with our RDS program, it wants to reform each and every village as "Ideal Village".

Expatriate Bangladeshis contribute a lot in the national economy; it is going to initiate new products for them by which they can invest their money after coming back to the country. It thinks they could apply their capacity in the project financing at home as they depicted abroad. It has a plan to initiate a "Khidmah Card" substituting conventional "Credit Card".

It is very much confident to establish islami Banking in this country with the heartiest support of the people of the country. In this regard we are going to take many future plans to deliver the service of this Bank to every door of the people of this country. Our future plans to deliver the service of this Bank to every door of the people of this country. IBBL's future plans are

It likes to solve unemployment problem through their our various investment programs.

- It likes to strengthen the program of eradicating poverty
- It likes to shorten the gap between urban & rural life style
- It wants to open branches undeveloped areas
- It likes to expand industrial sector by increasing their industrial investment

- It likes to invest in medium & small industrial sectors through which investment & asset may not be coiled in some of listed people or selected areas.
- It has a plan for developing a "Rural Development organization" for reaching the farthest corner of the country.
- Expatriate Bangladeshis contribute a lot in the national economy. IBBL is going to initiate new products for them by which they can invest their money after coming back to the country. IBBL thinks they could apply their capacity in the project financing at home as they depicted abroad. Thus, they may be rehabilitated properly. We dream for roaming all over the world with the assistance of Islami Bank Bangladesh Limited and as a part of the dream It is planning for opening branches & booths in different parts of the world, specially, in London & Dubai. \*

IBBL wishes to settle ourselves into the hearts of the people of the country and their cordial utterance should be "Islami Bank, My Bank, Our Bank".

\*Source: IBBL'S Annual Report 2007

## **CHAPTER # 02**

### **LITERATURE SURVEY**

## CHAPTER # 02

### LITERATURE SURVEY

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#### 2.1 Literature

A literature review is a "critical analysis of a segment of a published body of knowledge through summary, classification, and comparison of prior research studies, reviews of literature, and theoretical articles" (Wisconsin), Do not confuse a literature review with an annotated bibliography.

A **literature review** is a body of text that aims to review the critical points of current knowledge on a particular topic.

Most often associated with science-oriented literature, such as a thesis, the literature review usually precedes a research proposal, methodology and results section. Its ultimate goal is to bring the reader up to date with current literature on a topic and forms the basis for another goal, such as the justification for future research in the area.

A good literature review is characterized by a logical flow of ideas; current and relevant references with consistent, appropriate referencing style; proper use of terminology; and an unbiased and comprehensive view of the previous research on the topic.

According to cooper (1988), "a literature review uses as its database reports of primary or original scholarship, and does not report new primary scholarship itself. The primary reports used in the literature may be verbal, but in the vast majority of cases, reports are written documents. The types of scholarship may be empirical, theoretical, critical/ analytic, or methodological in nature. Second a literature review seeks to describe, summarize, evaluate, clarify and/ or integrate the content of primary reports".\*<sup>1</sup>

- A summary and explanation of key studies relevant to a proposed project\*<sup>2</sup>

- A Summary and interpretation of research findings reported in the literature. May include unstructured qualitative reviews by single authors as well as various systematic and quantitative procedures such as meta-analysis. (Also, know as overview.) \*3
- An extensive search of the information available on a topic which results in list of references to books periodicals and other materials on the topic. \*4

A comprehensive survey of publications in a specific field of study or related to a particular line of research, usually in the form of a list of references or an in-depth review of key works. \*5 A survey of progress in a particular aspect of a subject area over a period. It will usually have a critical review of other literature on the subject. \*6

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\*1. Copper. H.M. (1988): The structure of knowledge synthesis-Knowledge in Society, Vol.1 Pp, 104-126.

\*2. [www.pubmedcentral.nih.gov/articlerender.fcgi](http://www.pubmedcentral.nih.gov/articlerender.fcgi).

\*3. [www.nlm.nih.gov/nichsr/hta101/ta101014.htm](http://www.nlm.nih.gov/nichsr/hta101/ta101014.htm).

\*4. [www.usg.edu/galileo/skills/olc\\_glossary.html](http://www.usg.edu/galileo/skills/olc_glossary.html)

\*5. [www.msvu.ca/library/glossary.asp](http://www.msvu.ca/library/glossary.asp)

\*6. [www.perdnacollege.com/library/glossary.htm](http://www.perdnacollege.com/library/glossary.htm).



## 2.2 Importance of Literature Survey

There are several purposes to writing a literature review. To provide the reader with an up to date account and discussion of the research findings in a particular topic. This might sound pretty esoteric but you will find that in writing a literature review you will learn about the ways other people have constructed their own research projects. Seeing what others have done might help you understand your own assignment. You might be able to see the methods that other more experienced researchers have used and you might decide to follow on their footsteps and copy their methodological approach.

You might also be able to detect conflicting points of view expressed by different authors. These conflicting points of view might be the indicators of diverging theories within the same topic. You need to be aware of these conflicting theories as well as of the arguments supporting these theories in order for you to assess their value and make up your own mind on the topic. Being aware of the theories will help you later in your life as a student when you will have to design a larger research project like your dissertation.

You might also be able to discuss relevant research carried out in the same topic. It is important to be able to discuss relevant research because very often it is very difficult (as students and as researchers) to keep abreast of everything that is published every year in a topic. The job of the writer of the literature review is to summarize and discuss the major documents published in that topic over a stated period of time. The discussion will take into account the methods and the results or findings of the most relevant research. The reviewer will assess whether the methodology is appropriate and whether the results seem valid. The reviewer therefore evaluates the quality of the research as opposed to merely listing documents.

The reviewer may also discuss material published in other fields, which are related to the main topic. This process is very important since very often research in the social sciences is multidisciplinary, i.e. knowledge gets generated from many disciplines and needs to be integrated. For example in order to be able to research and write a literature review on a question like 'Why do teenagers smoke?' The reviewer might need to read material from journals in psychology, medicine, and sociology.

The main purpose of review of literature is to identify the hiatus or knowledge gap in the field of proposed research. With this end in view a researcher should review all the pioneer works already done in the proposed field of research. He should select that literature for review which are relevant, reliable and representative (3Rs.) He may review the relevant literature in chronological order or may classify those into in-country and out of country groups.

A researcher should follow the following methods while reviewing a literature:

- (1) It should be a critical review.
- (2) The main findings should be narrated within two or three sentences. However, in unavoidable circumstances, these should be presented within a small paragraph of a few sentences.
- (3) The researcher should clearly state inadequacies of findings and methodological deficiencies.
- (4) The researcher should also mention about analytical deficiencies.
- (5) Then he should tell in what respects his study would overcome those deficiencies and produce better results.

After reviewing available literature, a researcher can clearly identify the knowledge-gap. To fill-up this knowledge-gap is the main purpose and chief justification of his research. He can also note the national importance of the concerned research. He also can mention the utility of the research to different groups/ classes of people in the society. Finally, he should mention the immediate (or long run or both) policy implication of his research. He should try to get the answers of the following questions: will it add to the

present body of knowledge? Does the field need reworking? Is there any gap in knowledge? Are the expected results useful to the society? Who might be interested in the results? In short, it includes the issues like identification of the knowledge gap, narration of the importance of the study, and its policy implications.

### **2.3 Number**

The literature are not abounds in studies related to the role of Islami banking for rural development in Bangladesh by both the conventional and Islamic banking side by side in Bangladesh. No such remarkable comparative study elaborating the detailed operations and amplifying the result of the same, so far has been conducted by the government or private initiatives till the date in the country.

#### **Study-1**

A paper conducted by A. K. M. Fazlul Hoque. Islami Banking in Bangladesh. In this thesis, the researcher did the pioneering one in his Master of Arts in International relations work in 1989.<sup>1</sup>

The research was mainly work in the field of history of IBBL, Origin of IBBL, and Activity of IBBL. However, researcher did not discuss the role of Islamic Banking for rural development in Bangladesh.

#### **Study-2**

The paper conducted by M. A. Hamid and S. M. Habibur Rahman jointly as an empirical investigation towards the role of Islamic Bank's for the entrepreneurship development. This study of the expert investigators covered a partial and very much in sufficient area of total investment operation volume of the banks. Their discussion was limited within the role played and playable towards small entrepreneurship development in the area of micro credit level by the IBBL.<sup>2</sup>

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<sup>1</sup> A.K.M. Fazlul Hoque: Islamic Banking in Bangladesh. International University of Japan 1989

<sup>2</sup> Dr. M. Zainul Abedin, A Hand Book of Research (Second Revised Edition) Book Syndicate, Dhaka-2005

Thus, the brief literature survey made above reveals that no systematic study has so far been conducted on the role of Islami Bank for rural development in Bangladesh case study of IBBL.

### **Study- 3**

All the major NGO's and Grameen Bank admit that they have serious problems in reaching the hard core poor, resulting in limited coverage. They have required high level of subsidy to establish their programs, provided by donors. RDS seems not to be different from either Grameen Bank or traditional NGO's whose target group approach both with design and delivery mechanism, is essentially reflected by it, if not modes of financing, RDS & NGO's selection group, criteria is same. In addition, RDS are left out hard care poor. Reacher mentioned the rate of profit IBBL is less than that of GB 10% markup; 10% mark up of weekly installment basis, in fact the rate of 20%.<sup>3</sup>

### **Study-4**

The major study of the role of RDS in the development of the Women Entrepreneurship under Islamic Micro Finance. A Case Study of Bangladesh by Mahmood Ahmed (2007).<sup>4</sup>

The Study provides information on Strengths, Weakness, opportunities and threats (SWOT) for implementation of Islamic Micro finance program for development of entrepreneurship the deciding factory of economic development among the rural women of a LDC of South East Asia.

### **The researchers conclusion and suggestion are given below:**

1. Extensive mass contact for the people.
2. There should be provision for sanctioning all investments in time.
3. Volume of investment should be increased.

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<sup>3</sup> Mr. S.M. Ali Akkas: Poverty Alleviation from Islamic Perspective. Lessons from Grassroots Experiments

<sup>4</sup> Mahmud Ahmed, The Development of the Women Entrepreneurship under Islamic Micro Finance. A Case Study of Bangladesh (2007).

4. Multiple investments should be needed.
5. Adequate repayment period should not always be one year.
6. Ensuring quality services.
7. Art of applying Islamic Modes of Financing.

#### **Bai-Muajjal/ Bai-Murabaha:**

Among the Islamic modes, Bai-Muajjal and Bai-Murabaha have been found to be very popular both among the officials and clients. These modes can be employed for all activities where buying and selling take place. There are several ways through which these can be applied. Stated in the reduced form of acceptability from the viewpoint of Islamic Shariah the ways are:

- 1) The RDS will take dealership of the various items normally demanded by the clients and store them in their own (or hired) god owns and sell the same as and when demanded by the clients.
- 2) The Field Workers will go from shop/ hat/ Place to shop/ Hat/place along with the clients to buy the necessary items.
- 3) The RDS will appoint Agents to buy the necessary items from the markets taking the clients with them the Agents will not be considered as officials and hence will not do any official works. They would work an commission basis.
- 4) The RDS will have a written agreement (specifying the prices) with the wholesalers of the required items located around the locality of the Centre (in the case irrigation water, for instance, with the manager/owner of the irrigation device.
- 5) The clients will apply for investment money giving details of the activities they want to perform Treating them as, Agent, the RDS will give them cash so that they can buy their things on its behalf.

If the stated mode were applied by following any of above mentioned ways, this would surely ensure the desired link between the investment/ credit and expansion of output of real goods and services.

### **Hire purchase/ Leasing:**

The hire purchase/ leasing mode is also used frequently by the RDS. This mode can be applied for all types of durable and reusable items like irrigation devices, power tiller, lathe machine and the like. The RDS will buy the durable and reusable items normally demanded by the clients by following any of the ways as shown in (i) above and sell them on hire purchase, or on leasing basis. The clients will be paying the price as per agreed, procedure. After the full payment, the clients become the owners of the thing hired/ leased out.

- The RDS will purchase the agricultural or industrial commodities in advance from the producers to be delivered at some future date and place.
- If the RDS finds it difficult to handle the bulky commodities, it will find some wholesalers to buy the commodities the clients are willing to produce.
- The wholesalers will pay the price to the RDS immediately after receipt of the goods as specified.

### **To Meet the Demand for Cash**

The demand for cash can be met in several ways namely: suppose a particular client wants 2 units of fertilizers and ready cash of Tk. 100. Assuming that the price of fertilizer is Tk. 100 per unit, he actually demands Tk. 300. In this case he may be given 3 units of fertilizer valuing Tk. 300 on the understanding that he will sell out 1 unit to meet his cash demand. But he will have to give mark-up for the 3 units of fertilizers. Alternatively, he gives mark-up for 3 units of fertilizers and gets 2 units instead and 100 taka cash on Qard-e-hasana basis. These new ideas would of course need approval of the

Shariah Council. It can also be given separately as Azkat, Sadaqa, or loan in terms of Qard-e-Hasana. This of course would require a special fund.

The researcher has been described only the Role of RDS in the development of the women entrepreneurship under Islamic Micro Finance but he did not discuss the whole rural development process, rural development is not only depended on some illiterate men and some illiterate women.

The researcher thinks that micro credit is a panacea. Professor Dr. Yunus or his organization Grameen Bank has claimed that micro credit alone can alleviate poverty the researcher also can alleviate poverty the research also suggests micro credit extension. But it is one of the many Things such as. Problem of education problem of infrastructures, problem of credit amount, problem of health problem of high profit rate than industries credit not discuss in his thesis. Not only that women did not sale the commodity how can solve it such problem is absent in his paper. Next issue comes is the case of the very poor. RDS credit did not reached the very poor how RDS will be reached the very poor that machination is not discussed by researcher.

The another reason is that we cannot make every man and women in the rural area a businessman and business woman credit cannot be for every body some man and woman cannot handle the credit for that what will be suggestion such things is not discuss by researcher.

Rural development need also wage employment. Because not every man and woman can be participant in micro credit specialty, those who are not capable or willing to manage micro credit.

The researcher mentioned the profit rate of RDS is less than that of others MFI i.e. 10% markup. However, when RDS adds markup @10% on the cost of the thing and the bank collect the money on weekly installment basis in fact the profit comes @ 20% but not 10% only. In that case, bank is charging more than IBBL industrial profit rate 14%.

## **CHAPTER # 03**

# **REASERCH METHODOLOGY**



## CHAPTER # 03

### REASERCH METHODOLOGY

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#### 3.1 Rationale of the Study

An important feature of Bangladesh economy since 1983 is that the government allowed Islami Bank Bangladesh Limited for functioning. It is considered as the first interest free bank in South East Asia. It is very good news to the Islam loving people of Bangladesh. Because its system is free from riba (interest). Bangladesh is one of the biggest Muslim countries in the world. Where most of her citizens like to prefer Islamic banking system rather than interest based banking.

The basic intention behind establishing Islamic banks was the desire of Muslim to reorganize their financial activities to complement the principles of the shariah and enable them to conduct their financial transaction without in duling in riba.

The Islamic banks allocate financing to the most productive business venture, as the share in return is more promising. In addition, profit sharing results in a borrower and lender working more closely to gather to ensure the business venture.

Islamic economists argue that an interest based banking make fosters inflation. However, Islamic banking is productive. Therefore, it make stable price in economy.

Another group of Islamic and non-Islamic economists such as G.M. Keynes argues that conventional bank is root of business cycles. Conventional bank supply the credit only to the rich men by security system. Conventional banks have many problems. Therefore, Islamic banks have gained popularity in Bangladesh.

After Islami bank Bangladesh limited also established the Al-Baraka bank limited (oriental bank). Now (2007) there are six Islamic banks working in Bangladesh which namely:

1. Islami Bank Bangladesh Limited
2. Al- Baraka Bank Limited (ICB Islamic Bank Limited)
3. Al-Arafah Bank Limited
4. Social Investment Bank Limited
5. Shahjalal Islamic Bank Limited
6. Exim Bank Limited (which is Islamic after established)

In addition, one foreign Islamic bank i.e. Bank Al Falah is the largest Islamic bank in the world has opened a branch in Bangladesh. Some conventional banks have so far established 15 Islamic branches.

The Islamic banks present market share of deposits and investment are 12% and 10% respectively. IBBL the pioneer Islamic bank has introduced a micro finance investment program name as rural development scheme (RDS) on poverty alleviation. IBBL started an ideological model like RDS in the year 1995, because the situation of the poverty has been worsening day by day though till June (2006). Only nine major NGOs of the country disbursed micro credit to the tune of 40,354.47 corers.

Bangladesh bureau of statistics (BBS) survey on poverty during 1999 to 2006 shows that income disparities between the richest and poorest 5% in the population had increased from 18 times in 1990 to 84 times in 2004 and 89 in 2006. In that time ginni co-efficient which reached to .472 in 2005 to .432 in 1995-1996 (BBS, HIES-2005).

Per capita income rise was only 6 % for the poor while it was 22% for the rich; overall poverty situation is decreasing marginally. That's why the gain appear to be meaning less by the very fast growing gap of income and economic opportunities between rich and the poor. On the other hand, price hike in the commodity market up to 6% to 10 percentage in 1995 to 2006, so poor people's loss the growth rate opportunity 5% to 6% in that time.

Like so much in economic development the critical problem of eradicating absolute poverty is one of bad news and good news of a glass that may be seen as either half empty or half full.

Net population growth of Bangladesh has been increased since 1972 to 2006 averagely 1.6% but our poverty reduced that time only 1.4%. So

absolute poverty increased .2% that means in 1972 our population was 7.5 cores. Now (2007) about 15 cores population has been increased 7.5 cores. So absolute poverty increased  $(7.5 \times .2) = 1.5$  cores. While 70% of the Bangladesh population was absolutely poor in 1972 this ratio had fallen to 40% by 2006. But actually absolute poverty has been increased 1.5 cores. Now total poverty is about  $5.25 + 1.5 = 6.75$  cores. 1995 to 2006 youth peoples those who have wanted to job about 2.2 cores but they did not get job. Because of lack of job opportunity (BBS, HIES-2005).

The number of the landless poor is rising fast. It was 28% in 1972 now it reaching at 54% (2007). Gradually increasing income opportunities higher living standard and accumulation of wealth are getting concentrate mainly in the hand of those who are above the poverty line or are consider being rich in comparison to the poor. In spite of government help and the spectacular growth and spread in micro credit such as 2000 NGOs work in the fields. Not only that government has been taken debt 2,50,000 cores Tk from the development partners at that time for reducing poverty.

Perhaps the most valid generalization about the poorer that they are disproportional locate in rural area that they are primarily engaged in agricultural and associated activities. About 70% to 80% of all target group poverty groups are located in the rural areas in Bangladesh. So poverty alleviate should be apply in the rural areas.

The idea of rural development is an integral part of the development concept. The Islamic idea of the development has been derived from five key concepts such as; Tawheed (unity), Rababiyah (sustainer), Khalifah (representative), Tazkiyah (purification), and Janatth (here after).

- 1) Holy Quran set the redistributive pattern of an Islamic economic system:  
"Resource should not circuit only among wealthy of you" (Al-Hasor 59:7).
- 2) Of your wealth have the right of the poor and the needy (Al: Maariz 70; 24).
- 3) Have you seen him who denies the religion? It is he who repulses the orphan and does not encourage the feeding of the needy. And who refuse to supply even neighborly accessories (Sura Al-Mamun, Ayat: 1-3,7)

4) And shown him the two conspicuous ways? But he has not attempted to pass on the path that is steep and what will make you comprehend what the path that steep? It is free a slave or to feed in a day of privation.

An orphan near of kin or a poor man affected with misery. Then he will become on of those who believed and exhorted one another to perseverance and exhorted one another to comparison and misery. These are the companions of the right hand. But those who disbelieved in our revelations. They are the companions of the left hand. (Sura Albalad-90). Version (10-19). Command the Muslim: Here Allah those who believer they should heart and sole for eradicating poverty it is part of Islam. However, this path is very critical path so somebody avoid this path.

### **3.2 Objectives of the Study**

**The study has been conducted with following objectives:-**

1. To measure the nature of change of socio-economic condition of the RDS target groups.
2. Assess the impact of Investment on Income, expenditure and employment.
3. To analyze the role of poverty alleviation activities of govt., NGOs and IBBLs RDS.
4. To find out the new areas of contribution of RDS program of IBBL.
5. To identify the problems and suggest some measures to solve the problems.

### **3.3 Data collection**

The data for the present study were collected from both secondary as well as primary sources. Apart from this, a review of related literatures, office circulars as well as consultative meetings with the experienced individuals have been carried out.

The study required manifold information regarding the present position of IBBL, rural development, operation, and expansion and so on. The

questioning technique has been used to collect the primary data in the study IBBL officers, RDS supervisors, managers, executives and clients, because, most of the issues of the scheduled banks are secret and confidential, therefore, the present researcher appeared physically everywhere with a view to getting the required information accurately. Since a series of formal questions capable of being answered positively was desirable in gathering information and opinions, a structured non-disguised questionnaire was used. The open questions are particularly useful in exploratory inquiry, where new ideas and relationships are sought.

However, the following sources have been used for the purpose of gathering and collecting data:

### **The Secondary Source**

Data have been collected from the secondary sources. Because, probably, the quickest and perhaps the most economical way of formulating possible hypotheses would have been to browse the secondary sources of information and take advantage of the work of others but there was lack of data devoted to the appraisal and analytical study of this phenomenon. Interviews are generally used in survey of such individuals with ideas.

Whatever types and classes of secondary data found available, were not only meager but also did not fit in the particular needs of the project in hand. The data were of limited value since most of them were irrelevant or biased on casual impressionistic observations by individuals with limited background and knowledge in the area of the functions of commercial banks.

Most of the Data of secondary sources were collected from different publications of IBBL, such as Memorandum and Articles of IBBL, Annual Reports Bulletins, Brochure, IBBL Journal etc.

The secondary data include books and journals published from national and international research institutions also. Besides the above, Economic Survey of Bangladesh, Reports and Bulletins published by the Ministry of Finance, also utilized. Resume of the Activities of the Banks and Financial

Institutions in Bangladesh, Annual Reports of the selected banks, Available printed forms, booklets, circulars, and Annual Report etc. Dhaka Stock exchange also proved useful respectively. Bangladesh Bank Publications, Annual Reports of Bangladesh Bank, Bangladesh Bank Bulletin, Economic Trends, the Bangladesh Bank's Nationalization Order 1972, Bangladesh Economic Survey, Statistical Pocket Book of Bangladesh, Statistical Year Book of Bangladesh. List of the banking industry, Ministry of Finance, Government of the People's Republic of Bangladesh, Bank Barta, Bangladesh Institute of Bank Management. The First Five Year Plan, the Two Year Plan, the Second and Third Year Plans of Bangladesh have been consulted to know the previous activities of banks and financial institutions in Bangladesh. In additions to these publications, the Industrial Policy of the Government and Privatization, different other published Reports, Journals, Periodicals relating to finance, development and banking have been utilized. So the secondary data refer to those, which were already collected by some body else, and passed through a statistical process.

### **The Primary Source**

There are different methods of collecting data from the primary source, namely i. personal interview ii. Personal interview through structured questionnaire iii. Mailing the questionnaire iv. Telephonic interview v. group interview vi. Free-story interview vii. Focused interview viii. Participant observations xi. Mass observations x. Case study xi. Random sampling xii. Non-random sampling xiii. Stratified sampling xiv. Cluster sampling and xv. Systematic sampling and so on. For collecting data for the part of the present study, personal interview through structured questionnaire and random sampling method have been applied. The primary data were collected from original sources by the investigator through field operations. These are collected afresh, for the first time, and are original in character. So, primary data are assembled from the first-hand field investigation. Thus, the desired sample is drawn proportionately from each stratum and added to get the total sample.

The main purpose of the survey of the loan and investment variety in conventional and Islamic banks in Bangladesh was to get knowledge in assessing the effectiveness of fund utilization system in both the model of commercial banks functioning in Bangladesh. Interviews are generally used in survey of such individuals with ideas. As such, responses have been obtained with the help of personal interview from selected Islamic bank officers, executives and clients respectively.

The researcher in questioning persons concerned did not experience interview refusal. He took every care to reduce any source of interviewer bias. In short, sampling error was controlled by the use of probability sampling method and executing the field- work personally with utmost caution and care. Thus with the personal interview, the researcher collected a 'store-house' of information as regards the attitude of the bank officials, executives and clients of Islamic Banks working in Bangladesh.

The questionnaires designed for collecting data from primary sources is meant for three categories of respondents were identified for this purpose. They are i. bank officers/executives, ii. RDS field officers and iii. RDS clients.

100 RDS in charge and RDS field officer have been interviewed on the other hand 200 clients have been interviewed. The sampled respondents were selected through random sampling.

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### **3.4 Data Presentation**

This section describes the detailed methodology used in the study. Sample design, methods and procedures of data collection including development of questionnaires, methods of data analysis are the main focus of this section.

### **3.5 Statistical Techniques Applied**

For presenting and analyzing data and information collected through investigation & survey appropriate statistical methods can be used.

In this Study Pie Chart, there fore has been used to show the position of RDS performance of IBBL.

### **3.5.1 Pie Chart**

A pie chart presents the data in the form of a circle. The "slices" represent the absolute or relative (percentages) proportions (Webster, 1992).

### **3.6 Method of Writing Bibliography**

In this study, the APA (American Psychological Association) method was used for preparing references and bibliography. This method is now being used in various journals such as Journal of Marketing (American Marketing Association), Journal of Marketing (Dhaka University) Dhaka University Journal of Business Studies, Journal of Business Administration and so on.

### **3.7 Limitations of the Study**

The study suffers from some limitations as below;

1. One of the most important limitations of the study was the absence of single instance for accurate practical experience of new system of banking, on ideological basis in Bangladesh rural development.
2. The limitation arises from the unfavorable environment prevailing for the new pattern of banking considering the attitudes of the IBBL supervisor and clients.
3. The limitation relates with the scarcity and non- availability of requisite reference books, journals, magazines and other necessary informative resources for the study.
4. The limitation narrates considering the time constraints and the volume and extent of data coverage required for the purpose of effective study.
5. The limitation concerns with the insufficient knowledge and mental



make up of the common people as well as the bank personnel against the interest and at the same time, its evil effects on the society and nation as a whole. Yet by the members of Shariah council. As because they are not well conversant with the day-to-day operations of the modern Islamic banking for rural development.

6. The limitation is related to the inadequate time constraints of the present researcher due to his professional responsibilities.
7. The last limitation was that the present study was a self-financed one. Due to financial and time constraints, the researcher could not select more officers, executives, and clients as respondents for the study.

## **CAPTER # 04**

### **STUDY RESULTS AND FINDINGS**

## CAPTER # 04

### STUDY RESULTS AND FINDINGS

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#### Background of Rural Development Scheme (RDS):

##### Poverty Definition

Poverty is a multi-dimensional concept. Traditionally poverty is viewed as pronounced deprivation in well being. "To be poor is to be hungry, to lack shelter and clothing, to be sick and not cared for, to be illiterate and not to be schooled" (World Bank, 2001). Poverty is usually measured with reference to a threshold level of income or expenditure (called poverty line) needed to meet food and non-food basic needs for a person to maintain a healthy and productive life. These measures are called "income poverty". Social scientists and policy makers now agree that low levels of education and health are of concern in their own right. The deprivation in education and healthcare merit special attention when accompany material deprivation. The 2000 World Development Report on poverty broadens the notion of poverty to include vulnerability and exposure to risk. In Bangladesh, most of the studies on poverty have focused mainly on income measures.<sup>1</sup>

There is no doubt today that poverty is a multi dimensional issue including particular economic social and other factors. According to UNDP poverty report 2000, the poverty targets set at the social summit are based on monetary measures while most development practitioners now agree that poverty is not about income alone but multi dimensional. Therefore, it can be seen that despite differences in definition most donors in common terms conceive of poverty resulting from lack of human, physical and financial capabilities to certain livelihoods. Accordingly, the manifestation of poverty is reduced to lack of access to material, economic, social, political or cultural resources needed to satisfy basic needs (CPD 2000). However, World Bank defines poverty as a multi dimensional element extending from low levels of health and lack of education to other non-material dimensions of well being including gender gaps, in security, powerlessness and social exclusions.

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<sup>1</sup> Hossain Mahbub (2004). Poverty Alleviation Through agriculture and rural development in Bangladesh, CPD, Dhaka Paper-39. P 01.

UNDP defines human poverty as the denials of most basic opportunities and choices to lead a long healthy creative life and to enjoy a decent standard of living, freedom, dignity, self-respect and the respect of others. For Bangladesh, DFID views poverty as a phenomenon, which incorporates illiteracy lack of access to resources social deprivation and vulnerability to disasters sickness and other external shocks.

### **Islamic view on Poverty**

In the basic Islamic sources, the definition of poverty is not very clear-cut either. Based on the related discussion in the Islamic tradition it is, however, possible to define poverty pretty clearly with respect to specific contexts. In our view, two levels of poverty have been implied in the Islamic sources, which may be translated two poverty lines, and also two associated income levels. First, a high poverty incidence, which may be called "Hard Core Poverty" as reflected in the concept of 'Faqir' and 'Miskin' in the Islamic terminology. Second, a low poverty incidence, which may be called "General Poverty", as implied in the nisab of zakah.<sup>2</sup>

### **Hard-Core Poverty**

Hard-core poverty refers to the degree of poverty implied in the concepts of Miskin and Faqir. Both concepts refer to poverty, although some fuqaha (scholars of Islamic jurisprudence) and Islamic scholars differentiate between the two concepts, one concept (faqir) referring to a person who "has no property or no lawful and suitable earning to meet his normal requirements such as food, clothing, accommodation, and other necessities, for himself and his dependents, in a way which is neither prodigal nor niggardly", and the other (miskin) referring to a similar, but a bit better condition. What is obvious from this is that both faqir and miskin refer to an economic condition, which makes one unable to meet basic needs, although they may differ in degrees in this status.

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<sup>2</sup> Sadeq AbulHasan M. (1995). Poverty Eradication: An Islamic Perspective; Paper presented in the seminar on Poverty Alleviation organized by Social Science Institute of Bangladesh (June-23). Pp 02-06.

Now what are basic needs in Islam? Different Islamic scholars suggest different things in the basic needs. The suggested items in the list of basic needs include food, clothing, shelter, medical care, education and even a spouse (M. Sadeq, 1991). These views are based on individual interpretation of the basic Islamic sources, which do not provide a fixed list of goods and services to be included in the basic needs. That is, in our view, there is no hard and fast rule to govern the scope and coverage of basic needs. This is really left of the *urf* (the custom) prevailing in the society, which naturally depend on economic condition of the society and the associated perception about human needs. Of course, this *urf* is an Islamic concept which permits customs that are in line with the spirit of Islam, or, at least, do not exceed limits of Islamic permissibility.

Thus, the hard-core poverty may be defined, as a situation in which islamically *urf*-determined basic needs cannot be satisfied (M. Sadeq, 1991).

### **General Poverty**

General poverty refers to a situation in which all the basic needs are satisfied and, in addition, the person may have a surplus less than *zakat nisab*.

The *zakat nisab* is a minimum amount of wealth, which makes payment of *zakat* obligatory. *Zakat* is not obligatory if the amount is below *nisab*. Anybody below *nisab* is eligible to receive *zakat*, which is meant for the poor, and hence a person below *nisab* is a poor person. Therefore, general poverty may be defined as a situation in which there is a surplus after meeting all actual expenses and other payments but the surplus is below *nisab*.

*Nisab* is different for different wealth and assets. For example, *nisab* on *zakat al-mal* (*zakat* on wealth and assets) is different from *zakat al-fitr* (agriculture). Therefore, the question arises: which *nisab* should be considered as a basis for measuring general poverty? Opinions may vary in this matter. Our tentative view is to take gold *nisab* (a surplus equivalent to 85 grams of gold) for measuring general poverty for the only purpose of its eradication, without extending its implication to any other shariah jurisdiction.

The Nisab is not based on gross income of any person, but rather on existing surplus wealth and assets after meeting all actual expenses and other payments including, donation, charities etc. Thus, general poverty may be defined as a situation in which a person has satisfied all his needs and still possesses a surplus less than zakat nisab (M.Sadeq. 1991).

### **Poverty in Bangladesh**

Bangladesh is considered as one of the densely populated developing countries in the world. In 1995, it was predominantly a rural society, where eighty five percent of its population drew their economic sustenance, directly and indirectly from agriculture and from its 85,650 villages.

Poverty in Bangladesh is primarily a rural phenomenon, although urban poverty has also emerged as a critical area of concern during recent years. Rural Bangladesh is characterized by landlessness, low income and unemployment, resulting in a high incidence of poverty.

Thus poverty connotes a complex Multi-dimensional scenario where a range of quality of life variables such as, nutrition, health and sanitation, housing, personal security access to state distribution system, participation and institutional capability, crisis-coping capacity, political and human rights are factored in. The incidence of poverty in Bangladesh is alarming.

One may not be sure about any positive, perceivable change in the poverty scenario of the developing countries like Bangladesh. It has, however, heightened consciousness so vital for alleviation of poverty. Poverty is a vicious circle, i.e. unemployment leads to poverty through low- income, low-income leads to low consumption and low investment, including investment in human resource, thus creating fewer jobs and aggravating destruction of social values.

In Bangladesh, the intensity of poverty is said to be increasing, although the growth rate is increasing, literacy rate is improving, infant and maternal mortality rates are declining and access to health services has increased. Poverty still poses a formidable threat to the prosperity of the people especially those living in the rural area. Failure of earlier attempts to tackle poverty in this part of the sub-region has prompted governments, donor and development professionals to search for a better model to check the increasing rate of poverty and organize the poor for their meaningful survival.

Bangladesh is the poorest of the poor. Dr. Henry Kissinger (1975) has earned the distinction of coining the term "Bottom less basket" especially for us. However, all the individuals constituting the nation are not poor. There are immensely rich persons side by side with millions of people living in abject poverty. This is because poverty is the other side of affluence. There cannot be poverty without affluence and affluence without poverty.

Bangladesh is a poverty-stricken country. More than eighty per cent of their population living in the villages are below the poverty line. Incidentally, poverty line is not the same in all countries. The incidence of poverty is more widespread in Bangladesh than elsewhere. Poverty in the context of Bangladesh has been defined as the inability to attain a minimal standard of living. Amartya Sen has pointed out that the concept of poverty must involve the issue of identification of poor and the issue of aggregation set of poor.

Poverty alleviation has been enjoined as a fundamental responsibility of the Govt. by the Constitution of Bangladesh. Poverty alleviation, which, according to Article 14 of the Constitution is one of the fundamental principles of state policy. This Article is as follows: "It shall be fundamental responsibility of the State to emancipate the toiling masses

the peasants and workers and backward sections of the people from all forms of exploitation".

The poverty situation in Bangladesh is worsening day by day. It has accelerated in an alarming rate in the recent years. There is great differentiation within the ranks of the poor. Based on the Preliminary Report of the Poverty Monitoring Survey, 1994, it was reported that 59.15% of all households were below the poverty line (using a Tk. 445 per capita per month poverty line). A full 34% of households were deemed to be below the level of the hard-core poverty line (using the measure of 1805 cal for hard-core poverty). This figure compares with an earlier reported figure of 30.4% of households, living below the hard-core poverty line in 1991/92, compared to 21.5% for 1985/86. This again indicated deterioration in the situation for hard-core poverty on the same lines as for overall poverty (2122 kcal) (Rahman Sobhan). About 50 percent rural people of Bangladesh live under poverty line, where the figure is 35% in urban areas. Trends of poverty are shown at Table 4.1.

The poor qualities of human resources (poor health, illiteracy, low skill etc), the exploitative rate of the rural power elite, absence or people's leadership and participation in development activities, government's insufficient support for the rural people and its rich-biased policies, unequal resource structure and social oppression in the rural areas etc. are some major causes for rapid growth of poverty in rural Bangladesh and its shift to the urban centers. Whatever the nature and type of its social, economic and environmental problems, poverty is the root cause of them. Therefore, the alleviation of poverty is the central theme of all development policy, planning and programs. Unlike the typical government agencies, NGOs are working in different ways to investigate analyze and understand the reality of people's life. In this



context, NGO's roles in poverty alleviation are to be interpreted to determine the future direction of poverty alleviation programs in Bangladesh.

**Table- 4.1 Poverty Measures for Bangladesh Head Count Index**

Year	Urban	Rural	National
1983/84	40.9	53.8	52.3
1985/86	30.8	45.9	43.9
1988/89	35.9	49.7	47.8
1991/92	33.6	52.9	49.7
1995/96	49.7	47.1	48.5
2000/01	32.2	52.3	48.9
2005/06	28.4	43.8	40.0
2007/	47.5	50	48.9

(Sources: Grameen Poverty Research, January 1996, P.2.; BBS-2005; HIES-2005; Review of Bangladesh Economy-2007).

### **Development: Traditional Economic Measures**

In strictly economic terms, Development has traditionally meant the capacity of a national economy, whose initial economic condition has been more or less static for a long time, to generate and sustain an annual increase in its gross national product (GNP) at rates of perhaps 5% to 7% or more. A common alternative economic index of development has been the use of rates of growth of income per capita or per capita GNP to take into account the ability of a nation to expand its output at a rate faster than the growth rate of its population. Levels and rates of growth of "real" per capita GNP (monetary growth of GNP per capita minus the rate of inflation) are normally used to measure the overall economic well-being of a population – how much of real goods and services is available to the average citizen for consumption and investment.<sup>3</sup>

<sup>3</sup> Todaro Michale P. and Smith Stephen C. (2003). Economic Development (Eighth edition) Pearson education Inc. Pp 13-15.

### **The New Economic View of Development**

During the 1970s, economic development came to be redefined in terms of the reduction or elimination of poverty, inequality, and unemployment within the context of a growing economy. "Redistribution from growth" became a common slogan. Dudley Seers posed the basic question about the meaning of development succinctly when he asserted:

The questions to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result "development" even if per capita income doubled.<sup>4</sup>

The World Bank, which during the 1980s championed economic growth as the goal of development, joined the chorus of observers taking a broader perspective when, in its 1991 World development report, it asserted:

The challenge of development is to improve the quality of life. Especially in the world's poor countries, a better quality of life generally calls for higher income-but it involves much more. It encompasses as end in themselves better education, higher standard of health and nutrition, less poverty, a cleaner environment, more equality of opportunity, greater individual freedom, and a richer cultural life.<sup>5</sup>

Development must therefore be conceived of as a multidimensional process involving major changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty. Development, in its essence, must represent the whole gamut of change by which an entire social system, tuned

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<sup>4</sup> Dudley Seers "The Meaning of Development (New Delhi-1995)

<sup>5</sup> World Bank, World Development Report 1991

to the diverse basic needs and desires of individuals and social groups within that system, moves away from a condition of life widely perceived as unsatisfactory toward a situation or condition of life regarded as materially and spiritually better. No one has identified the human goals of economic development as well as Amartya Sen, perhaps the leading thinker on the meaning of development.

### **The Human Development Index**

The latest and most ambitious attempt to analyze the comparative status of socio-economic development such as we have just reviewed in both developing and developed nations systematically and comprehensively has been undertaken by the United Nations Development Program (UNDP) in its annual series of Human development Reports. The centerpiece of these reports, which were initiated in 1990, is the construction and refinement of the human development index (HDI). Because of its great importance, we examine the HDI in detail. The HDI attempts to rank all countries on a scale of zero (lowest human development) to 1 (highest human development) based on three goals or end products of development. Longevity as measured by life expectancy at birth, knowledge as measured by a weighted average of adult literacy (two-thirds) and mean years of schooling (one-third), and standard of living as measured by real per capita income adjusted for the differing purchasing power parity (PPP) of each country's currency to reflect cost of living and for the assumption of diminishing marginal utility of income. Using these three measures of development and applying a formula to data for 175 countries, the HDI ranks all countries into three groups: low human development (0.0 to 0.499), medium human development (0.50 to 0.799), and high human development (0.80 to 1.0). The HDI is found as:  $HDI = \frac{1}{3} (\text{income index}) + \frac{1}{3} (\text{Life expectancy index}) + \frac{1}{3} (\text{education index})$ .<sup>6</sup>

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<sup>6</sup> Todaro Michale P. and Smith Stephen C. (2003). Economic Development (Eighth edition) Pearson education Inc. Pp 13-15.

### Islamic views of Development

Islamic views in development are more significant and sustainable. In Islamic economics Human development Index includes Islamic ideas and values. Kalema Iman that means believe in Allah messenger, angels, Keimat (hereafter justice), Say prayer, Pay Zakat, fasting (roza), Hajj, and Struggle for Islam. Men are the greatest creation of Allah. So human development is focus of Islamic development. Human development should be very important for Islamic development. So human development Index of Islam is given below:

$$\text{HDII} = \frac{1}{4} (\text{Income index}) + \frac{1}{4} (\text{life expectancy index}) + \frac{1}{4} (\text{education index}) + \frac{1}{4} (\text{Islamic Ideology Index})$$

If Islamic Ideology Index of any country is zero, that means development of hereafter is zero, that country people will go to hell.

### Islamic sustainable Development

Islamic sustainable development means development in this world and also development in Hereafter. In Al-Quran Allah says "our lord! Give us good in this world and good in the Hereafter too, and save us from the torment of Hell," (Sura Al-Bakara; 2:201).

In another place Allah says, "For men is beautified the love of desires of women and sons and stored up treasures of gold and silver and houses branded for excellence, and cattle and tilled land. That is the provisions of the worldly life and Allah with Him is the best end to return to".

Say "shall I inform you of things for better than these? For those who fear Allah are Gardens with their lord. Underneath which rivers flow there" in then they will dwell forever (sustainable life) and purified spouses and contentment from Allah and Allah is the best Seer of His servant (Sura Al-Imran; 3:14-15).

In addition, Allah says in another place. O you who believe ! Shall I guide you to a trade which will save you from a grievous torment?

That you believe in Allah and His messenger and that you strive hard in the path of Allah with your wealth and your lives. That is the best for you if you but knew !

He will forgive you, your sins and admit you into Paradise beneath which rivers flow and to beautiful pleasant dwellings in the Everlasting Paradise (sustainable place). That is the great success.

In addition, He will bestow another favour, which you love. Help from Allah and a near victory; and give good news to the believers (Sura Al-Saff; 10-13).<sup>7</sup>

### **Poverty and its Relation with Development**

Poverty is a situation that causes privation and deprivation, the former because of inadequate income and access to basic necessities and the latter due to inequality in income resulting in inequitable distribution of goods and services. All human societies have suffered from poverty, both in the absolute and relative sense, in varying degrees and its deduction or abolition is a measure of success of development. Some developed industrialized countries in both the capitalist and socialist blocks have been more successful in this respect than other countries. For the majority of the third world countries those are poor, the history of poverty is considered as a part of the history of underdevelopment.

Till today there has been little consensus among the development theorists, researchers, Professional and practitioners about the meaning of poverty and the modalities of alleviating it. Poverty implies a condition of people's incapability to satisfy their basic needs, it signifies the absence of facilities to generate resources where potentials are present. Poverty persists where people continue to depend or rely on outside help for their sustenance.

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<sup>7</sup> Qur'an Majid, Dr. M. Mustafizur Rahman

Thus, poverty alleviation consists of the reduction of dependence on others for fulfillment of their basic needs. Generally, poverty is defined by low income, low consumption and low affordability of civic amenities. One of the principal goals of a modern development oriented government is development to meet the basic needs of the people and to deliver the fruits of development to them. The respect of development, however, varies from country to country, from people to people because of the diversity of geographical, political and socio-economic features. The goods of development are based upon the value system developed and needs felt or perceived by the people. In the context of Bangladesh, founder of Grameen Bank, **Professor Muhammad Yunus** defined development as positive change in economic status of bottom 50% of the population. The definition of development is always tentative, situational and contextual: it is never static, final and complete. With the rise in the level of the people's consciousness and fast changing technology, needs of the people have become diverse and multiple. All the activities of a modern welfare government concentrate on development. People and government influence each other towards accomplishment of the goals of development. Development today means empowerment of the people, which implies people's capacity to solve their own problems, capacity to decide their own future and the ability to fulfill their basic needs of life.

### **Background of Poverty Alleviation**

Poverty alleviation efforts are undertaken by Government, Semi Government and Non Government organizations. Historically, Co-operative organizations are the oldest in Bangladesh and they started functioning in 1904. With the passage of time, Co-operative Organizations have changed in structure and operations. Co-operative societies expanded under the guidance of the Government's co-operative department. During the 1960s, "Comilla Model" of co-operative structure gained considerable momentum. Comilla Model aims at comprehensive development of an area by involving entire

population of the locality. This model was experimented by Comilla Academy for Rural Development, under Government initiative. This new model of co-operative institutions was replicated throughout the country. Being popularly known as "integrated approach" this model was expanded and replicated under Integrated Rural Development Programmers (IRDP) and latter, under Bangladesh Rural Development Board (BRDB). Under the system, there are two tier co-operatives. The primary societies work under the umbrella of Thana Central Co-operative Society (TCCS).<sup>8</sup>

During the 1950s and 1960s, rural development was viewed as an important but secondary element in national development strategies, which tended to emphasize centrally planned investment in basic industries and physical infrastructure. Although development was regarded as generally desirable within a regional planning framework, it was frequently assumed that the "trickle down" effects from the development of the industrial base would provide the main source of advancement for the rural community.

During the 1970s, agriculture development got greater emphasis, partly in response to first oil crisis, which led many countries to see food self-sufficiency as an important goal. But the new integrated rural area development and basic needs projects tended to retain a "centre-down" bias and did little to motivate and empower the beneficiary groups.

Rural development efforts in the 1970s fell into a number of problems. Insufficient attention was paid to wider agricultural pricing and policy issues. The level of sustainability of rural development projects was also low as a result of their essentially enclave character and their marked dependence on expatriate expertise. Furthermore, the benefits of projects of this type particularly where they were linked to heavy investment in irrigation and the

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<sup>8</sup> Arefin Shahnaz (1996). Role of NGO's in development: A Study of poverty alleviation programmes in Bangladesh, M.Phil. Thesis, Economics Department, University of Dhaka. Pp11-16.

introduction of the rural elite and did not reach the poor section of the rural society.

In the 1980s, a number of new strands were woven into rural development project designs. First, much emphasis was placed on getting agriculture policies and prices right. Second, it had become evident that the poor are "bankable". Carefully targeted projects that provide appropriate technologies and credit within a sympathetic local institutional structure can have a major impact on rural poverty. At the same time, it has been recognized that an exclusive commitment to "bottom-up" or grass roots development is rarely justifiable. In most cases, economic growth creates new opportunities for the poor and various existing channels can be exploited to help poor groups. These channels include policy reforms, bureaucratic intervention, and the activities of (NGOs).

More recently, attention has turned to the need for a sustainable approach to rural development. Sustainable development is define as "a process of change in which the exploitation of resource, the direction of investment, the orientation of technological development, and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspiration." A more practical and pragmatic approach to sustainability has been taken by "Bamberger and Cheema", who argue that project sustainability should be evaluated in four dimensions: the continued delivery of service and production of benefits; the maintenance of physical infrastructure; long-term institutional capacity; and political support.

Clearly, more is at stake in such evaluations than the continuous flow of benefit streams and the maintenance of stock of physical, institutional, and capital. It is necessary to look at macroeconomic, fiscal and environmental effects, and to take some measure of a project's impact on the survivability of target beneficiaries and their capacity for self-help. If a project or program has



a negative influence upon the empowerment and motivation of the poor, it matters little that it is sustainable in the conventional sense.

### Co-operative Society

Co-operative Society was started in 1904. The following table shows the year-wise growth of Co-operative Societies.

The first 25 years of the co-operative movement during the British colonial era showed a healthy expansion and development. The membership and cash employed had doubled in five years since 1920. After that however, membership and its quality began to decline. By 1930, there was a sharp increase in overdue paralleled by a decline in membership. In 1935, the signs of decay were all too apparent. During the 18 years from 1922 to 1940, the percentage of overdue loans increased from 37.5 to 88.3.

**Table 4.2 Performance of Co-operative Societies in Bengal 1920-1944. (Base year-1920)**

	Rate of increase (+) decrease (-)	1920-24	1925-29	1930-34	1935-38	1938-44
Annual % of rates of increase and quinquennial index of co-operative societies	7.8 (+)	120	264	346	371	611
Annual % rates of increase and quinquennial index of membership	6.9(+)	95	87	83	78	82
% of borrowing families covered by the co-operative in the		3.0	5.5	6.6	6.3	10.6
Annual percentage rate of decline and quinquennial index of per capita loans	5.4 (-)	98	128	33	15	16
Annual % rate of increase of overdue cans as % of outstanding loan	12.0 (+)	33.1	307	72.0	87.0	90.5

(Source: Islam, M.M. 1979), Ministry of Cooperative Society

**Table-4.3 Collection and overdue loans from members of  
Agricultural credit societies 1922-40**

Year	Amount due at beginning of year, Rs. Thous	Overdue Rs. Thous.	Collection (%)	Overdue (%)
1922-23	1,06,52	40,04	33.9	37.5
1923-24	1,21,31	44,73	31.4	36.3
1924-25	1,40,35	51,70	41.8	31.4
1925-26	1,73,44	49,26	45.5	32.3
1926-27	2,11,17	50,10	37.8	23.7
1927-28	2,64,51	67,45	35.5	25.4
1928-29	3,12,65	92,12	36.7	29.4
1929-30	3,43,17	1,18,29	29.2	34.4
1930-31	4,01,80	1,60,04	14.1	39.0
1931-32	4,32,41	2,43,88	10.8	56.3
1932-33	4,33,08	2,95,80	8.4	68.3
1933-34	4,28,42	3,46,59	8.5	80.9
1934-35	4,25,01	3,40,00	7.0	79.9
1935-36	4,15,52	3,10,47	7.3	74.7
1936-37	4,03,91	3,26,68	7.6	80.8
1937-38	3,99,12	3,45,81	6.4	86.6
1938-39	3,87,76	3,43,79	5.2	88.6
1939-40	3,88,12	3,42,87	11.7	88.3

Source: Cited in SDA/ ILO Report (1974)

Islam (1979) presented some reasons for the failure of the co-operatives movement during the British Colonial era. These are: (1) the major funds and loans were taken by influential and powerful members who were managing those co-operative societies and were not essentially the needy ones; (2) those members were reluctant to repay their loans; and (3) co-operative credit was not considered part of the general plan of economic development. Besides, other factors such as the membership, and the ignorance of co-operative principle, also contributed to the failure of the co-operative movement.

As a general rule therefore, the co-operative movement could neither respond to the problem of rural indebtedness nor generate a working capital for the needy rural folk. The credit program of these co-operative societies were not integrated with the assistance in applying new technique, better farm management, adequate demand for increased production and marketing create a sense of good citizenship and to build better home and better village. The Rural Reconstruction Movement followed 20 principles (Ishaque, 1959)

**Table: 4.4: 20 Principles of Rural Reconstruction Movement**

Sl. no.	Item
01	The people matter most;
02	The people out-look must be changed;
03	Self-help and self-effort are to be the basis of projects;
04	Organizations must be formed,
05	People's participation is essential
06	Participation should be voluntary;
07	Leadership is to be built;
08	Self-determination must be inculcated;
09	Plans are not to be imposed;
10	There should be surveys for facts and information;
11	People should be helped to see their real needs;
12	Grassroots plans should be prepared;
13	Indigenous resources must be trapped;
14	There are to be no hasty decisions;
15	Credit facilities should be equitable;
16	Approach should be friendly and missionary;
17	Government people must links;
18	Agencies at all levels must provide for coordination;
19	There is to be faith in god; and
20	One for all should be the basis.

Source:Ishaque 1995

From this principle, it can be seen that the Rural Re-construction Movement stressed the building of institutions at the grassroots level.

### **Comilla Model: (Rural Works Program Model)**

Akter Hamid Khan was assigned to prepare a detailed model of the Rural Works Program (RWP) with the guidance of Dr. Gilbert, the American Consultant. Khan managed to develop the basic program outline through experimentation in Comilla Katwali Thana on a pilot basis. Gilbert found the program "outstanding" and the result was "dramatic". He therefore recommended a national program for East Pakistan in 1961. The main objective of the Works program as perceived by Dr. Gilbert was "to generate additional employment during the slack season and to put idle-people to work building roads, drainage, canals, and an irrigation system, the very things the villagers need so badly (PARD, 1963)."

The RMP of the '60s apparently had the elements of employment creation, income generation, asset creation, popular participation, and development of local leadership. To certain extent, it showed that villagers and their leaders are able to identify their problems and priorities in rural development. It was able to mobilize resources including labor and procure materials for implementation of the plans. However, project priorities reflected very closely the interests of village power elite group both in the early and later years of implementation. It was also clear that there was not much concern for income redistribution. In the absence of any attempt to redistribute productive assets in the rural areas, the average income of asset-owing households disproportionately roes vis-a vis that of the property less.

### **Reasons for Failure of Earlier Credit Programs**

Much of the failure of past credit programs, sponsored by governments stems from shortcomings in the design, management, and administration of the credit delivery system. One of the most serious design flaws, for example, was the lack of a targeting mechanism, such as realistic landholding and income ceilings, so that only the truly poor could qualify for credit under the program. This permitted the entry of non-poor borrows who were attracted by the generally low interest rates charged by these programs. With their greater

socio-economic and political power, the non-poor were able to get access to credit delivered in this manner much more easily than their poor counterpart, thus crowding out the later. General credit programs for agriculture and rural development often fall under this trap. In fact, some specialized credit programs for the poor (for example, the Special Agriculture Credit Program in Bangladesh and the Differential Interest Rate Scheme of India) have also suffered because of this weakness.<sup>9</sup>

In the case of many credit co-operatives that failed, a host of contributing factors acting together brought about their demise. Often cited causes are:

- (a) Inadequate preparation of members;
- (b) Control and domination of the co-operatives by powerful local elite, who often borrowed an inordinate proportion of loan funds;
- (c) Weak management;
- (d) top-down manner in which the co-operatives had been set up and run by the government; and
- (e) Over-dependence on outside funds rather than local savings mobilization.

Programs that have attempted to tap the resources of conventional banks to provide credit to poor borrowers through some form of arrangement with the government, often in the form of directives, have generally failed. This is because they did not provide adequate incentives for the banks to make adequate profit from their loans to the poor. The primary objective of conventional banks is to make a profit on their loans. However, providing credit to the poor is staff-intensive and entails high transaction costs and risks that must be covered by interest earnings from lending and service fees. Since these programs often put a ceiling on the interest rates the banks are to charge, the banks are unable to make sufficient profit from this program compared to what they can obtain in alternative capital outlets. Understandably, most banks would not be willing as participants in such programs and would accordingly try to avoid it or cut down their losses or opportunity costs by minimizing their involvement.

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<sup>9</sup> MC Gregor, J.A. 1988: Credit and Rural Poor

The lack of an appropriate credit delivery mechanism that clearly specifies the procedures and requirements for personnel and support services and provides for an effective enforcement mechanism, also contributes to the effectiveness of the credit for poor programs of conventional banks. For example, the commercial banks through which the Special Agricultural Credit Program in Bangladesh channeled its loan took the easy way out by abdicating its responsibility to implement the program, and letting the rural elite and politicians identify and recommend borrowers. It also insisted on a collateral requirement despite the program's directive to waive.<sup>10</sup>

In addition, the bank staff assigned to implement credit-for-poor program, compensated for the more difficult labor associated with making these loans. Often this work is added to or mixed with their regular work with non-poor borrower. As a result, Bank officers have little motivation and moral, and prefer to concentrate on the non-poor borrowers, who are less difficult to serve. This helps to explain their poor performance in servicing the poor borrowers.

Any credit program that experiences sustained low repayment rates eventually becomes insolvent and collapse. Repayment rates are therefore, the most important and simplest indicator of the program's viability and sustainability, provided the interest charged is high enough to cover cost and a reasonable margin of profit. It reflects the borrower's capacity and productivity of investment for which the loan is utilized.<sup>11</sup>

It is now well documented that the poor have the capability to use credit productively using skills, knowledge they have and that they can generate rates of return comparable with, and often exceeding, those earned on bigger investments by the non-poor in the formal sector. Therefore, the most important factor affecting repayment rates in a credit-for-poor program is the

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<sup>10</sup> Singh A.M. and A. Kellis Vitaner, ed. 1989

<sup>11</sup> Hassan, M. Kabir (2003) *Islamic Banking*, Islamic economic research bureau. Dhaka P 195.

willingness of the borrower to repay the debt. This in turn is affected by many factors. An important element is the incentive system built into the program that rewards the borrower for prompt repayment of loans. One of the most important incentives to poor borrowers is the assurance of the following up loan upon repayment of an outstanding loan. This incentive is missing in many programs and is one of the main reasons for the low repayment rates. The effect of such an incentive on repayment is apparent when one considers that the poor, by virtue of their extremely weak and vulnerable economic security, need credit support to be sustained long enough to allow their assets and income to become stable.

Second, very often, the credit for poor program is the only access to credit available to the program participants. Even their access to the village moneylenders is very limited and credit often available only at exorbitant rates. A poor borrower becomes even less inclined to pay if a follow-up credit facility is closed because this poverty oriented credit programs often do not require collateral, which the borrower would stand to lose if he is defaulted. Thus, it is likely that, credit programs assuring borrowers of a subsequent loan upon repayment of previous debt would ensure a higher repayment rate.

Even when a program is appropriately designed, it can still flounder over time, if the rigor in implementing the procedures, essential to its success, is relaxed.

### **Poverty Reduction through Agricultural and Rural Development**

Rural development means improvement in the well being of the people living in rural space. If the livelihood improvement brings into its fold, people who lack capabilities to meet the basic needs, rural development would encompass poverty reduction. Since three-fourths of the population in Bangladesh still live in rural areas, a broad based rural development that improves the well being of the bottom 50 percent of the rural population would contribute substantially to poverty reduction in the country.

Rural development is to improve all the sectors of rural people. Although there is a broad general consensus that the term "Rural" refers empirically to population living in areas of low density and to small settlements, there are wide in the cutting points used operationally to distinguish rural from urban.

The rural development has been viewed by the World Bank as strategy for a particular target group-the rural poor. It covers the extension of benefit of development to those whose future lies in the pursuit of a livelihood in rural areas. These include small and marginal farmers, sharecroppers, tenants, landless people, laborers, and the rural artisans. The base of this definition is the alleviation of rural poverty.

A view of different writers on rural development will present a wide range of issues as strategy and objectives of rural development. A number of them is noted below:

- Food autarky
- Growth with equity
- Fulfillment of basic needs
- Removal of poverty and freedom from hunger
- Improvement of quality of life
- Upliftment of poor disadvantaged and target groups.
- Employment and income generation

Rural development means the wide scale participation of village in modernization process both in a geographic and a class sense. It is true that overall development of the village means the development of agriculture, irrigation, road communication, rural industry, education, population growth control etc.

FAO, on the other hand, views rural development as an issue of socio-economic progress in rural areas. More specifically, the rural development



leads to modernization of the rural masses into society as a whole giving them more equitable access to productive resources, employment and income.

Mosher recognized the interdependence of agricultural growth and rural welfare and stated that "Increasing rural welfare depends on achieving agricultural growth and non economic aspects of rural welfare and mutually interdependence and that, each has a role to play, in serving broader goals of national integration, economic justice and social well being". Professor Gotsch and Falcon, on the other hand, defined that rural development is something more than agricultural growth-rural development means access of the rural population to many of the amenities that have therefore been associated largely with urban living e.g. education and health facilities. Finally, it means wide scale participation of rural population in the modernization process.

Rural development in Bangladesh as in other developing economies means improvement in the quality of rural life, and the process of development means development in both economic and social sectors. The development of economic sector includes the development of infrastructure, production, employment, income etc. and the latter sector includes the development of education, health, water and sanitation, family planning etc. The impacts of these two sectors will interact with each other and trickle – down the effect on quality of rural life in totality, some economists, defined rural development in the following terms: "Rural development is defined as a trend in the participation, production, distribution and consumption in a rural society; the trend is to be seen not merely through macro indications but also through micro parameters.

"Rural development implies improved or betterment in the totality of life for rural people. The objectives of rural development therefore, extend beyond any particular sector. They encompass improved productivity,

increased employment and thus higher income and health. A national program of rural development should include a mix of activities, including projects to raise agricultural output, create new employment, improve health and education, expand communications and improve housing. Such a program might be made up of single –sector or multi-sectoral projects, with components implemented concurrently or in sequences. The components and phasing must be formulated both to remove the constraints and to support these forces prevailing in the target area which are favorable to development."

Bangladesh is purely rural, 85% of total area is rural. Total population is 140 million, 80% of which live in rural areas. The dependence of the economy upon agriculture and related rural activities is of course long standing structural parameters. The relative importance of industry and services has risen some what, but agriculture still accounts for 40% of GDP, provides employment for ever three quarters of labor force and directly or indirectly accounts for ever 50% of the country's export. The industrial development is also dependent upon agriculture.

Today the village, its social organization, its structure, its value pattern, its leadership, its economic structure, in fact, the entire village community is standing at the threshold of a new era.

The various economic forces in rural economy have primarily operated to create high incidence of poverty. The causes of rural poverty are, however, much more complex and no single factor is sufficient to understand and explain the dynamic of socio- economic process of rural poverty. However, impoverishment, illiteracy, unemployment and under employment may be identified as visible effects of poverty but important causes of it are rooted in a complex web of demographic, economic, social, political and natural factors.

**Table-4.5 Problems of Rural Life**

Item	Problem of Rural Life
01	High population growth
02	High population Density:
03	Lack of Finance:
04	Fragmentation of Holdings:
05	Low productivity:
06	Uneven social structure
07	Low resource and Endowment (land) and low productivity
08	Dependence on Nature
09	Lack of Marketing Facilities
10	Indebtedness
11	Illiteracy
12	Unemployment
13	Natural Calamities
14	Lack of leadership

Source: Md. Mohiuddin Abdullah (1981). Rural Development in Bangladesh 1981.

### **The Concept and Application of a Poverty Pyramid**

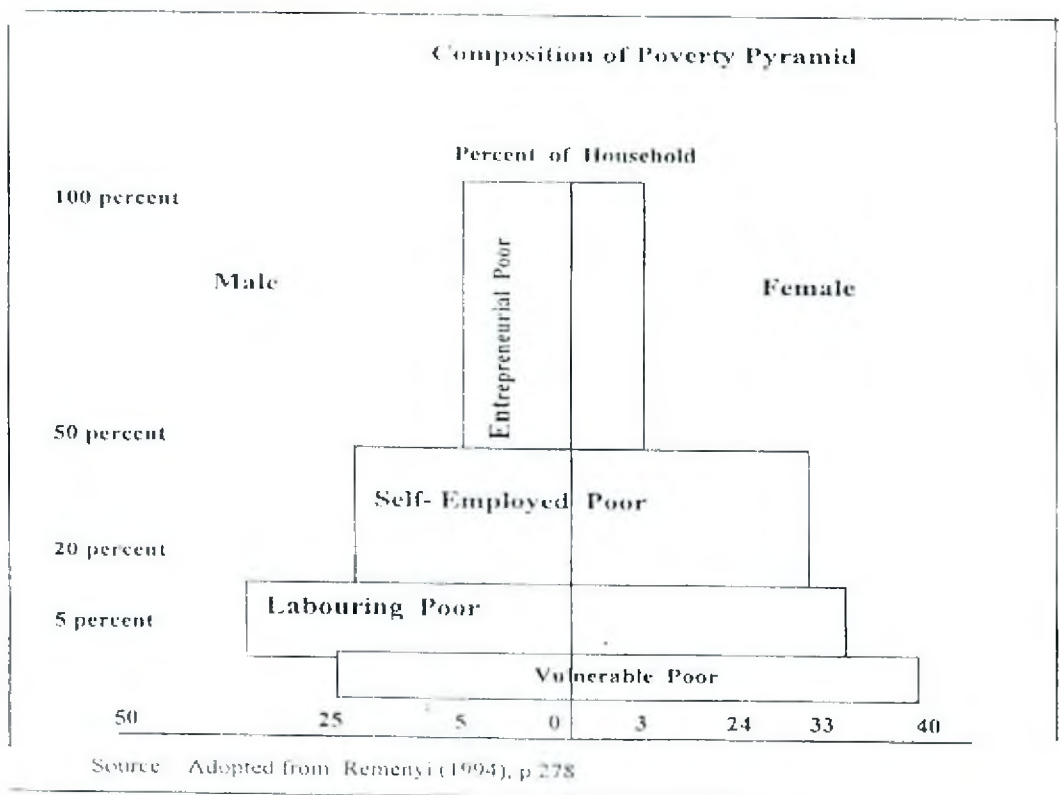
Remenyi (1991, 1992 and 1994) presents a framework for the analysis of poverty based on what he described as the "Poverty Pyramid". The poverty pyramid includes all those who are below the poverty line. The first principle of the Poverty Pyramid is that the poor are not a homogenous class of low-income people. Remenyi argues that there exists as much diversity among the poor as there is in society as a whole. In this sense, one can consider poverty as being made up of distinct sub-groups of poor people, with each strata of the hierarchy defined by the level of incomes and types of economic survival activity.

Fig.4.1 shows that the echelons of poor can be characterized with the percentage of GDP per head. Obviously, the higher the GDP per head, the better the socioeconomic condition of the particular segment of the poor. The laboring poor are better off than vulnerable

poor. Similarly, the entrepreneurial poor are better than self-employed poor and so on as depicted in the pyramid illustrated in Fig 4.1

The five strata comprising the Poverty Pyramid are further structured with composition of various echelons of poor in the poverty pyramid in the Fig 4.1

**Figure 4.1 Application of a Poverty pyramid**

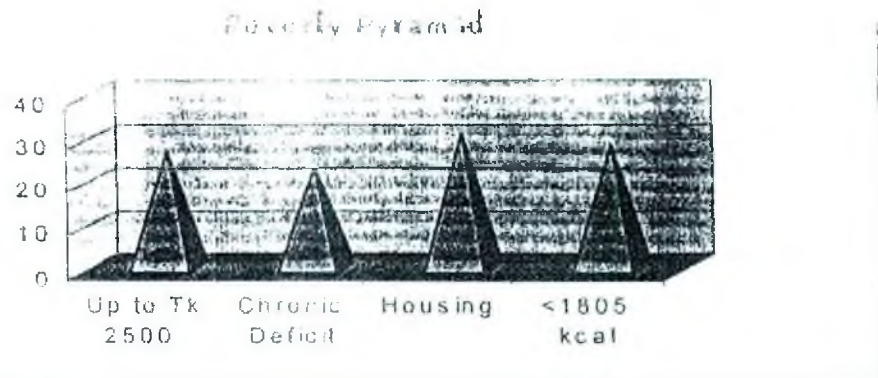


The percentage figures presented in the above figure (Fig) composing pyramid are arbitrary just to illustrate the framework. Further description of each of the segments are as under:

- (1) **Vulnerable Poor:** At the lowest layer of Poverty Pyramid are the vulnerable poor, mostly dominated by women and children but also including ill, weak and old. Lipton (1988), described the "Ultra Poor". The population comprising of this sub-group is essentially dependent on others for their survival. In Bangladesh context, these are also called "extreme or HCP"

- (2) **Laboring Poor:** It is the second largest sub- group in the Poverty Pyramid. These are the people who rely on their labor power for their survival. Typically, the laboring poor do not have full time employment. The greater number of these people depends heavily on the sale of their labor, as unskilled workers, on a daily basis for wages and other income in kind. The laboring poor are widely seen in the construction sites, in agriculture areas working as agricultural laborers and in piecework employment. Many of the vulnerable poor are dependent on the carvings of the laboring poor for their livelihood and survival.
- (3) **Self-employed Poor:** These poor work in their own tailoring, carpentry, repairs, store keeping, side street vending enterprises etc. Remenyie (ibid) points out that, "These self employed poor are considered as the backbone of the micro enterprises sector in developing economies and their enterprises form an important source of survival employment, typically on part time basis, for the members of the vulnerable poor, including children, the weak and ill persons".
- (4) **Entrepreneurial Poor:** They may be considered as the most important and dynamic sub group in the Poverty Pyramid. These poor are also self-employed but they run their own enterprises employing more than five persons including their family members and outsiders. Although this sub-group shows success as small business operators, many of them belong to households that remain below the poverty line.
- (5) **The Near Poor:** The fifth and last sub-group of Poverty Pyramid is the least materially deprived category of the poor community. They belong to the households whose livelihood is intimately linked to the economic activity of the poor, but they typically receive an annual household income of somewhat above the poverty level. But for many persons in Near Poor Households, their personal annual income remains well below the national average income per head.

Figure: 4.2 Poverty Pyramid and its level



Source: Remenyi (1991)

In summary, the purpose of having these five strata is to focus attention on likely policy reforms or interventions that can be expected to increase the quantity and quality or unit value of goods and services produced by the households that inhabit each separate level of the Pyramid. An attempt has been made to make further structural analysis of the poverty pyramid (hypothetical) in Fig 4.2.

The poverty pyramid can also be developed depicting the percentage of people living in poverty in Bangladesh according to different parameters such as calorie intake of less than 1805 cal per capita: 28 percent (i.e. the HCP); annual income of less than Tk. 2500 : 26.9 percent ; basic need like housing (Thatch + 1 room) : 9 percent and chronic deficit: 23 percent (Rahman-1993).

### Trends of Poverty

Poverty is divided into two categories, such as (1) income poverty and (2) human poverty. The report of HIES-2005 reveals that at the national level, incidence of poverty registered a declining trend in 2005 as compared to 1991-92 based on CBN method. The incidence of poverty at the national level declined from 58.8 percent in 1991-92 to 40.0 percent in 2005 based on the upper poverty line (Table 4.6). During this period, the compound poverty

reduction rate per year is recorded at 1.8%. However, the rate of reduction in urban area (yearly compound rate 2.2 percent) is faster than that of the rural area. On the other hand, during 2000 to 2005, income poverty also reduced from 48.9 percent to 40.0 percent and the compound reduction rate is 3.9 percent. This time also reduction rate is faster in the urban area (yearly 4.2 percent) than that of the rural area (3.5 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 notable that between 1991-92 to 2000, reduction rate of poverty was faster in the rural area than that of the urban area.

**Table: 4.6 Trends of Poverty based on CBN Method**

	2005%	2000%	Annual change (%) (2000-2005)	1991-92 (%)	Annual change (%) (1991/92-2005)
<b>Head Count Index</b>					
National	40.0	48.9	-3.9	58.8	-1.8
Urban	28.4	35.2	-4.2	44.9	-2.2
Rural	43.8	52.3	-3.5	61.2	-1.6
<b>Poverty Gap</b>					
National	9.0	12.8	-6.80	17.2	-2.9
Urban	6.5	9.1	-6.51	12.0	-2.5
Rural	9.8	13.7	-6.48	18.1	-2.8
<b>Squared Poverty Gap</b>					
National	2.9	4.6	-8.81	6.8	-3.8
Urban	2.1	3.3	-8.64	4.4	-2.7
Rural	3.1	4.9	-8.75	7.2	-3.8

Source: BBS, HIES-2005

**Table: 4.7 Trends of Poverty based on Head Count Ratio and DCI Method**

Survey year	People below poverty line					
	National		Rural		Urban	
	People (in million)	people (%)	People (in million)	people (%)	People (in million)	people (%)
Poverty line 1: Absolute Poverty, Daily less than 2122 kilocalorie food intake						
2005	56.0	40.4	41.2	39.5	14.8	43.2
2000	55.8	44.3	42.6	42.3	13.2	52.5
1995-96	55.3	47.5	45.7	47.1	9.6	49.7
1991-92	51.6	47.5	44.8	47.6	6.8	46.7
Poverty line 2: Hardcore Poverty, Daily less than 1805 kilocalorie food intake						
2005	27.0	19.5	18.7	17.9	8.3	24.4
2000	24.9	20.0	18.8	18.7	6.0	25.0
1995-96	29.1	25.1	23.9	24.6	5.2	27.3
1991-92	30.4	28.0	26.6	28.3	3.8	26.3

Source: BBS, HIES-2005

According to Head Count Ratio using DCI method, in 2005, the incidences of absolute poverty were 40.4, 39.5 and 43.2 percent in national, rural and urban areas respectively. Under this method, a reduction absolute poverty is recorded at 4.1 percent from 2000 to 2005. People living below poverty line in 2000 were 55.8 million, which increased to 56 million in 2005. Though the number of poor people increased by 0.2 million during this period, it increased at a slower rate than that of the previous period.

According to Head Count Ratio, Using DCI method, the incidences of hardcore poverty were 19.5, 17.9 and 24.4 percent in national, rural and urban areas respectively in 2005. 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 24.9 million, which increased to 27 million in 2005. Though the poor people increased during this period, it decreased as compared to 1991-92.



### Decile Distribution of Income and Gini Coefficient

The percentage shares of income by decile groups and Gini coefficient with rural and urban break-down for the surveys conducted during 2000 and 2005 are presented in Table:4.8

**Table: 4.8 Percentage Distribution of Income Accruing to Households in Groups. (Deciles) and Gini Co-Efficient**

Household Income Group	2005			2000		
	Total	Rural	Urban	Total	Rural	Urban
National	100.00	100.00	100.00	100.00	100.00	100.00
Lower 5%	0.77	0.88	0.67	0.93	1.07	0.79
Decile-1	2.00	2.25	1.80	2.41	2.80	2.02
Decile-2	3.26	3.63	3.02	3.76	4.31	3.07
Decile-3	4.10	4.54	3.87	4.57	5.25	3.84
Decile-4	5.00	5.42	4.61	5.22	5.95	4.68
Decile-5	5.96	6.43	5.66	6.10	6.84	5.60
Decile-6	7.17	7.63	6.78	7.09	7.88	6.74
Decile-7	8.73	9.27	8.53	8.45	9.09	8.24
Decile-8	11.06	11.49	10.18	10.39	10.97	10.46
Decile-9	15.7	15.43	14.48	14.00	14.09	14.04
Decile-10	37.64	33.92	41.08	38.01	32.81	41.32
Top 5%	26.93	23.03	30.37	28.34	23.52	31.32
Income Gini Co-Efficient	0.467	0.428	0.497	0.451	0.393	0.497

Source: BBS HIES-2005

It is evident from Table (4.8) that income shares accruing to households belonging to Decile-1 to Decile-5 were recorded at 2.00 percent, 3.26 percent, 4.10 percent, 5.00 percent, and 5.96 percent respectively at the national level. All these declined with respect to 2000 survey findings, which were 2.41 percent, 3.76 percent, 4.57 percent, 5.22 percent and 6.10 percent respectively. These five deciles jointly share only 20.32 percent of total income, although they comprise 50 percent of the population.

But at rural level were recorded at 2.25 percent, 3.63 percent, 4.54 percent, 5.42 percent, 6.43 percent, All these declined with respect to 2000 survey findings, which were 2.80 percent, 4.31 percent, 5.25 percent, 5.95 percent and 6.84 percent, respectively. These five deciles jointly share only 22.27 of total rural income all though they comprise 50 percent, of the population. The percentage share of income of the lowest 5 percent rural house hold decreased from 1.07 percent, in 2000 to .88 percent, in 2005, on the other hand these five deciles Jointly share only 25.15 percent, of total rural income in year 2000, so the percentage share of income of the 5deciles jointly from 25.15 percent, in 2000 to 22.15 percent, in 2005 lowest 50 percent income share of rural population decline day by day. That means though the growth rate increased but growth did not reached the lowest 50 population even they loss the income. Gain from growth did not reach poor peoples because of (i) high interest rate of NGO'S (ii) dishonesty of distributor of income (iii) Government level corruption (iv) In absence of Zakat and Islamic distribution policy.

### **Measurement of the Incidence of Poverty in Bangladesh**

Household Expenditure Survey (HES) was carried out first in Bangladesh in FY 1973-74. In subsequent years, a number of HESs were undertaken; the latest one was conducted by BBS in 2005. HESs carried out up to FY1991-92 were based on Food Energy Intake (FEI) and Direct Calorie Intake (DCI) methods in order to measure the incidence of income poverty. FEI method computes poverty lines by finding the value of per capita consumption at which a households fall below a threshold calorie intake (2122 kilocalories per person on a daily basis). Similarly, a person having daily calorie intake of less than 1805 kilocalories is considered to be in hard-core poverty. In Household Expenditure Survey (HES) conducted in FY 1995-96, the BBS for the first time adopted the Cost of Basic Needs (CBN) method for construction poverty lines. Similarly, in the Household Income and Expenditure Surveys (HIES) of 2000 and 2005, CBN method was used. With this method, an absolute poverty line is defined as the value of consumption needed to satisfy

minimum subsistence needs (food as well as non-food consumption). These three methods are summarized in Table 4.9

**Table: 4.9 Alternative Methods for Measuring Absolute Income Poverty in Bangladesh.**

	Direct Calorie Intake	Food Energy In Taka	Cost of Basic Needs
Indicator	Calorie Intake	Expenditure (or income)	Expenditure(or income)
Threshold	2,122 kilocalories/person-day	Expenditure level at which household members are expected to reach calorie intake threshold	Expenditure level at which household members are expected to meet basic needs (food and non-food)
Measure	Head-count or other	Head-count or other	Head-count or other
Strengths and weaknesses	Indicator not representative; threshold consistent (for monitoring calorie intake)	Indicator representative; threshold not consistent (for real expenditure)	Indicator representative; threshold consistent (for real expenditure)

Source: World Bank.

### Poverty Reduction Strategy

In the light of MDGs set by the United Nations in 2000, the government is implementing the Poverty Reduction Strategy Paper titled 'Unlocking the Potential: National Strategy for Accelerated Poverty Reduction'. The government has been implementing the Three Year Rolling Plan as outlined in the PRSP. The vision, road map, strategy and monitoring and evaluation system identified in the PRSP have been discussed briefly below:

### PRSP Vision

PRSP vision is to unveil the latent potentialities of the nation and to accelerate economic growth and reduce poverty by using economic and social strength and full initiative. An eight-point strategic agenda has been built on three policies of pro-poor economic growth, human development and governance for attaining this vision. The important activities are; employment generation, ensuring nutrition, quality education at primary, secondary and vocational levels, establishment of local governance and development of maternal health, ensuring sanitation and safe water and ensuring criminal justice and monitoring. An action plan of PRSP has been designed of the basis of these activities.

## Road Map for Accelerated Poverty Reduction

In order to attain the vision of poverty reduction, four strategic blocks and four supporting strategies have been identified in the PRSP. Four strategic blocks are (1) macroeconomic environment for pro-poor economic growth (2) critical sectors for pro-poor economic growth, (3) effective social safety nets and targeted program and (4) human development. For proper implementation and monitoring of four strategic blocks, four supporting strategies have been mentioned, which are (1) ensuring participation, social inclusion and empowerment, (2) promoting good governance, (3) service delivery: and (4) caring for the environment and sustainable development.

- 1) To create macroeconomic environment for pro-poor economic growth, important issues describe in the PRSP are: accelerating growth for poverty reduction, economic growth, savings and investment, private sector investment; promoting foreign direct investment, macroeconomic stability; facilitating fair and competitive business; promoting trade and technological advancement.
- 2) For attaining pro-poor economic growth, important sectors described in the PRSP are agriculture and rural development; water resources development and management, small and medium size enterprises, informal sector, infrastructure development, tourism and development of ICT.
- 3) Social safety nets (SSN) are based on the government's policy to (a) reduce income uncertainty and variability; (b) maintain a minimum standard of living; and (c) redistribute income from the rich to the poor. During the last two decades, the government has been pursuing number of social safety net program.
- 4) Education and health sectors have been accorded the highest priority for human development. Education sector consists of five sub-sectors: (1) early childhood development, pre-school and primary education; (2) secondary and higher secondary education; (3) technical and

vocational education and training; (4) tertiary education; and (5) literacy and non-formal adult education. Health and related issues are presented under four headings. These are: (1) various categories of health including children's health and maternal and reproductive health; (2) nutrition (3) food safety; and (4) water and sanitation.

- 5) To ensure participation, social inclusion and empowerment, PRSP has identified women, children, indigenous people, physically and mentally challenged people and other disadvantaged people. Special policy, strategy and program have been taken for them.
- 6) The broad agenda on good governance covers six areas: (1) reform of judicial system; (2) public administration reform; (3) anti-corruption; (4) decentralization; (5) strengthening accountability and participation; and (6) public expenditure management.
- 7) For ensuring quality of services, PRSP underscores the need for GO-NGO and public-private partnerships. It also recognizes the role of clients in effective service delivery through increasing their performances and involvement in service delivery.
- 8) Major issues in sustainable development are conservation of natural resources and combating pollution.

### **Monitoring and Evaluation**

For monitoring and evaluation of PRSP, three types of major indicators are identified: inputs, outputs and outcomes/impacts. These indicators are used for monitoring 19 policy matrices. Policy matrices include strategic goals, key targets, action taken/underway, PRSP policy agenda, future priorities and responsibilities.

### **Classification of Key Social Safety-Net Program in Bangladesh**

1. Cash transfers program;
2. Food transfers program;

3. Special poverty alleviation programs;
4. Micro-credit programs for self-employment; and
5. Other special poverty alleviation activities.

**1. Table: 4.10 Cash Transfer Programs**

Sl. No.	Item	Beneficiaries	Taka/Core
1	Old-Age Allowance Program;	16 Lakh	384 core
2	Allowances Program for Widowed, Deserted and Destitute Women;	6.50 Lakh	156.00 core
3	Honorarium Program for Insolvent Freedom Fighters;	1 Lakh	60.00 core
4	Training and Self-Employment program for Insolvent Freedom Fighters and their dependants;	45417	
5	Fund for Rehabilitation of the Acid-Burnt and the Physically Handicapped;		10 core
6	Allowance for the Fully Retarded;	1.67	33.40 core
7	Cash transfer programs for education; -Primary Education Stipend Project (PESP); and Female Secondary School Assistance Program (FSSAP);	5.5 Lakh	660.00 core
8	Rural Maintenance Program (RMP); and	2 Lakh	200.00 core
9	Food for Works Program (Cash)		

**Source:** Bangladesh Economic Review (2007)

**2. Table: 4.11 Food Assistance Program**

Sl.No.	Item	Beneficiaries	M. Ton
1	Food for Works Program;		1 Lakh
2	Vulnerable Group Development (VGD) program	7.5 Lakh	2 Lakh
3	Vulnerable Group Feeding (VGF) Program; and	76 Lakh	2.5 Lakh
4	Test Relief (TR) Program.		1.5 Lakh

**Source:** Bangladesh Economic Review (2007)

**3. Table: 4.12 Special Poverty Alleviation Programs**

Sl.No.	Item	Beneficiaries	Lakh /core
1	Programs under Poultry and Livestock Sector to alleviate poverty;	50523	32.97
2	Poverty Alleviation and Micro-Credit Programs Undertaken by Department of Fisheries;	-	10.00
3	Fund for Housing the Homeless;	39500	50.00
4	Program for General	85504	292.60
5	Programs under Poultry and Livestock Sector to alleviate poverty;	5000 child	4.12
6	Poverty Alleviation and Micro-Credit Programs Undertaken by Department of Fisheries;	9642	2000
	Fund for Housing the Homeless;	65,000	657.20

**Source:** Bangladesh Economic Review (2007)

#### 4. Micro-Credit Programs implemented by Government Departments / Agencies

The government has taken up a few special credit programs under both revenue and development budgets for creation of employment for the poor. Up to December 2006, micro-credit amounting to tk. 16072.45 core was distributed through different ministries/divisions/ departments. To expand the micro credit program, the government allocated tk. 148 crore in favour of the Rural development and cooperative Division, Ministry of Agriculture, Ministry of Fisheries and Livestock, Ministry of Youth and Sports, Ministry of Liberation War Affairs and Ministry of Women and Children Affairs in FY 2006-07. Besides, tk. 217 cores was allocated for Palli Karma Shahayak Foundation (PKSP) to implement micro-credit program through NGO'S in FY 2006-07. To accelerate the pace of development of rural social sector, Tk. 25 crore was allocated in FY 2006-07 for Bangladesh NGO'S Foundation. Further, Tk, 100 crore was allocated in FY 2006-07 to the Special Fund Employment Generation of the Hardcore Poor implemented by PKSF and an amount of Tk. 100 crore was allocated for development of micro-enterprises in the rural area.

**Table: 4.13 Other poverty Alleviation program:**

Sl. No.	Item	Beneficiaries	Taka( crore)
1	Youth Development throw self employment	7.35	717.91/-
2	poverty reduction and employment generation Activities under Ministry of Women and Children Affairs	1.70	167.05
3	Activities of the Department of Cooperatives	253490	1616

Source: Bangladesh Economic Review (2007)



**5. Table: 4.14 Specialized Activities for poverty Alleviation**

Item	Particulars	Beneficiaries	Taka
1	Information and Communications Technology (ICT) for Poverty Alleviation		
2	Rural Infrastructure Development program	767.33	
3	Palli Daridrya Bimochan Foundation (PDBF)	500000	22252 lacks
4	Bangladesh Academy for Rural Development (BARD), Comilla	18798	6.41 lacks
5	Rural Development Academy (Bogra)	1.18 lacks	30 crores
6	Department of Social Services		30 crores

**Source:** Bangladesh Economic Review (2007)

### **Poverty and Development Plans in Bangladesh**

Beginning from 1973, successive development plans in Bangladesh have highlighted the issue of poverty. The First Five-Year Plan (1973-78), placed emphasis on a socialistic restructuring of the economy so that the benefits of development could be distributed more equitably among the different groups of people. In a sense, the plan was pre-occupied more with the task post independence economic reconstruction and the international economic crisis arising from the oil price hike, than with the poverty problem of the country. The Second Five-Year Plan (1980-85) made a renewed effort for bringing in the poverty issue to the forefront through its emphasis on basic need. The Third Five-Year Plan (1985-90) was on poverty alleviation through creation of employment and income opportunities for the rural poor. Keeping poverty alleviation as the primary objective, the Third Plan set the target of bringing up at least 10 percent of the rural poor above the poverty line. The Fourth Five-Year Plan (1990-95)

addressed poverty-linking growth with creation of employment and income, human development, development of rural institutions supporting the rural poor and greater participation of women in economic activities. Poverty alleviation has been the central theme of the Fourth Five-Year Plan. The Fifth Five-Year Plan (1997-2002) emphasized poverty alleviation through creation of employment opportunities. The Plan envisages increasing total employment from about 49 million people in 1995/96 to 62.3 million persons. Besides these it emphasis strongly on GOB and NGO collaboration for poverty alleviation.

About 85 percent of the population lives in the rural Bangladesh and about half of them live in abject poverty. The Fifth Five Year Plan noted that: "the aim of rural development is not only to lift the poor above the poverty line but also to bring about improvement in the quality of both material and cultural life". It will include both widening and deepening the production and technological base of the rural economy and expanding public services, such as, primary education, health services and transport and communication in the rural areas. The success of the rural development strategy will, however, depend on containing successfully the problem of population growth on the one hand and providing opportunities for productive employment of family labor including women, on the other. In the present democratic setting, the prime mover of rural development will, in fact, be the people themselves, while the government will act as a catalytic agent through provision of an enabling policy framework and support services to complement local efforts. As reflected in the plan of actions already initiated by the government, effective local level institutions will be put in place and practical modalities will be worked out for active participation of local people in evolving a framework for grass-root planning and implementation of local level development programs and projects.

Planned development has been frustrated by a number of factors. First, political instability loomed large over most of these years since independence though a semblance of elected government was maintained. It was in the nature of thing that the absence of a truly representative government led to political turmoil adversely affecting development process. Worse still was the private agenda that the lack of public accountability bred indiscriminately. This not only added fat to projects but as said, gift horses also failed to earn their hay. Secondly, foreign aid flow and its modality affected the development effort. Although Bangladesh received generous aid, its level was not adequate to mount the investment programs, which the successive Plans envisaged. Even in that year (1989-90) when aid flow (disbursement) reached, its peak (\$ 1.8 billion) investment/GDP ratio was 12.80 per cent only, still one of the lowest in the Southeast Asian region. Nor was aid flow steady; it appears to have reached its plateau at around \$ 1.4 billion at constant market prices of 1984-85. At such prices average annual inflow of foreign aid during the Second Plan was lower than that in 1979-80 and steadily declined in real terms (at 1984-85 import prices) after the flood year of 1987-88 when aid flow was \$ 1.59 billion. The modality of aid has also drastically changed with the gradual withering of commodity aid, which used to generate counterpart fund for local currency financing of projects, and commitment of counterpart fund of food aid to selective projects. Thirdly, the development process has been disrupted by frequent occurrences of natural disasters like flood, cyclone and drought. They not only pre-empted scarce resources for relief work and rehabilitation but also sapped saving and investment habit, particularly in the agriculture sector due to high risk. All these compounded to frustrate planned development with shortfalls in investment and output. (The planned outlay and GDP growth targets with their actual of the successive Plans are shown in Table 4.15.

Table: 4.15 Plan Size Actual Expenditure and GDP Growth Rate of Past Plans  
(in million Taka)

Plan	Plan Size			Estimated Actual Expenditure			Growth Target (%)	Realized Growth (%)
	Total	Public	Private	Total	Public	Private		
1	2	3	4	5	6	7	8	9
1st Five year	44,550	39,520	5,030	20,740	16,350	4,390	5.50	4.00
Two Year Plan	38,610	32,610	6,000	33,590	24,020	9,570	5.60	3.50
2nd Five Year Plan	172,000	111,000	61,000	152,970	103,240	49,690	5.40	3.80
3rd Five Year Plan	386,000	250,000	136,000	270,110	171,290	98,820	5.40	3.80
4th Five Year Plan	620,000	347,000	273,000	598,480	274,083	324,397	5.00	4.15
5th five year plan	19,59,521	8,58,939	11,00,582	13,73,639	6,35,368	3,78,271	7.00	5.21

(Source: 5<sup>th</sup> five-year plan and general economics division, planning commission)

Table: 4.16 Five year plan and rural development expenditure

Plan	Agriculture	Rural Development	Water Resources	Total
FFYP	13.22	5.54	13.84	32.58
STYP	13.62	4.95	11.73	30.30
SFYP	12.91	3.66	13.87	30.44
TFYP	6.57	3.66	12.30	22.23
FFYP	6.82	5.29	10.48	22.59
FFYP	6.92	5.30	11.05	23.27

(Source: 5<sup>th</sup> five-year plan and general economics division, planning commission)

Table: 4.17 Foreign Assistance Disbursement Rural Sector

(in crore Tk.)

Sector	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Agriculture	222.87	222.36	249.25	327.83	355.01	330.25	260.82	266.82	303.19	300.33
Rural Development & Institution	307.26	403.73	392.01	540.17	307.70	628.75	430.84	457.41	526.47	495.54
Water Resource	221.81	513.78	538.24	15.41	420.00	298.86	216.06	94.39	143.85	138.39

(Source: 5<sup>th</sup> five-year plan and general economics division, planning commission)

## Rural Development for Poverty alleviation

Although sustainable experience has been gathered in the design and implementation of rural development project since early 1960s, conceptual approaches to rural development is still evolving. Past experience has indicated that many rural development projects have had only limited success in reducing rural poverty and in promoting broadly based and sustainable socio-economic progress in the rural areas. It is now widely recognized that direct action is required to contain and reduce the incidence of rural poverty in Bangladesh. A review of the approaches of rural development initiatives in the past leads us to the following conclusion:

1. Rural development programs provide a useful conceptual framework for grassroots, broad based socio-economic rural development, and that multicultural integrated approach is generally appropriate for rural poverty alleviation initiatives.
2. Rural development projects can not be implemented from the "top down" or from "outside" alone but need to be initiated and sustained by the participating population itself with assistance of government institution, private development organizations, and eventually external donors.
3. Rural development projects need to be oriented to target groups. The access of these groups to productive resources, series and markets need to be improved. However, target groups must be able to use their own initiative to obtain access to the means of production, information, and markets. To this end, the target group must be organized and mobilized, and planning mechanisms must be oriented toward those groups and their participation.
4. More work needs to be done to clarify the factors that undermined the success of particular projects, with a view to providing practical operational models that can be used in the processes of participatory development, project design and implementation.<sup>12</sup>

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<sup>12</sup> Bucher, D and Johnson, K. 1993. Rural Development and Poverty Alleviation.

### **Role of Credit in Poverty Alleviation**

Many programs have been instituted to improve the conditions of the poor, partly in recognition of the failure of inequitable growth to pull the poor up the socio-economic ladder, or simply to compensate for their disadvantaged position in society. The provision of credit to the poor has been a leading component of many of these programs because the lack of access to productive capital is thought to be one of the main factors preventing the poor from breaking away from the "poverty trap". This trap, it is argued, makes it extremely difficult for the poor to overcome poverty without outside intervention. In this simplest form, this trap can be viewed in terms of the poor person's low capacity to generate income, savings, and investment in the economic environment that offers limited employment opportunities, which thus leaves the poor in perpetual poverty. It is argued that providing the poor with credit can break this barrier to economic emancipation by giving them access to resources, in particular, to income producing or enhancing assets for the small scale farmers and fishermen in rural areas, the small artisans, petty traders and micro-entrepreneurs in urban areas. With their thus allowing them to progressively increase their income, savings and investments through self-employment and thus cross the poverty line over time.

Most governments have allocated considerable amount of resources in the form of subsidized credit for the alleviation of poverty, especially in rural areas. The rationale for subsidizing this credit is that the poor have limited capacity to repay because they have limited investment opportunities and providing them with credit services entails high transaction costs. Subsidized credit often takes the form of government sponsored rural co-operatives, agricultural credit for the small farmers, and specialized programs like the integrated rural development programs common in South Asia. The number of poor who have crossed the poverty line as a result of these programs is difficult to ascertain. The undifferentiated impact of many of these programs is often positive and significant. Studies evaluating these programs confirm that their benefits have largely been accrued to the rural elite who have been

attracted by credit subsidies and used their influence over the administration of the credit delivery system to corner most of the credit resources at the cost of the rural poor.<sup>13</sup>

Even the co-operative approach to credit, which had earlier been so successfully tried in Europe and North America in reaching the small farmers, and much later quickly and widely implemented in Asia largely through government initiatives, floundered badly with few exceptions. Even the highly acclaimed Comilla co-operative model, which attained considerable success during its early years when it was restricted to a limited geographical coverage, overall failed to reach the intended beneficiaries -- the small farmers- and suffered serious repayment and viability problems when the government replicated it nation-wide.

In the case of some other program, the failure is not so much in reaching the target group but the low repayment rates and the failure of the program to sustain the significant positive impact of credit through the provision of a follow-up credit to deserving borrowers. A good example is that of India's Integrated Rural Development Program (IRDP) probably the most massive credit program of its kind targeted exclusively at the poor.

### **NGOS Activity for Poverty Alleviation**

Bangladesh has undoubtedly experienced mushroom growth of NGO's over the last three decades. Here is the table of some NGO's registered in different years.

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<sup>13</sup> Islam R. ed (1985) *Strategies for Alleviating Poverty in Rural Asia*.

Table: 4.18 NGO Activities for Poverty Alleviation

Year	Number of Local NGO'S	Number of Foreign NGO'S	Total
1980	0	2	2
1981	43	68	111
1982	15	5	20
1983	16	3	19
1984	17	5	22
1985	17	0	17
1986	14	3	17
1987	31	5	36
1988	36	0	36
1989	49	0	49
1990	85	7	92
1991	141	9	150
1992	82	18	100
1993	44	2	46
1994	132	2	134
1995	120	1	121
1996	115	6	121
1997	132	12	144
1998	127	9	136
1999	140	10	150
2000	121	7	128
2001	97	4	101
Total	1574	178	1752

Source: NGO Affairs Bureau and Bangladesh Economic Review 2007



**Table: 4.19** Number of NGO'S Registered / Affiliated with Different Authorities

Sl.No.	Name of the registering Authorities	Number of NGO'S
1	Directorate of Social Welfare	53,454
2	NGO Affairs Bureau	1,752
3	ADAB	771
4	CDF	1,241
5	PKSF	205
	Total	57,423

- BRAC:** BRAC established as a relief organization in 1972, over the years has gradually evolved into a large and multifaceted development organization with its objective stated as "Alleviation of poverty and empowerment of poor. BRAC disbursed a cumulative of Tk. 23,829.92 crore and recovered Tk. 20,641.4 crore up to June 2007 and the total number of beneficiary was 55.70 lakh where female member were 53.60 lakh and male members were 2.11 lakh. Table 4.20 shows the status of Micro credit program of BRAC.

**Table: 4.20** Micro Credit Program of BRAC

	Cumulative up to 2001	2002	2003	2004	2005	2006	2007	Cumulative up to June. 2007
Disbursement	6954.43	1706.59	2070	2590.25	3258.21	4261.54	2989.00	23829.92
Recovery	6128.89	1614.78	1838.03	2290.32	2936.84	3626.39	2218.50	20643.75
Beneficiaries	4138133	3531513	3402475	4858763	4837099	5310317	5570403	5570403
Female	2934485	2906894	3392976	3872110	4029265	5140494	5358954	5358954
Male	53847	11347	9499	121415	134936	169823	211449	211449

Source: Annual Report of BRAC (2007).

2. **ASA:** ASA started its activities as a specialized micro-finance service provider in 1991. At the end of June 2007, ASA had 70.94 lakh active members. At the same time, the number of borrowers stood at 54.9 lakh. From July 1992 to June 2007, total savings deposits stood at Tk 3,138 crore and Tk. 2,729 crore was withdrawn and returned by the members. At the end of June 2007, the savings balance was Tk. 410 crore and cumulative total loan disbursed with service charge was Tk. 22,415.7 crore out of which Tk. 17,145.22 crore was realised. The rate of recovery was 86.88 percent. Table 4.21 shows the status of Micro credit program of ASA.

**Table: 4.21 Micro Credit Program of ASA**

	Cumulative up to 2001	2002	2003	2004	2005	2006	2007	Cumulative up to June, 2007
Disbursement	3604.31	1595.22	2001.54	2403.92	3317.92	4131.61	2538.38	19592.90
Recovery	3067.90	1322.19	1807.93	2208.40	2822.82	3712.00	2203.98	17145.22
Beneficiaries	1579372	2138165	2341819	2996660	5988134	6455979	7094321	7094321
Female	1511561	2055628	225818	2897503	3917566	4303787	4832135	4832135
Male	67811	80537	83701	99157	2070568	2152192	2262186	2262186

Source: Annual Report of ASA (2007)

3. **Swanirvar Bangladesh:** Swanirvar Bangladesh is promoting the spirit of self-reliance by providing credit from Nationalised Commercial Banks, PKSF and other sources. Since its inception to June 2007, Swanirvar Bangladesh disbursed a sum of Tk. 612.10 crore to 12,11,472 landless people of which 80 percent recipients were women. As a result, 60,57,360 members of the families were benefited directly or indirectly. In FY 2006-07, Tk. 100.29 crore was disbursed to 1,26,372 landless men and women for alleviation of poverty and self-employment. The rate of recovery of loan is 98.75 percent. Table 4.22 shows the status of Micro credit program of Swanirvar Bangladesh.

**Table: 4.22 Micro Credit Program of Swanirvar Bangladesh**

	Cumulative up to 2001	2002	2003	2004	2005	2006	2007	Cumulative up to June, 2007
Disbursement	253.86	39.46	40.66	60.75	75.91	91.36	50.10	612.10
Recovery	193.98	33.32	34.58	43.38	61.54	70.94	41.64	479.38
Beneficiaries	751865	54763	54217	62915	94945	129894	62873	1211472
Female	560261	49681	50420	59775	90565	126332	61533	998567
Male	191604	5082	3797	3140	4380	3562	1340	212905

Source: Annual report of Swanirvar Bangladesh (2007)

**4. PROSHIKA:** Established in 1976, PROSHIKA has so far helped more than 12 lakh 40 thousand poor households to overcome poverty. Currently, it is expanded in 24 thousand 139 villages and 2 thousand 108 slums in 59 districts. Now, it works with more than 28 lakh 02 thousand men and women members drawn from 21 lakh 44 thousand rural and urban poor households, and has organized them into 1 lakh 49 thousand 602 primary groups. It provides them with a broad range of programmes in education and training leading to income and employment generation, health education, building of health infrastructure, and environmental protection and regeneration, etc. So far, Tk. 3,664.04 crore against the total of 80.97 projects have been disbursed to the groups and created employment/self employment opportunities for more than one crore people. Table 4.23 shows the status of Micro credit program of PROSHIKA.

**Table: 4.23 Micro Credit Program of PROSHIKA**

	Cumulative up to 2001	2002	2003	2004	2005	2006	2007	Cumulative up to June, 2007
Disbursement	1852.69	406.76	357.40	277.07	288.13	316.50	2538.38	6036.93
Recovery	1609.45	428.40	371.21	350.61	330.70	343.09	2203.98	5637.44
Beneficiaries	0	0	2700953	0	2770106	0	2802129	2802129
Female	0	0	1667802	0	1719342	0	1726731	1726731
Male	0	0	1033151	0	1050764	0	1039398	1039398

Source: Annual Report of PROSHIKA (2007)

## 5. Grameen Bank

Grameen Bank started its activities in 1976 by organizing the asset-less people and providing them credit support for income generation and capital and asset building. Up to June 2007, it expanded its activities to 72.08 lakh members living at 470 upazilas and 64 districts through 2431 branches. An amount of Tk. 33,114.91 crore was disbursed as credit by June 2007 and the amount of recovery was Tk. 29,729.62 crore. Grameen Bank provides collateral and interest-free loan through "struggling members program" to the poorest segment of the society regarded as beggars. Table 4.24 shows the status of Micro credit program of Grameen Bank.

**Table: 4.24 Micro Credit Programs of Grameen Bank**

(In crore Tk.)

Institution	Cumulative Up to June '00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Cumulative Up to June '07
Disbursement	13104.08	1600.79	1438.25	1879.81	2335.62	3148.37	4690.66	5019.44	33114.91
Recovery	11708.48	1601.23	1529.55	1676.33	1980.16	2581.54	3769.92	4802.52	29729.62
Rate of recovery (%)	89.96	89.18	98.20	99.00	99.96	98.95	98.49	98.61	98.61
No of Branches	1151	19	5	7	76	279	648	246	2431
No of villages	40066	271	356	1918	3298	8113	16118	9519	78659
No of beneficiaries (cum)	2377872	2389387	2367641	2786748	3626937	4764216	6390148	7208455	7208455
Female (cum)	2254936	2266751	2251640	2657105	3666147	4573681	6161462	6972351	6972351
Male (cum)	122936	122636	11601	129643	158790	190535	228686	236104	236104

Source: Annual Report of Grameen Bank (2007)

## 6. Bangladesh Rural Development Board (BRDB)

During the period up to June 2007, 46.58 lakh members under 1,69,446 cooperative societies borrowed Tk. 5,993.01 crore, of which an amount of Tk. 5,356.88 crore was recovered. In FY 2006-07, BRDB implemented Rural Livelihood Project in 152 upazilas, Minor Crop Production, Preservation, Processing & Marketing Program in 204 upazilas, Integrated Poverty Alleviation Program (IPAP) in 446 upazilas, Palli

Progati Prakalpa in 477 unions under 465 upazilas and Women Development (W/D) Program in 100 upazilas of Bangladesh. The first three programs are supported from ADP and the later two from the revenue budget of the government. Besides, BRDB has been effectively continuing the implementation of the recently completed Rural Poverty Alleviation Program (RPAP) in 123 upazilas and the former RD-5 project now called Productive Employment Program (PEP) in greater Faridpur. Table 4.25 shows the status of Micro credit program of BRDB.

**Table: 4.25 Micro Credit Programs of BRDB**

Institution	Cumulative up to June'00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Cumulative up to June'07
Disbursement	2444.13	248.93	324.41	354.74	419.44	654.86	683.77	862.73	5993.01
Recovery	2056.08	235.61	290.01	312.54	319.66	474.18	720.04	887.07	5356.88
Rate of recovery (%)	84.12	95	91	90	94	89	94	93	96

Source: Annual Report of BRDB (2007)

## 7. Palli Karma-Sahayak Foundation (PKSF)

PKSF was established in 1990 by the government to alleviate poverty by its partner organizations (PO) through the provision of micro-credit. As of June 2007, PKSF disbursed a cumulative amount of loan of Tk. 4,256.84 crore to its 248 partner organizations. Serving this period, the number of borrowers at the field level was 77,23,029 where more than- 91 percent were women. PKSF has been able to maintain a loan recovery rate above 98 percent. Table 4.26 shows the status of Micro credit program of PKSF.

Table: 4.26 Micro Credit Programs of PKSF

(In crore Tk.)

Institution	Cumulative Up to June 00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Cumulative Up to June 07
<b>PKSF</b>									
Disbursement	826.89	119.72	254.74	304.10	340.56	366.00	<b>692.62</b>	1350.70	4256.84
Recovery	214.52	78.75	104.15	160.39	243.00	342.13	<b>437.58</b>	638.94	2220.76
Rate of recovery (%)	98.22	98.40	98.41	98.17	97.40	96.96	<b>96.71</b>	98.60	98.60
Partner Organization	189	199	205	213	219	231	<b>243</b>	248	248
Beneficiaries	2314378	2629174	3857357	448582	5104940	5522406	<b>677262</b>	7723029	7723029
Female	2000638	2398082	3389566	3999332	4621260	5033129	<b>6207971</b>	7067455	7067455
Male	223740	231092	467791	486500	483680	489277	<b>570291</b>	655574	655574

Source: Annual Report of PKSF (2007)

### 8. Micro-Credit Programs of NCBs and Public Specialized Banks

The status of credit disbursement of 4 NCBs and 2 public specialized banks is shown in Table 13.14. Up to June 2006, the cumulative credit disbursement and recovery stood at Tk. 11511.61 crore and Tk. 10,983.98 crore respectively. The recovery rate was 95.42 percent.

Table: 4.27 Micro Credit Program of NCBs and Specialized Banks

Bank	Cumulative up to June 2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Cumulative up to June, 2007
<b>Sonali Bank</b>									
Disbursement	3531.78	330.43	307.57	361.57	460.18	485.90	456.62	410.02	6542.35
Recovery	3132.41	345.5	434.36	434.7	547.79	425.06	486.37	677.00	6972.52
Rate of recovery (%)	88.69	104.56	141.22	120.23	119.04	87.48	106.52	165.11	106.58
N. of beneficiaries	-	-	-	-	-	189560	201841	199190	5051947
<b>Agrani Bank</b>									
Disbursement	1061.75	91.34	102.39	45.89	44.08	100.34	182.07	210.60	1838.46
Recovery	999.2	113.74	112.77	43.72	51.65	97.47	212.09	268.39	1899.03
Rate of recovery (%)	94.11	125.52	110.14	95.27	117.17	97.14	116.49	127.44	103.29
N. of beneficiaries	2787424	75485	76616	22160	23099	42435	104387	-	-
<b>Janata Bank</b>									
Disbursement	1370.13	131.93	113.29	126.1	227.47	193.75	193.75	290.16	2644.65
Recovery	1194.8	127.31	119.53	120.9	163.52	106.54	106.54	249.81	2189.4

Rate of recovery (5)	87.20	96.50	105.51	95.08	71.89	54.99	54.99	86.09	82.79
N. of beneficiaries	430591	89500	88400	97000	129908	101220	100073	145080	1181772
<b>Bangladesh Krishi Bank</b>									
Disbursement	609.36	120.36	90.92	93.98	68.16	58.86	57.02	54.51	1152.77
Recovery	464	118.18	101.44	98	46.6	37.27	43.24	51.84	960.57
Rate of recovery (5)	76.15	98.19	111.57	104.72	68.37	63.32	75.83	95.10	83.33
N. of beneficiaries	1186473	120882	87274	80289	60987	59117	50083	52028	1685747
<b>Rajshahi Krishi Unnayan Bank</b>									
Disbursement	106.97	21.81	18.00	13.64	17.97	30.73	29.23	15.01	253.36
Recovery	74.42	17.06	17.84	13.47	12.47	14.53	21.25	12.85	183.89
Rate of recovery (5)	69.57	78.22	99.11	98.75	69.39	47.28	72.70	85.61	72.58
N. of beneficiaries	116607	22950	25287	11234	18597	47834	30033	16634	289176
<b>Rupali Bank Ltd</b>									
Disbursement	19.43	1.05	1.06	2.24	5.17	15.28	16.09	11.02	71.34
Recovery	17.98	1.1	1.09	0.82	2.05	5.27	10.15	11.95	50.41
Rate of recovery (5)	92.54	104.76	102.83	36.61	39.65	34.49	63.08	108.44	70.66
N. of beneficiaries	2649.4	1189	1676	2188	2427	5402	5431	2804	47614
<b>Total</b>									
Disbursement	6699.42	696.92	633.23	643.02	823.03	884.86	934.78	991.32	12502.93
Recovery	5882.81	722.89	747.03	711.61	824.08	686.14	879.64	1271.8	12255.82
Rate of recovery (5)	87.81	103.73	124.29	110.67	100.13	77.54	94.10	128.30	98.02
N. of beneficiaries	4547592	310006	279253	212871	235018	445568	491848	415736	8256256

Source: Related Banks

\* Rate of recovery has been calculated in Tables

### 9. Micro-Credit programs of Other Commercial and Specialized Banks:

Other commercial and specialized banks are also continuing micro-credit programs to alleviate poverty and create self-employment side by side with nationalized commercial banks. Up to June 2006, the total number of beneficiaries' was 11,60,397 and the cumulative disbursement of credit was Tk. 1667.57 crore.

The status of micro-credit disbursement program of other commercial and specialized bank is shown in Table: 4.28.

**Table: 4.28 Micro Credit Program of other Commercial Banks**

Commercial and Specialized Banks	Number of Beneficiaries			Disbursement up to June'07	Rate of Recovery (%)
	Female	Male	Total		
Ansar-VDP Development Bank	446380	147827	594207	662.93	95.20
Social Investment Bank Limited	23818	6332	30150	66.36	97.00
National Bank Limited	1085	42536	43621	55.11	96.00
Islami Bank Limited	429778	37372	467150	1158.08	99.00
The Trust Bank Limited	11	10353	10364	208.75	89.50
BASIC Bank Limited	243828	43505	287333	130.68	100.00
Pubali Bank	11640	-	11640	8.60	100.00
Total	1156540	287925	1444465	2290.51	-

Source: Related commercial Banks and Specialized Banks

## 10. Micro Credit Programs of Administrative Ministries /Divisions

The government has been allocating funds through non-development budget for undertaking micro-credit programmers for poverty alleviation by different administrative Ministries/Divisions /Departments. The cumulative credit disbursement and recovery till Dec. 2006 stood at Tk 8,668.99 crore and Tk 7,333.4 crore respectively. In order to sustain the micro-credit program for poverty reduction, the government has underscored the need for developing small entrepreneurs. The Ministry of Finance along with other ministries is working together in this direction.

### Success

By late 2007, the Grameen Bank and NGOs covered around 25% of the target group households, with Tk. 57,000 core in loan outstanding. Coverage varies substantially from area to area and between social groups. Areas with poor roads, low level of economic activity and weak NCB infrastructure have benefited little from micro-credit. NGOs and Grameen Bank have performed much better than government credit schemes and their achievements compare very favorably with all other anti-poverty strategies in the country. Results have been so impressive that Bangladesh has now been a centre of



micro-credit ideas, although it is still a recipient of ideas of savings. Currently, most of the savings generated by these institutions tend Revolving Loan Funds and not generally withdrawal. Deposit banking has not been experimented with by these institutions, although other countries have made successful advances in this area.

### **Current Achievements and Constraints**

Twenty-Eight years ago, the only credit available to Bangladesh's poor came from informal sources; kin, friends, traders and moneylenders. The practice was extremely usurious. Today the situation has greatly changed with large number of people having access to credit form-semi-formal institutions. The early credit experiments of the Grameen Bank, BRAC and proshika have translated into major credit operations. The 1980s saw the Grameen Bank and its model dominating financial flows to the poor. Although this remains the case in 1990s, there has been increased experimentation and innovation. The efforts are essentially in line with a banking system based on interest.

### **Limitations of NGO's Activities for Rural Development**

1. NGO's operations are skewed in favor of organizations rather than the users. It is obvious from the rules and procedures of repayment, retention of savings and group formation are mechanisms to safe guard the interest of NGO's.
2. NGO's usually do not make clear to the borrowers about the interest rate, which include all cost and availing loan tax, insurance etc.
3. Interest paid on full throughout the year is unfair. It should be based on reducing balance of method.
4. GB is an expensive NGO. Five percent compulsory deduction at the time of disbursement is unfair. It is strict in repayment. It has a mahajan attitude.
5. The interest rates of 15% are not acceptable become of installment system.

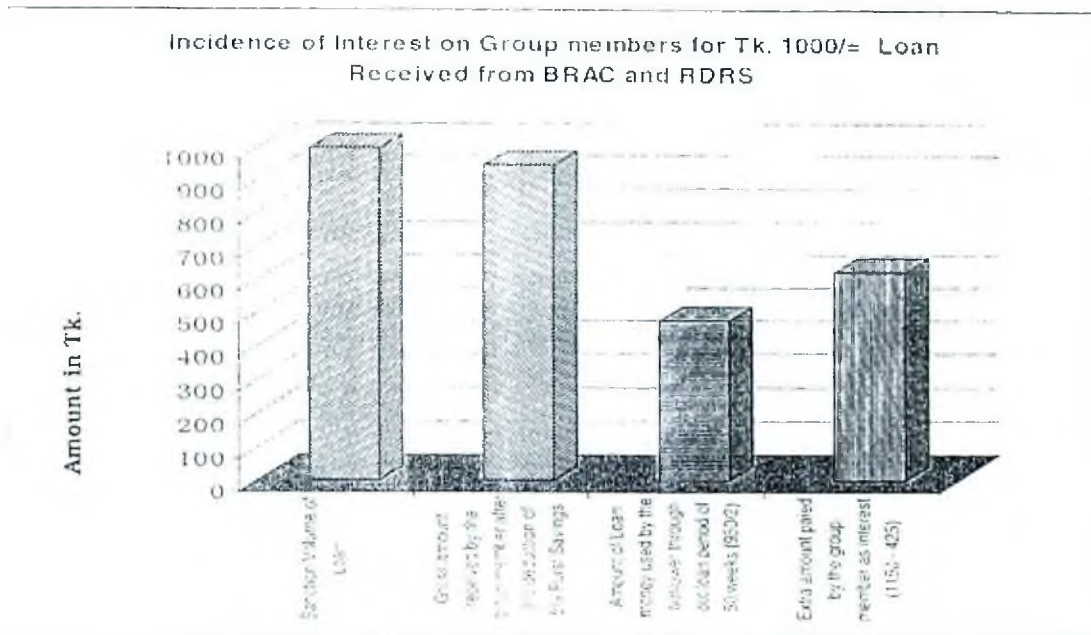
6. The credit amount of less than Tk. 5000 is rarely used for development; rather it is used mostly for household expenses. The amount greater than Tk. 10000 can be used for development.
7. 32% repayment comes from source not related with the development started with the investment from loans.
8. Borrowers regard NGO's as the Credit Business not want to poverty alleviation.
9. The higher rate of effective interest than the declared one in essence has established an unseen mechanism of surplus extraction and has brought the borrowers under the vicious cycle of credit along with the vicious cycle of poverty.
10. There is a great paradox in the calculation of interest. BRAC, GB, ASA provides loan to the group members at 15% rate of interest. 5% of the loaned money is kept at the time of disbursement as forced savings from the group members. The group members is 46 consecutive weekly installments within a year refined the loan. As for example if a group numbers takes a loan from BRAC office of taka 1,000/- he/she practically receives misusing the forced saving taka 950. Against his amount adding the interest he/she will refund taka 1150 in 46 weekly installment each installment amounting taka 25/- due to the very nature of repayment amounting Tk. 475 through out the total year. However, against this amount he/she will have to pay Taka. 675 (1,150-475) as effective interest for a period of one year. In this situation, the rate of interest stands as 137%. The borrowers always remain under the severe pressure of this high rate of interest. Through very often they cannot feel the incidence of this interest burden. By the micro credit program of NGO's the group member's are exploited in two ways.
  - i) By getting minimum interest (6%) against their savings deposited to NGO's and
  - ii) By giving high rate of interest against the loan taken from the NGO's.

**Table: 4.29 Incidence of Interest on Group members for Tk. 1,000/- Loan Received from BRAC and RDRS**

Sl. No.	Particulars	Position
1	Sanction Volume of Loan	Tk. 1000
2	Gross amount received by the group member after the deduction of 5% Forced Savings	Tk. 950
3	Amount of Loan money used by the borrower through out loan period of 50 weeks (950/2)	Tk. 475
4	Extra amount paid by the group members as Interest (1150-425)	Tk. 625
5	Rate of interest calculated on amount of fund functionally used by group member throughout the year	137%

Source: Calculated from the mode of credit operation of RDRS and BRAC.

**Figure: 4.3 Incidence of Interest on Group member**



- The reports run by The Daily Star and other dailies during the last seven days (15.03.08) on so called NGOs vanishing with about Tk 500 crore after swindling the poor villagers is deeply shocking. Four

persons have died so far, three of them of heart attack and the other by committing suicide, being unable to sustain the terrible shock of losing the last penny.

According to reports, 30 fake NGOs operating in remote villages in Natore, Rajshahi and neighboring districts, swindled about 10 lakh poor people who trusted them to get weekly dividends. People, enthusiastic about making quick money, invested with them even after selling all their belongings or taking loans.

There are numerous allegations of corruption and irregularities against many NGOs. They are blamed for misappropriation of funds allocated for poverty alleviation, and diversion of those to organizations with no link to poverty alleviation.

A trend has also developed in such NGOs to employ influential persons, especially retired bureaucrats, with high salary, who can use their network to gain special facilities from the government and to cover up irregularities. Allegations have also been raised that some NGOs are involved in dubious political activities. Some of these NGOs also get funds from the US and UK. There also has been allegation that a good number of NGOs have been using the cheap slogan of poverty alleviation as a pretext to fulfill the hidden agenda of donors.

Transparency International Bangladesh (TIB) has termed them as a mid-level corrupt sector, and recommended forming an independent NGO commission to oversee their activities. TIB noted lack of transparency and accountability in the sector, as well as serious irregularities in their dealings.

**Table: 4.30 National Household Survey 2007 on Corruption  
Incidence of bribery by time periods**

Sector	Percent against the period		
	July-Dec '06	January-June '07	In both periods
Education*	12.5	44.5	43.0
Health	32.0	36.9	31.1
Land Administration**	39.4	45.1	15.6
Local government**	38.2	47.9	13.9
NGO	33.3	35.7	31.0
Others	35.5	44.5	20.0
Law Enforcement*	49.7	37.3	13.0
Judiciary	31.9	28.8	39.3
Electricity	41.0	38.7	20.4
Banking*	55.4	22.7	21.9
Tax	44.9	34.9	20.4
Overall	37.4	39.3	23.1

\* denotes significant 5% error level

\*\* denotes significant at 10% error level.

The incidence of bribery increased in education, health, land administration, local government and NGOs during the period.

The chairman of the Regulatory Reforms Commission said that NGOs must be put under a strong regulatory framework and made and transparency that essentially involves proper auditing. It is also alleged that NGOs appoint friendly auditors for auditing and preparing their audit and financial statements.

Considering the size of the sector and its immense contribution to socio-economic development. The government should take immediate steps to form an independent NGO commission to ensure fool-proof supervision and to bring the overall activities of the NGOs under a reasonably satisfactory mechanism. The NGO Affairs Bureau, the lone regulatory body, set up on March 1, 1990, has not been able to perform as an effective regulatory and

monitoring authority perhaps due to its institutional framework. NGOs like the BRAC, Grameen Bank, Proshika and Gonoshashthya Kendro started their rehabilitation activities for the war victims, especially for women and children, immediately after independence of Bangladesh. These NGOs have so many stories of successes in the fields of poverty alleviation, developing a non-formal education program for poor children and providing health services at the doorsteps of poor villagers. They even enhance image of the country abroad.

The number of the NGOs has increased tremendously in the past decade. There are 53,454 NGOs registered with the Social Welfare Department only. Sadly, most of these NGOs are lacking transparency in spending the huge amount of money received from the foreign donors, and are tarnishing greatly the image of the sector. The NGO sector really needs to be better regulated. Swindling of poor villagers' money by the so-called NGOs is not a new incident in the country. There are several instances that the organized racketeers pretending to run NGOs have made rural Bangladesh a happy hunting ground for swindling ignorant villagers.

## RURAL DEVELOPMENT SCHEME (RDS)

### INAUGURATION / INTRODUCTION

Bangladesh is a poverty stricken country. More than eighty percent of its population living in the villages fall below the poverty line. The country's majority is basically living in the rural areas. The agriculture sector is unable to provide any further scope of employment resulting in influx of rural population towards urban areas. Rural areas are characterized by stagnant agriculture and scanty industries. Underemployment and unemployment is the regular feature particularly in rural areas. The vast human resources have remained unutilized due to lack of education and training and also concerted efforts directed towards the rural economic. This results in uneven distribution of income which causes serious set back in balanced reappraisal growth as well as growth of GDP.

Islami Bank Bangladesh limited has been founded with the major objective of establishing Islamic economic for balanced economic growth by ensuring reduction of rural-urban disparity areas and in particular for the economic uplift of the rural peoples.

Poverty alleviation efforts are undertaken through government, Semi government and non-government organization. Historically co-operative organizations are the oldest in Bangladesh and they started functioning in 1904.

After co-operative organizations than started Comilla Model by Akther Hamid Khan. Government poverty alleviation policy also running that time During the 1990s, NGO activities about poverty alleviation got greater emphasis, partly in response to failure of government policy.

Till June 2007 nine major NGOs of the country disbursed micro credit to the tune of 55,207.28 crore. Till June 2007 government about 1,00,000.00 crore. But gain from the Government, NGOs efforts did not reached poor people's because of (i) High interest rates of NGO's (ii) Dishonesty of distributor (iii) Government level corruption (iv) In absence of Zakat & Islamic distribution policy.

Accordingly, a scheme in the name and style of “**Rural Development Scheme**” has been introduced to cater to the investment needs of the agricultural and rural sector to create opportunity for generation of employment and raising income of the rural people with a view to alleviate poverty.

**Table: 4.31 RDS OPERINATIONAL SUMMARY UPTO 30.06.2008 at a glance**

Sl No	Areas of performance	TK.(Fig. In Million)	
		Number & volume/Amount	IBBL
01	No. of Branch handling the Scheme		136
02	No. of Village		10,500
03	No. of Union		1,116
04	No. of Thana		267
05	No. of District		61
06	No. of Division		6
07	No. of Center		20,301
08	No. of Group		111,028
09	No. of Group Member		5,55,140
10	No. of Client ( Who availed investment)		3,52,736
11	Cumulative disbursement		16,520.20
12	Sanctioned amount against running accounts		4,511.66
13	Average size of investment		0.013
14	Present outstanding		2,951.25
15	Amount of overdue		23.41
16	Percentage of Recovery		99%
17	No. of account adjusted ( Since inception)		12,58,419
18	Adjusted amount (Since inception)		12,008.59
19	Total recovered amount (principal)		13,888.97
20	No. of Field Officer (Including APO)		1,696
21	Average no. of village per F. O.		7
22	Average No of Member per F. O.		345
23	Average investment Per F. O.		1.84
24	No. of Branch handling the MEIS		124
25	No. of Member under MEIS		8,516
26	Cumulative disbursed under MEIS		770.56
27	Aver. size of investment under MEIS		0.05
28	Present outstanding under MEIS		407.35
29	Balance of personal saving		1035.84
30	Balance of C enter Found		149.28
31	Waiver from Risk Fund(Current year)		1.35
32	No. of Tube well provided (Since inception)		6,575
33	Amount disbursed against Tube-well(Since inception)		12.83
34	No. of Sanitary Latrine provided (Since inception)		3,716
35	Amount disbursed against Sanitary Latrine (Since inception)		3.69

Source: CDF Statistics & Micro finance data, Bank of MFA -NGO's



## Goals and Objectives of RDS:

The followings are the important objectives of IBBL's Rural Development Scheme objectives:

- 1) To bring the poorer population within an organizational framework by setting up certain rules and regulations with a view of free them from the curse of poverty and make them self-reliant, thereby converting RDS into a self-reliant sustainable program;
- 2) To extend bank investment to agricultural and non-agricultural sectors in the rural areas;
- 3) To invest on employment and income generation activities of the rural population;
- 4) To provide self-employment for distressed people;
- 5) Socio-economic development of the poor and distressed by group/centre formation;
- 6) To bring both male and female to provide employment under income generation activities and help them to attain self-reliance step by step;
- 7) To continue to support the self-reliance drive of the poor in their search of capital formation from savings they make out of their increased income;
- 8) To help reduce and eventually stop, through enhancement of their income, the lending on high and exorbitant rates of interest by the village money-lenders, the advance sale of crops, land and mortgage of land by the poor at the time when they are most in need.
- 9) To follow an approach of comprehensive development side by side with economic development; and
- 10) To provide financing to develop housing in the area.

## Target Area

Initially the Scheme was started as a Pilot Scheme in rural areas of certain districts under the direct supervision of the nearby Branches of Islami Bank Bangladesh Limited. The Scheme is being gradually extended to other districts / areas through different Branches of the Bank.

### **Selection of Beneficiaries**

The RDS of IBBL is target group-based. Beneficiaries of the plan are thus landless, wage laborers and marginal farmers. Selection criteria for members of the target group are as follows.

- (a) Farmers owning up to 0.50 acres of land including sharecroppers;
- (b) Persons engaged in non-agricultural activities owning up to 0.50 acres land or landless;
- (c) Permanent resident of the project area;
- (d) Borrower or defaulters of any other bank or organization will by no means be the beneficiaries of the plan;
- (e) Females belonging to the families of the serial 1 and 2 above, interested in income earning projects, but who unable to do so due to dearth of money, may form a group and get the financial support;
- (f) Distressed people may undertake income-generating schemes in non-agricultural sectors such as cow/goat/duck/chicken etc. For their self employment;
- (g) Landless to be given priority in selecting target groups whose yearly family income must be below Tk. 15,000.

Group formation and other rules there of, Collateral Free Investment Financing.

### **Rate of Return**

Bank's rate of return will be @ 10% per annum (flat) with a rebate of 2.5% for timely payment.

### **Modes of Invest**

Investment financing starts after a three-month observation of the group members in terms of regularity in their attendance in weekly group meeting centre meetings and the deposit of their personal saving. Two members from each group selected by the group members are considered for investment financing. The rest of the group members become eligible for financing after

those members of the group that received a loan have paid their 2 or 3 repayment installments.

Investment proposals recommended by group/centre members and collected by the field supervisor are approved after careful review. Ultimately, the loan is approved by the Investment Committee, which is headed by the Bank's Branch Manager. The committee is comprised of the Branch manager, the Second Officer of Investment Officer and the Field supervisor. The Investment Committee meets once in a month. Upon approval of an investment proposal by the Investment Committee, the appropriate documentation for the types of financing going to be extended must be completed. Banking as well as Shari'ah rules are required to be followed appropriately.

The following Islamic modes of investment are applied for investment financing the group members:

#### **Bai-Muajjal TR**

Under this mode, Branch will sell goods to the client under deferred payment basis. The payment will be made in installment/lump sum on predetermined future date.

#### **Hire-Purchase Shirkatul Melk (HPSM) or Leasing**

Under this mode, Branch may supply implements/equipments on rental basis. The ownership of the equipment will be with the Bank but the client will be authorized to possess the equipment for certain period. Under HPSM, the client will have to contribute minimum 10% of the cost price of the equipment as cash security and the rest will be invested by the Bank towards payment of the purchase price to the supplier. Under leasing system, 100% cost price of the equipment will be paid by the Bank while the client deposits down payment of equipment equivalent to 2 Installments prior to availing the investment, which will be kept as cash securities and will be refunded at the expiry of lease term.

### **Mudaraba TR**

Under this mode, Branch will supply capital to the Mudarib (agent) for conducting business, purchase of inputs, commodities etc. to be repaid on future date. The profit is to be negotiated and will be determined time to time by the Bank.

### **Musharaka**

Under this mode the Bank will extend investment on profit and loss sharing basis. In this case, Branch should receive investment proposal on a very selective basis with prior discussion with the Zonal Head. The capital sharing ratio will be maximum 80:20 between Bank and the client, The profit is to be negotiated and will be determined time to time by the Bank.

### **Bai-Salam**

Under this mode, Branch will execute advance purchase contract with the client and make payment against purchase of product, which is under process of production. A Bai-Salam contract will be executed before making any investment-showing price, quality, quantity, time, place and mode of delivery. The profit is to be negotiated and will be determined time to time by the Bank.

### **Murabaha TR**

Under this sale contract, the Bank purchases a certain commodity for the client as requested and specified by him which are deliverable to him on payment at a predetermined price. Under this mode, client will provide minimum cash security 20% of the cost price.

While considering the investment proposal under Musharaka, Mudaraba and Bai-Salam modes, Branch must ensure not to exceed 20% of the total investment under the Scheme. Branch should also be very selective in considering proposals under the above modes and

confer with the Zonal Head before sanction. Sector of Investment under RDS describe bellows.

### **Recovery of Investment**

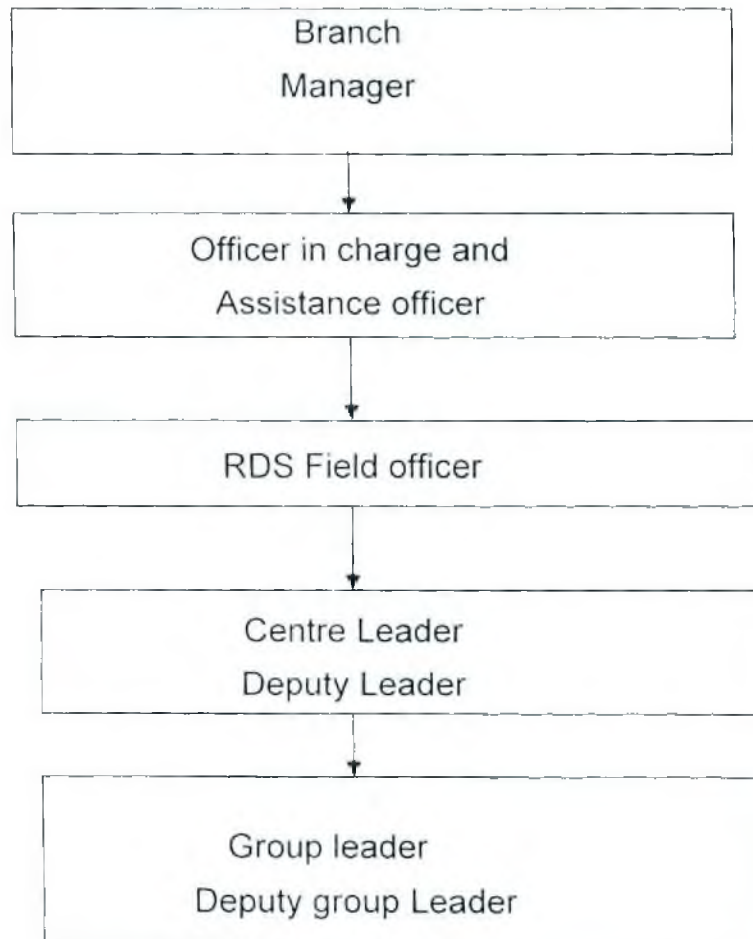
To ensure recovery of the investment in time, the Branch will determine the installments judiciously. Installments should be fixed in the following manner, keeping in view the income generation capacity of the investment and time thereof.

- a. In case of off-farm activities installments should be fixed on weekly basis.
- b. In case of agricultural/crop production, installments should be fixed on quarterly basis or on the basis of harvesting period of the crop in each of the investment area. A token installment may be realized on weekly basis.

### **Supervision Model of RDS**

RDS'S supervision never basis on the traditional concepts of supervision. To achieve the best possible result and to ease the supervisory function the terms of supervisors are categorizes into two groups Vlz, IBBL's officer in charge and field officer:

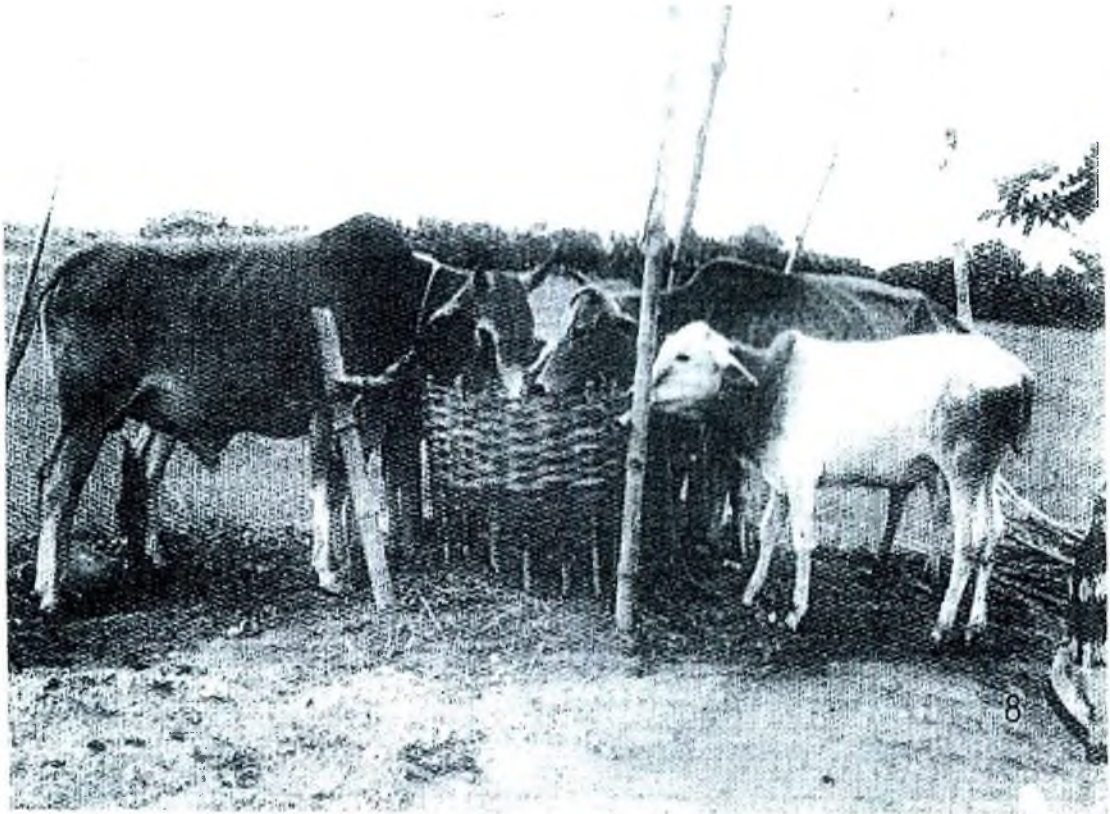
Figure: 4.4 Supervision Model of RDS



Source: Designed by the Researcher

### Savings Plan

1. The members of the Group will have to open Mudaraba Savings Account in their individual names with the Branch from the very inception of the Group activity.
2. This Mudaraba Savings Account will be non-cheque. This will induce the clients to make a habit of compulsory savings.
3. This savings may, however, be withdrawn by the member if he does not have any other liability with the Branch in any way.
4. The weekly compulsory savings will be minimum Tk. 10.00 per member.



### **Integrated development Approach: Group Formation and other Rules there of**

The cardinal principle of the Scheme shall be the 'Group Approach' Allah loves those 'who conduct their affairs by mutual consultation' (Al-Qur'an 42:38). For all decision-making activities, this mutual consultation should be given high priority. The salient features of the Group formation shall be following:

- ☆ Small Groups to be formed consisting of 5 members preferably of similar professions/ occupations.
- ☆ Each Group will select their Group Leader and Deputy Group Leader to coordinate the Group activities. After formation of the Group, the Branch Manager will visit the Group and have discussion with the Group members and then he will give formal recognition of the Group through issuance of a Pass Book,

Group Leader will help in selection of eligible members of the Group and ascertain the following:

- a. Liability of the members, if any, from any other banks and sources.
- b. The size of his/her landholdings and whether he cultivates land as owner operator or sharecropper.
- c. Identify the persons engaged in off-farm activities and ensure participation in Group activities.
- d. Group Leader will act along with the Field Officer in selecting the genuine client members and should have full command over the Group members,

**Picture: Group Meeting**



- e. The Group Leader will help in selecting the intending eligible client for getting investment facilities and also in recovery of the installments from members of the Group. He/She will ensure regular attendance of all the Group member in the weekly meeting and deposit of the personal savings. Initially 2 members of a Group will be given investment facilities after eight weeks from the date of formation of the Group. The remaining members of the Groups will be eligible for investment facilities after regular payment of installmen<sup>l</sup>s for at least



one month by the 2 members who availed investment facilities initially. The Group Leader will extend sincere co-operation in selection of the first two investment clients from the members of the Group.

- ☆ A Centre will be formed by minimum 2 and maximum 8 (Eight) of the above-mentioned Groups. Each Centre will select a Centre Leader and a Deputy Centre Leader from amongst the Group Leaders & Deputy Group Leaders to co-ordinate the Centre activities.
- ☆ The Centre will have regular weekly meeting. The weekly meetings are to be organized in a particular place, day and time as decided in the meeting of the Centre.
- ☆ Centre meeting will be recorded in a Resolution Book along with signature of the members (members who do not know signature must learn it). Attendance in the Centre meeting is the first requirement to become a dependable client member of the Scheme.
- ☆ Centre meeting will be held on weekly basis.

The following activities will be conducted in the Centre meeting. All the Centre meetings will be organized by the Field officer of the Bank:

- a. Maintain attendance of the members.
- b. Discuss ideals, moral values and norms of the Scheme, problems and prospects of the Scheme and the members' duties and responsibilities for the successful implementation of the Scheme.
- c. Collection of funds viz. Installments, Personal Savings, Centre Fund etc. and entry into member's Pass Book duly signed by the Field Officer.
- d. Recording of collection in the collection sheet. Posting of the collections in the respective account of the client will be made in the Branch from the collection sheet. Project Office should Check-up the account entry through the collection sheet every day and Pass-book of the client every month.
- e. Acceptance of the investment proposal from the members and recommendation to the proposals from the group leader and centre

leader in consultation with other members if found suitable.

- f. If any of the members of the Group fails to comply with the principles of the Group activities, the other members of the Group will compel him to observe Group discipline and in case of failure they will be responsible to recover the defaulted amount and/or loss, if any and will expel the defaulted members from the Group for breach of Group discipline. Expelled member will not be allowed any investment facility and other benefit in future from the Bank. If any of the members of the Group becomes a defaulter other members will be liable to pay his defaulted amount.

**Table: 4.32 Table Purpose, Period and Ceiling of Investment**

Sl.	Purpose of Investment	Period	Maximum Ceiling
A	Production of 21types of crops (as	1 year	Tk. 15,000.00
B	Nursery and commercial production	1 year	Tk. 30,000.00
C	Agricultural and irrigation equipments	3 years	Tk. 30,000.00
D	Live stocks	2 years	Tk. 30,000.00
E	poultry & Duckery	1 year	Tk. 20,000.00
F	Fisheries	2 years	Tk. 30,000.00
G	Rickshaw/ Rickshaw- van and other	1 year	Tk. 10,000.00
H	343 Kinds of- farm activates (mentioned in Annexure –B)	1 year	Tk. 30,000.00
I	Construction materials for Rural Housing	5 years	Tk. 20,000.00

Source: Hasan M. Kabir, 2003

**Table: 4.33 OFF Firm Activities**

**(List under broad categories of activities)**

01. Processing & Manufacturing	05. Peddling
02. Service	06. Plantation
03. Trading	07. Livestock
04. Shop-keeping	

Source: IBBI RDS booklet-2006

**Table: 4.34 Name Of Crops**

01. Aus (HYV)	12. Pulse
02. Aus (Local)	13. Sugarcane
03. Aman (HYV)	14. Cauliflower
04. Aman (Local)	15. Cabbage
05. Boro (HYB)	16. Bringal
06. Boro (Local)	17. Tomato
07. Wheat (Irrigated)	18. Pepper
08. Wheat (Non-irrigated)	19. Onion
09. Jute	20. Potato (HYB)
10. Mastered (HYB)	21. Potato (Local)
11. Mastered (Local)	

Source: IBBI RDS booklet-2006

Table:4.35 Detailed list of off-farm activities Processing &amp; Manufacturing

01. Bamboo Works	64. Sweet Drop Making
02. Cane Works	65. Atta Making/Wheat Husking
03. Pottery Products	66. Comb Making
04. Puffed Rice Making	67. Molasses Making
05. Snacks Making	68. Weaving (Mosquito & Net)
06. Garments Making	69. Ghee Making
07. Sugarcane Crushing	70. Chanachur Making
08. Repairing Works	71. Jute products
09. Container Making	72. Shoe making
10. Rickshaw Making & Repairing	73. Flour making
11. Cold Drinks (Sarbat) Making	74. Goldsmith works
12. Broom Making	75. Masonry
13. Sweet Meat Making	76. Utensils making and repairing
14. Furniture Making	77. Tube well making & repairing
15. Medicine Preparation	78. Conch shell product making
16. Umbrella Repairing	79. weaving (Bed sheet)
17. Cake (Pitta)	80. Yarn dyeing
18. Plastic Works	81. Making stone gravel
19. Weaving Loom (Filter)	82. Fire cracker machine
20. Spin Purchase	83. Lime making
21. Drum Purchase	84. Mat making
22. House repairing	85. Beaten Rice (Cheera) Making
23. Woolen Garments	86. Weaving (Saree)
24. Tyre repairing	87. Weaving (Lungi)

25. Box Repairing	88. Blacksmith Works
26. Betel-nut Processing	89. Firewood Making
27. Katha Making	90. Spices Making
28. Making & Repairing of Rickshaw Hood	91. Bobbin Making
29. Making of Iron Household Implements	92. Bakery
30. Cap Making	93. Agriculture Equipments Making
31. Thread Works	94. Fishing Net Making
32. Pickles Making	95. Bread Making
33. Printing (Shirting)	96. Earthen Container Making
34. Mosquito Coil	97. Jute Bag Making
35. Tin Purchase	98. Cloth Bags Making
36. Shaw Purchase	99. Spare Parts For Handloom
37. Laundry	100. Book Binding
38. Pulse Cake	101. Fried Peanuts
39. Tool Purchase	102. Spinning
40. Candle Making	103. Photo Binding
41. Paper Container Making	104. Signboard Painting
42. Sanitary Goods	105. Repairing of Handloom Parts
43. Welding Works	106. Bucket Making
44. Plank Making	107. Weaving
45. Flower Embroidery	108. Weaving (Screen)
46. Dry Sweet Making	109. Weaving (Napkin)
47. Wreckage Making	110. Processing of Entrails
48. Gaira Making	111. Clock Repairing
49. Sweet Ball Making	112. Paddy Husking
50. Toy Making	113. Pulse Husking

51. Packet Making	114. Bicycle Repairing
52. Basket making	115. Butcher Shop
53. Oil crushing making machine	116. Mishri Malting
54. Nimki making	117. Hand Fan Making
55. Cosmetic Making	118. Rice Mill
56. Optical glass making & repairing	119. Radio Repairing
57. Fried gram & snacks making & repairing	120. Quilt Making
58. Hogla making	121. Ice-cream Stick Making
59. Trinket making	122. Sawing
60. Fishing rod binding	123. Mustard Oil Making
61. Rope making	124. Food Making
62. Lamp making	125. Cart Wheel Making
63. Oars making	126. Boat Making & Repairing

Source: IBBI RDS booklet-2006

**Table: 4.36: Service**

1. Rickshaw	18. Sewing Machine Cage Purchase
2. Barber Shop	19. Paddy Threshing Machine
3. Renting of Irrigation Pump	20. Bicycle Purchase
4. Newspaper Distribution	21. Spray Machine Purchase
5. Push Cart	22. Microphone Purchase
6. Bullock Cart	23. Carpenter
7. Microphone Rental	24. Wheat Threshing Machine
8. Boat for Ferry Service	25. Van Purchase
9. Laundry	26. Calendar Purchase
10. Veterinary Service	27. Purchase of Fan Making Machine
11. Tom-ton (Horse Carriage)	28. Hair Cutting Instruments Purchase

12. Buffalo Cary	29. Mechanical Equipment
13. Dentistry	30. Sewing Machine Purchase
14. boat for Transportation	31. Rope Making Machine Purchase
15. Decorators	32. Sharpening Machine Purchase
16. Baby Taxi	33. Battery Charge/ Maintenance
17. Construction Works	30. Sewing Machine Purchase

Source: IBBI RDS booklet-2006

**Table: 4.37 Trading**

1. Rice/Paddy	42. Egg
2. Pulse	43. Lime stone
3. Salt	44. Napkin
4. Pepper	45. Oil cake
5. Vegetables	46. Leather
6. Molasses (Gur)	47. Jute Bag
7. Fire Wood	48. Mat (pati)
8. Timber	49. Bamboo basket
9. Chicken	50. Peanut
10. Fish	51. Second hand clothes
11. Dry Fish	52. Biscuits
12. Cattle	53. Gunny bags
13. Seeds	54. Cotton
14. Banana	55. Yam
15. Onion	56. Books
16. Betel nut	57. Rope of Coconut Fiber
17. Betel-leaf	58. Brass
18. Shop	59. Grass
19. Seasonal Fruits	60. Bamboo Made Products

20. Cloths	61. Slippers & Shoes
21 Bamboo	62. Old Tin
22. Milk	63. Agricultural Equipment
23. Fertilizer	64. Non-Judicial Stamp
24. Tea	65. Kerosene Oil
25. Broom	66. Wool
26. Potato	67. Seeds & Plants
27. Coconut	68. Beaten & Puffed Rice
28. Spices	69. Seasonal Agricultural Products
29. Flour	70. Pottery Products
30. Stationery goods	71. Soap
31. Gaab	72. Utensils
32. Lungi	73. Grocery Goods
33. Vest	74. Stationery Goods
34. Brick	75. Saree
35. Mustard Oil	76. Ice-cream
36. Broken glass	77. Vegetables
37. Saree	78. Medicine
38. Ginger	79. Sweet Meat
39. Jute	80. Insecticides
40. Pati Cane	81. Miscellaneous Items
41. Mustard seeds	82. Non-Judicial Stamp

Source: IBBI RDS booklet-2006



Table: 4.38 : Shop keeping

1. Grocery shop		26. Paint
2. Stationary Shop		27. Jack
3. Medicine Shop		28. Paddy Powser
4. Tea Stall		29. Wheat
5. Iron Shop		30. Sugar Cane
6. Betel Leaf Shop		31. Coconut Oil
7. Magazine Stall		32. Curd
8. Cloths Shop		33. Anise Seeds (Jiro)
9. Shoe Store		34. Fishing Net
10. Sweetmeat Shop		35. Stone
11. Fruits Stall		36. Green Coconut
12. Bicycle Parts Shop		37. Date-Plain Juice
13. Electrical Parts		38. Cassia Leaf
14. Seeds & Plants Shop		39. Hotel
15. Mirror Shop		40. Round Leaf (Goalpata)
16. Match Shop		41. Silver
17. Trunk Making Shop		42. Shuttle
18. Photograph Shop		43. Sugar
19. Measuring & Instruments		44. Jeweler's (Imitation)
20. Cane		45. Ice-cream
21. Grocery Goods		46. Pipe
22. Medicine		47. Umbrella
23. Chanachur		48. Glass
24. Catacchu (Khayer)		49. Battery
25. Coal		50. Oil & Suger
9. Shoe Store		34. Fishing Net
10. Sweetmeat Shop		35. Stone
11. Fruits Stall		36. Green Coconut
12. Bicycle Parts Shop		37. Date-Plain Juice
13. Electrical Parts		38. Cassia Leaf
14. Seeds & Plants Shop		39. Hotel
15. Mirror Shop		40. Round Leaf (Goalpata)

16. Match Shop		41. Silver
17. Trunk Making Shop		42. Shuttle
18. Photograph Shop		43. Sugar
19. Measuring & Instruments		44. Jeweeler's (Imitation)
20. Cane		45. Ice-cream
21. Grocery Goods		46. Pipe
22. Medicine		47. Umbrella
23. Chanachur		48. Glass
24. Catacchu (Khayer)		49. Battery
25. Coal		50. Oil & Suger
51. Smelting		63. Crop Storage
52. Gunny		64. Paper
53. Kalai		65. Cattle Feed (Bhusi)
54. Cement Made Pot		66. Wheat Powder (Ata)
55. Copper Brass		67. Garlic
56. Posset		68. Polythene
57. Thread		69. Carb
58. Fingerlings		70. Watch/Clock
59. Gram (Sola)		71. Sandal Lace
60. Mobil		72. Sesame Candy
61. Sand		73. Chemicals
62. Dhama (Cane & Bamboo)		74. Other Business

Source: IBBI RDS booklet-2006

**Table: 4.39 Paddling**

1. Bamboo Basket		4. Well Nut
2. Second Hands Cloth		5. Grocery Goods
3. Batl Leaf		

Source: IBBI RDS booklet-2006

**Table: 4.40 Plantation**

1. Vegetables cultivation		6. Turmaric cultivation
2. Water melon		7. Bamboo Grooves
3. Banana cultivation		8. Papya cultivation
4. Ginger cultivation		9. Pepper cultivation
5. Bringal cultivation		10. Onion cultivation

Source: IBBI RDS booklet-2006

**Table: 4.41 Livestock**

1. Milch Cow		8. Buffalo Rearing
2. Bullock		9. Apiculture
3. Cow Fattening		10. Horse for Transportation
4. Goat		11. Other Domestic Animals
5. Poultry		12. Pigeon Rearing
6. Sheep Rearing		13. Quell Rearing
7. Duck Purchase		

Source: IBBI RDS booklet-2006

### Commandments for RDS members

The members of RDS memorize and utter loudly the 18 decisions at the Centre Meeting to implement those in their practical lives. The decisions are memorized after becoming a member and before investment. It is considered as pre condition of RDS investment.

**Table: 4.42 Commands for RDS members.**

Sl.	Description
01	We shall seek help of Allah, the almighty, in all conditions of life, speak truth and lead honest life.
02	We shall order others for good deeds and prohibit from bad deeds.
03	We shall be law abiding, not do illegal work and not allow others to do the same.
04	We shall not remain dependent on others rather stand on our feet;
05	We shall bring, prosperity to our family Insha Allah;
06	We shall grow vegetables at the surroundings of our house, eat plenty of them and enhance income by selling the surplus. and enhance income by selling the surplus;
07	We shall during the plantation season, plants as many seedlings as possible;
08	We shall not remain illiterate, establish night school if necessary;
09	We shall arrange education for the children;
10	We shall help each other, try to rescue any member of the Centre from danger if any
11	We shall give preference to others, compete in good deeds and encourage others in it
12	We shall build and use sanitary latrine, if not possible, build latrine digging hole.

13	We shall drink water from tube-well, otherwise drink boiled water;
14	We shall keep our children and environment clean;
15	We shall take care of health, take balanced food so far;
16	We shall not take or give any dowry at our son's and daughter's wedding, tell others that it creates a social problem. others that it creates a social problem;
17	We shall follow discipline, unity, courage and hard work in all walks of our lives.
18	We shall Keep words (wadah) with others, not embezzle the deposit (Amanath) and never tell a lie.

Source: IBBI RDS booklet-2006 and Pallyi Barta of IBBL

### Centre Fund

Each member of the Group will deposit minimum Tk. 2.00 per week in the Centre Fund. This Fund will be kept by opening a Centre Fund Account at the Branch in the Mudaraba Savings Account. This Fund will be utilized for the welfare of the members by way of Quard as per decision of the Centre in the weekly meeting. This Account will be operated by Centre Leader & Deputy Centre Leader jointly. This fund is refundable.

### Supervision follow-up and Monitoring

The investment under the Scheme will be fully supervised. The Branch must take the responsibility for the investment as well as recovery. To ensure this the Branch must ensure systematic and continuous relationship with the clients. To achieve this close relationship, the Branch must work together and meet closely and regularly with the clients.

Accordingly, the target area should be nearest to the Branch and to make continuous relationship with the client. Group approach should be encouraged. Through Group approach, clients will be motivated, induced and pressed by the fellow members in the recovery of the investment.

At least one Field Officer will be appointed for every 400 investment clients in addition to one or more Assistant Officer / Officer who will work in the Branch and supervise the works of the Field Officer. The Field Officer will under-take the following functions under the overall supervision of the Officers/Managers of the concerned Branch.

- a. Conduct base-line survey of the area.
- b. Organize the target Group people and induce them to form Group(s).
- c. Attend Group meetings and conduct the meetings, elect Group Leader and Deputy Leader of the Group.
- d. Minimum 2 (two) and maximum 8 (eight) Groups will form a Centre. Each Centre elects a Centre Leader and a Deputy Centre Leader among the Group Leaders & Deputy Group Leaders to co-ordinate the Centre activities.
- e. Ensure collection of weekly personal savings and weekly installments and enter them in the ledger.
- f. Issue Pass Book to the members duly signed by the Field Office. This Pass Book will be verified with the respective Ledgers by the project Officer of the Branch every month.

#### **Appointment of Field Officer**

Field Officer will be appointed by Head Office as per rules. After recruitment, the Field Officers will undergo compulsory Foundation Training for a period of 2 weeks so that they can perform satisfactorily. One Field Officer will be responsible to supervise minimum 400 clients.

Officers should be appointed well ahead of starting implementation of Scheme by the concerned Branch. The concerned Branch will start operation of the Scheme after satisfactory completion of the base-line survey, formation of the Groups, motivation of the Group members and compliance of the Group disciplines etc.

The eligibility criteria for the Field Officers will followings:

- a. Young man with initiative and drive
- b. Minimum qualification: graduate or equivalent

- c. Their services will be confirmed after one year on satisfactory performance. The performance will be considered satisfactory if rate of recovery is 95% or above.
- d. The Field Officers will be recruited as per Recruitment Policy of the Bank

### **Supervision and Logistics**

The Scheme will be supervised by the following officials from the Branch:

- a. Assistant Officer/Officer as Project Officer.
- b. Field Officer.

The Project Officer of the Branch will perform the duties as under in addition to Field Officer as overall supervisory official.

- a) Advise and guide the Field Officer in implementing the Scheme.
- B) Provide necessary training to the members/Group members on the different aspects of the scheme.
- C) Ensure strict and timely attendance of the Group members in the weekly meetings. Ensure regular deposit of savings & Centre fund by members.
- D) Ensure strict adherence of Group activities and responsibilities in disbursement as well as recovery of the investment.
- E) Ensure proper induce of the investment.
- F) Ensure recovery of installment on weekly meetings.
- G) Ensure investment in profitable activities.
- H) Imbibe the member's confidence on the Scheme and continuity of Bank investment in future This reduces the rate of default.
- I) Ensure deposit of savings/installment money within the same day realized/ collected from the members with the Branch and posting of the same in the respective Ledgers.
- J) Ensure balancing of Ledgers and preparation of statements and returns of RDS as per instructions issued from time to time and submission of the same to the Zonal Office and Head Office in time.



**Field Officers Activities**

To ensure mobility and proper supervision and follow-up, the Project Officer of the Branch will be provided with one motorcycle by the Bank. The Field Officer will also be provided with one bicycle against Quard. The Quard is recoverable from the emoluments of the Officer @tk.150.00per month.

### **Application and Processing**

The Branch will start receiving investment applications and accord approval in the following manner as soon as the investment committee of the Branch will be satisfied that the Group members conform to the principles of Group activities and it is ensured that such Group activities will be carried out without any hindrances in future.

- a. The application as per Bank's approved format will be distributed among the eligible members of the Group. The Bank officials will help in filling in the forms.
- b. The application after properly filled-in will be submitted to the Branch.
- c. Upon receipt of the applications from members, the Bank Officials will verify the forms and discuss in the weekly meeting with other members and ascertain that the Group will take responsibility in the recovery of the installments and also dwell on the applicants past behavior in the



Group meetings. The Group Leaders will recommend the application along with Bank's Field Officer and Project Officer of the Branch for sanction.

- d. The application, thereafter, will be presented to the Branch for sanction of the investment.
- e. The investment Committee at the Branch will give its observation and sanction the investment if found suitable.

### **Documentation**

To secure the Bank's investment, the following documents will have to be executed:

- i. Group guarantee form
- ii. Deed of Agreement
- iii. Usual charge documents

### **Other Investment Facilities**

The investment requirements of the deserving and investment worthy clients of the area that are not covered under the Scheme may be accommodated under other existing/proposed Schemes of the Bank:

- i. Micro Enterprise Investment Scheme
- ii. Agriculture Implements Investment Scheme
- iii. Micro Industries Investment Scheme
- iv. Others

The existing Field Officer and designated Project Officer will explore the possibilities of investment in the area under the aforesaid Schemes and recommend to the Branch for sanction. If the Branch is designated to handle the proposal of the client under the above Schemes, and if it is within business discretionary power of the Branch incumbent, the Branch may sanction, but if it is not, the Branch may send the same to Zonal Office/Head Office for sanction. The entire scheme has been chalked out in such a way so that all the persons within the command/target area may be brought within the fold of Bank's investment Scheme for productive economic activities.

## **Support Project of RDS by Islamic Bank Foundation**

### **Introduction**

Development is basically a multi-dimensional process. No progress can take place unless appropriate steps are taken for the uplift of education, income generation and providing health and Medicare services. The development becomes easy if stride and growth in these basic fields are ensured. It is, therefore, essential to take integrated approach in these fields. The Bank, basically being a profit earning financial institution, can hardly afford time and attention to areas and sectors other than income generating Education, health and Medicare are still not high profit yielding commercially viable sectors.

The initiative by Islami Bank Foundation, side by side islami Bank Bangladesh Limited, in these sectors are considered most suitable and effective. Islami Bank Foundation, being a welfare organization, has included education, health and Medicare service in its regular programs. As a non-profit and service oriented organization, it is relatively easier for the Foundation to operate in the education, health and Medicare sectors and has, therefore, taken up support project of the Rural Development Scheme (RDS) of islami Bank Bangladesh Limited.

### **Aims and Objectives**

The principal aims and objective of the project are to provide mass education, health and Medicare services for the integrated development of the villages covered by the Rural Development Scheme of the Bank. To achieve the desired goal, emphasis will be given on:

- To provide general elementary education and impart moral teaching of Islam to the children of the areas.
- To eliminate illiteracy from the villages covered by the scheme.
- To encourage the establishment of libraries with a view to create opportunities of learning.
- To create health awareness among the people by disseminating knowledge of health and hygiene.

- To encourage the people to follow the islami teachings regarding health and cleanliness.
- To encourage the people to use safe water for drinking and other household activities.
- To make arrangement for the supply of pure drinking water.
- To encourage the people in the use of sanitary latrines
- To help the people to establish the water sealed latrines
- To introduce immunization program
- To create opportunities for primary health care
- To make arrangement for the treatment of critical and vulnerable patients in the areas.

Source: IBBI RDS booklet-2006

### **Salient Features of IBF**

- To integrate Education, Health and Medicare program of the Foundation with the Rural Development Scheme of the Bank.
- To ensure people's participation in the initial stage, the Foundation will bear a major part of the total expenditure of the Elementary Religious School. The contribution of the Foundation will, however, be reduced at the rate of 10% per annum subsequently so that the school may become self-reliant in future.
- The Foundation will contribute fund to bear the cost of installation of the tube well and sanitary latrine, establishment of the Centre for mass education, Cassette Club and library as Quard (cost-free loan) instead of donation, which will be realized by easy installments. The fund so realized will be used as revolving fund.
- Before extending Quard for the installation of tube wells and sanitary latrines to the group members of RDS, their overall performance in respect of attendance repayment and group behavior shall be taken in to consideration

## **Program of IBF**

Two types of programs will be undertaken in the villages covered by the Rural Development Scheme of the Bank.

- A). Educational Program
- b). Health and Medicare Program

## **Educational Program**

The Educational Program will include:

- To establish and operate Elementary Religious School.
- To establish and operate mass education Centers.
- To establish and operate libraries.
- To establish and operate Cassette club

## **Health and Medicare Program**

The Health and Medicare Program will include:

- a). Preventive measures
- b). Curative measures

## **Preventive Measures**

The preventive health care will include:

- a) Installation of tube wells
- b) Construction of sanitary latrines
- c) Immunization of children
- d) Health - hygiene awareness

## **Curative Measures**

The curative health measures will include:

- a) To establish rural health Centers,
- b) To take measures for making health services easily available to the RDS members in the government, non-government hospitals and other clinics including Islami Bank Hospital.

## Educational Program

Elementary Religious School will be established and operated in the villages covered by the Rural Development Scheme of the Bank with a view to created opportunities for basic islami teachings.

### a) Objectives

The aims and objectives of the School are as follows:

- To create opportunities for the poor children about the basic religious teachings of Islam.
- To help the poor children in the rural areas to grow up as enlightened and hard working citizens.



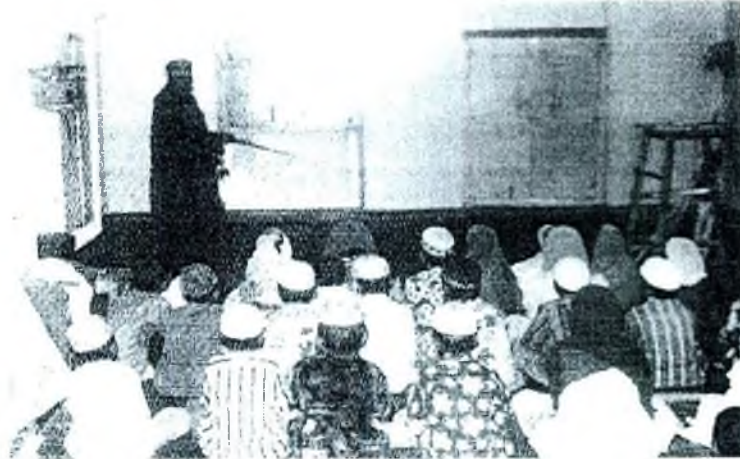
A class room of IBF

### Teachers

Based on the total number of students, the number of teachers to be appointed will be determined.

### Class Room

Mosque, School or open floor of the dwelling house or any other suitable place will be used to run the School. No separate accommodation will be required for the purpose.



### **Management Committee**

For each School a 5 to 7 member Management Committee will be formed consisting of the representatives of the enlisted local voluntary organizations of the Foundation, Centre Leader/Group Leader of the RDS of the Bank and any other respectable persons of the area. Field Officer will be the Secretary of the Committee will be responsible for all affairs relating to the operation of the School. The Manager of the nearest Branch of the Bank will be the ex-officio Adviser of the Committee.

The School will operate as per the overall guidelines of the Foundation.

### **Mass Education Centre, Library and cassette club**

The members of the Centre will acquire the skill of reading and writing in addition to the ability of signing. Mass Education Centers will, therefore, be established. The members of the Centre after completing their day-to-day activities will attend classes in the evening in the Mass Education Centre. They can choose an educated member of the Centre as teacher can appoint a teacher out of their own initiative or can appoint the teacher of the Elementary Religious School for their teachings.

To increasing, the knowledge of the members of the Centre Libraries will be established that will keep selected books. The members who can read will read by rotation while other will listen. Later, the members will purchase

books out of their own resources to further develop the standard of the library. To run the Library, a Management Committee will be formed in consultation with the Group members of the RDS. Field Officer will be the adviser of the Committee. The Committee will be responsible to run the Library Properly. Cassette club will be established so that the members of the RDS can get the opportunity for recreation after their daylong laborious work.

## **Health and Medicare Program**

### **a). Preventive Program**

For health and Medicare service, preventive measure is more suitable and effective than curative measure. It is better to prevent the disease before it attacks. Preventive measure is less costly but more fruitful. The following projects will be undertaken for the purpose.

#### **a-1). Installation of Tube well**

For the supply of safe drinking water in the village covered by RDS, tube well will be provided to the Group members of RDS having no facility of safe drinking water. Such tube well will be purchased with an amount of Tk.2500.00 sanctioned by the Foundation to be realized within one year in weekly installment basis.

### **a-2). Sanitary Latrine Project**

The members of RDS whose attendance in the meeting, savings and repayment of dues of investment is 100% and other performance are satisfactory will get Tk.1,000.00 for the construction of sanitary latrine which will also be realized within one year in weekly installment basis.

### **a-3). Immunization Program**

The Foundation will launch Immunization program in the villages covered by the RDS to prevent the spread of diseases like tuberculosis, polio, measles, tetanus, diphtheria, whooping cough etc. Existing facilities provided by government and non-government hospitals will also be availed in addition to the service of Rural Health Workers trained by the Foundation.

### **a-4). Health Education Program**

Health Education Program will be undertaken in the villages covered by RDS to create opportunities for primary Health care of the villagers, Local energetic youths having passed SSC/HSC or equivalent will be appointed after six months training to look after the primary health care service of the respective villages. In each of the villages at least one male and another female will be trained up who will stay in their own village and provide primary health and Medicare services to the people in exchange of reasonable fees.

## **b). Curative Programs**

### **b-1). Rural Health Centre**

Rural Health Centre will be established in the villages covered by RDS to render primary health care services to villagers. Arrangements will be made to link up the Centre with nearest government and private clinics and Islami Bank Hospital. These Centres will provide facilities for treatment of common diseases, mother and childcare, parental check-up, first aid, referred advice for critical patients, routine pathological tests etc., with reasonable fees. The



Rural Health Workers who will receive training under the Rural Health Worker Training Project of the Foundation will be appointed in the centers. Steps will be taken to engage one or more qualified doctors of the nearest area to render Medicare facilities to these Centers on specific days of a week. Reasonable fees will be given to doctors for the purpose.

**b-2). Easy Available Health Service**

The critical patients of villages covered by the RDS will be referred to Islami Bank Hospital or nearest clinics or hospitals directly or through satellite dispensaries for their better treatment. Necessary arrangement will be made so that the referred patients can receive treatment at reasonable with doctors and management of local hospitals and clinics through the Rural Health Worker, RDS Officer and representatives of enlisted local voluntary organizations of the Foundation.

**Sanction and Supervision of Fund**

The Support Project of Rural Development Scheme will be implemented by Field Officers of the RDS. All transactions will be made by opening account in the nearest Branch of the Bank. Specific recommendations of the Branch incumbent will be required of the sanction of the fund.

Tables shows, at the end of June 2008 RDS had 136 branches, 61 districts, 1,136 unions, 10,455 villages. At the same time the active number of clients stood at 5,56,140.

**Table: 4.43 Detailed Performance of Rural Development Scheme up to 30.06.2008**

Year	Branches	District	Union	Village	Member	Pc-female	Cu-investment	Investment balance	Recovery	Saving rate	Tub-well	Latrine dist
1995	20	17	175	20	1980	52%	1.90	-	100%	0.19	-	-
1996	20	17	180	20	3335	55%	18.48	9.94	100%	0.91	-	-
1997	32	27	190	63	8194	52%	60.35	27.01	99%	3.58	224	100
1998	45	33	201	250	15135	75%	131.86	49.44	99%	7.99	305	175
1999	52	38	230	1062	41115	87%	326.74	140.30	100%	22.97	504	271
2000	89	45	461	1385	74315	91%	714.93	272.60	99%	58.05	850	400
2001	69	45	481	2214	100470	93%	1323.87	371.09	98%	99.07	1200	550
2002	73	48	540	2675	107225	93%	2029.67	432.06	98%	168.83	1894	711
2003	83	50	650	3700	130465	94%	2923.59	557.97	98%	228.74	2539	977
2004	90	54	729	4230	163465	94%	4216.77	788.97	99%	323.10	3400	1509
2005	101	57	781	4580	17445	94%	5033.29	1108.47	99%	458.05	4421	2204
2006	118	61	906	8057	409430	92%	9300.05	2442.22	99%	724.22	5522	3139
sep 07	122	61	806	9388	409110	92%	12840.02	2871.59	99%	978.72	6190	3531
June-2008	130	61	1116	10455	555140	93%	16520.20	2951.25	99%	1035.84	6575	3710

Source: Annual Report of IBBL (2007).

### Performance of Rural Development Scheme up to 31.12.2007 with Growth

Year-wise data for the last 5 (five) years performances of the Scheme are given below:

Table: 4.44: Performance of Rural Development Scheme up to 31.12.2007 with Growth

Particulars	31-12-03	31-12-04	Growth	31-12-05	Growth	31-12-06	Growth	Dec. 07	Growth
Village	3700	4230	14%	4560	8%	8097	77%	10023	24%
Center	5514	6384	16%	8526	34%	15321	80%	18897	23%
Member (Male)	7190	9808	36%	13047	33%	32766	150%	56830	73%
Member (Female)	123275	153657	25%	204398	33%	376809	84%	459685	22%
Total Members	130465	163465	25%	217445	33%	409575	88%	516725	26%
Cumulative disbursement (million Tk.)	2924	4217	44%	6033	43%	9303	54%	13969.10	50%
Outstanding investment (million Tk.)	571	790	38%	1107	40%	2242	103%	2864.66	29%
Rate of Recovery	90%	99%	-	99%	-	99%	-	99%	-
Member's Savings (million Tk.)	229	323	41%	450	42%	728	59%	1053.50	45%
Tube-well (Nos.)	2539	3400	34%	4421	30%	5525	25%	6242	13%
Sanitary Latrine (Nos.)	977	1509	54%	2204	46%	3147	43%	3551	13%
Field Officer (Nos.)	639	731	14%	868	19%	1368	58%	1819	27%

Source: Annual Report of IBBL (2007).

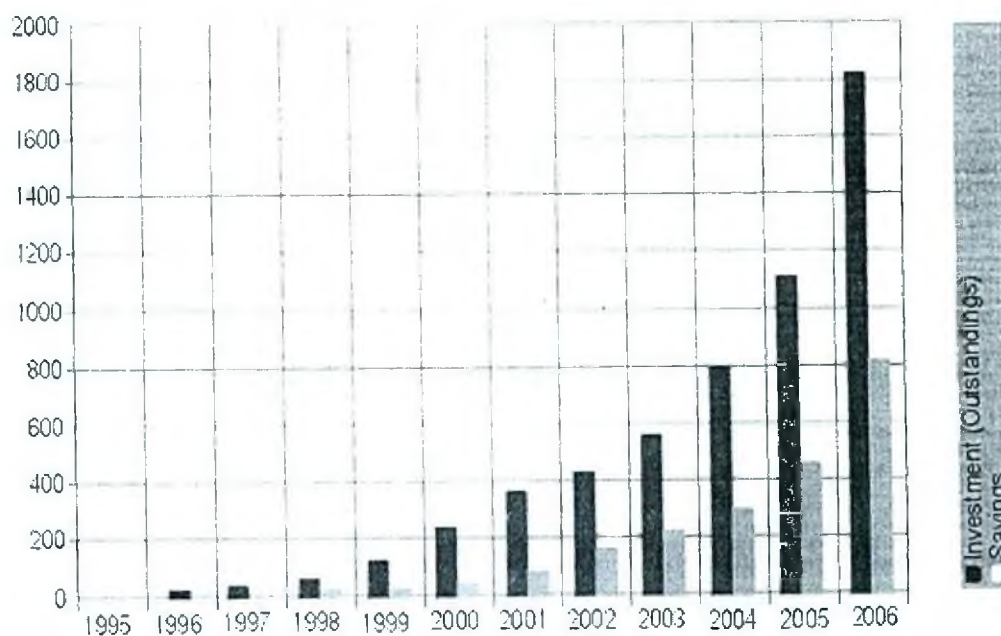
### Year wise position of Investment & savings of RDS:

Capital formation (or accumulation) is regarded as one of the important and principal factors in economic development. Continued rise in savings and investment plays an important role in achieving the high economic growth. According to Nurks, the vicious circle of poverty in underdeveloped countries like Bangladesh can be broken through capital formation. Capital formation leads to increase, in the site of national output, income and employment, these by solving the problems of inflation and balance of payment and making the country free from the burden of debts. The researchers discussed below the importance of investment and saving. Investment in capital equipment not only increases production but also employment opportunities.

**Table: 4.45**

### Year wise position of Investment & savings :

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Investment (Outstandings)	0	9.95	27.91	49.44	149.3	272.6	371.69	432.04	570.88	789.97	1106.47	1833.89
Savings	0	0.91	3.5	7.99	22.97	56.05	99.07	166.83	210.88	322.47	459.06	632.34



A rapid rate of investment and saving increase, gradually disperses with the need for foreign aid. In fact investment and saving increase help in making a country self-sufficient and reduces the burden of foreign aid. The strains of inflationary pressure on a developing economy like Bangladesh can be removed to a considerable extent by increased investment and savings.

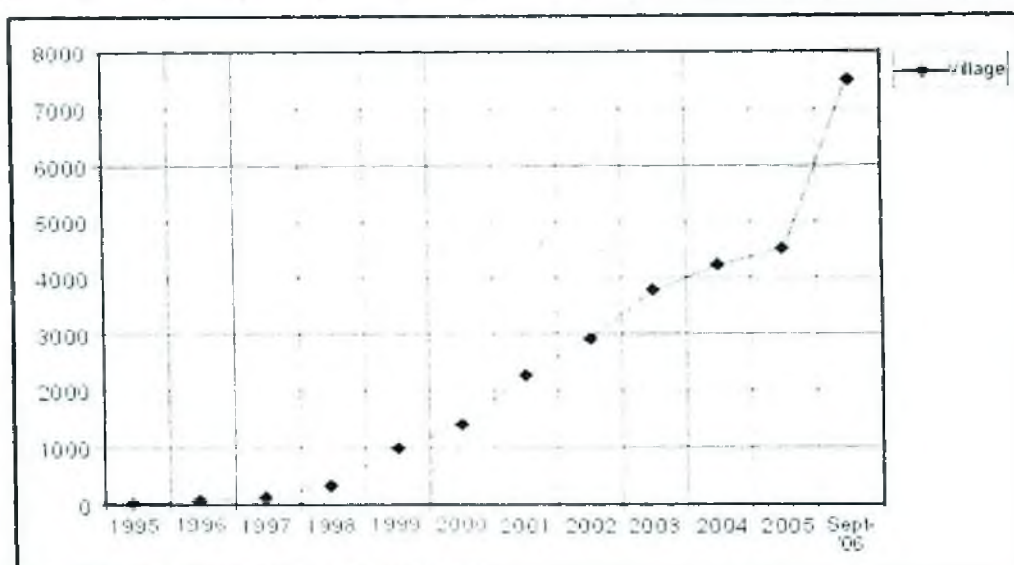
Investment and saving also influence the economic welfare of a poor country. RDS project is also developed by investment and savings. When RDS project started in 1996 its investment and saving was zero. Now (2007) its investment and savings are 165200.20 mil and 1035.84. In the table the researches have shown the RDS investment.

#### **Year wise geographical expansion**

Year wise geographical expansion is very important for micro finance institution. RDS project led by Islami Bank limited, was started in 1996. Then its geographical expansion increased about 12% every year. At the end of June 2008, RDS had 5,55,000 members. At the same time, the active number of clients stood at 5,00,000. During the period the cumulative disbursement of investment among the members was Tk. 1652 crore with the rate of recovery being 99%. But it is not sufficient for achieving poverty reduction properly in all Bangladesh villages. When RDS started at that time Bangladesh had 68000 villages. But now it is 875000 villages. After 12 years it will be as assumed 950000 village. If RDS project will cover all the villages, RDS should increase at rate of 25% every year.

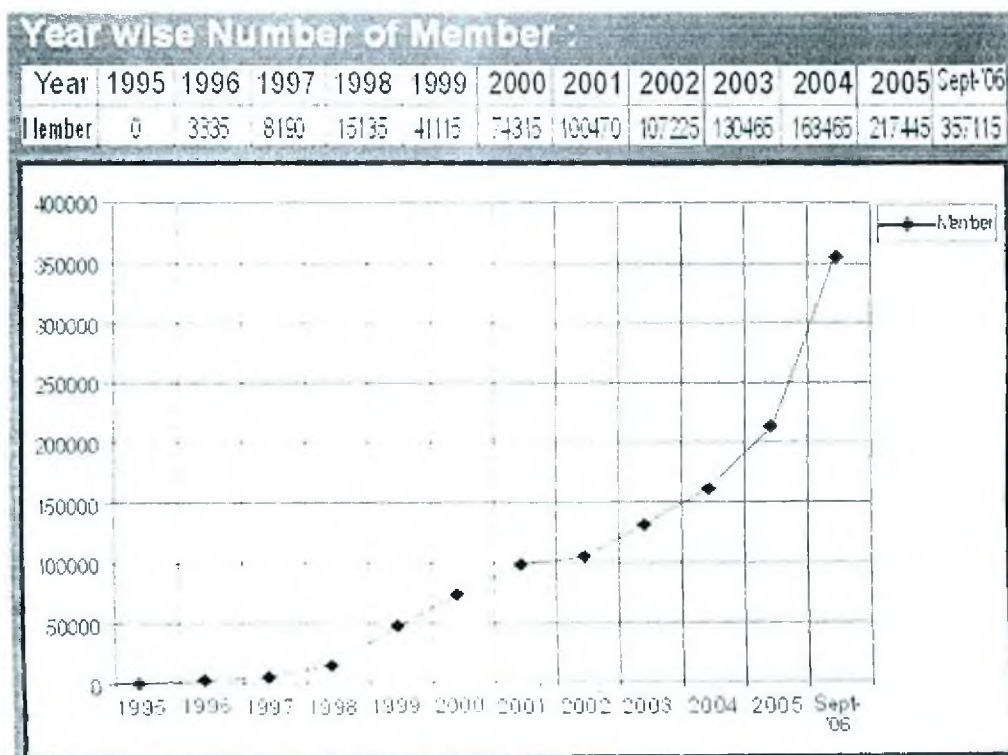
Table: 4.46: Year wise geographical expansion:

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Sept-05
Village	20	63	108	258	1062	1365	2214	2875	3700	4230	4560	7597



Source: Rural Development Scheme (RDS) IBBL 2006

Table: 4.47



Source: Rural Development Scheme (RDS) IBBL 2006

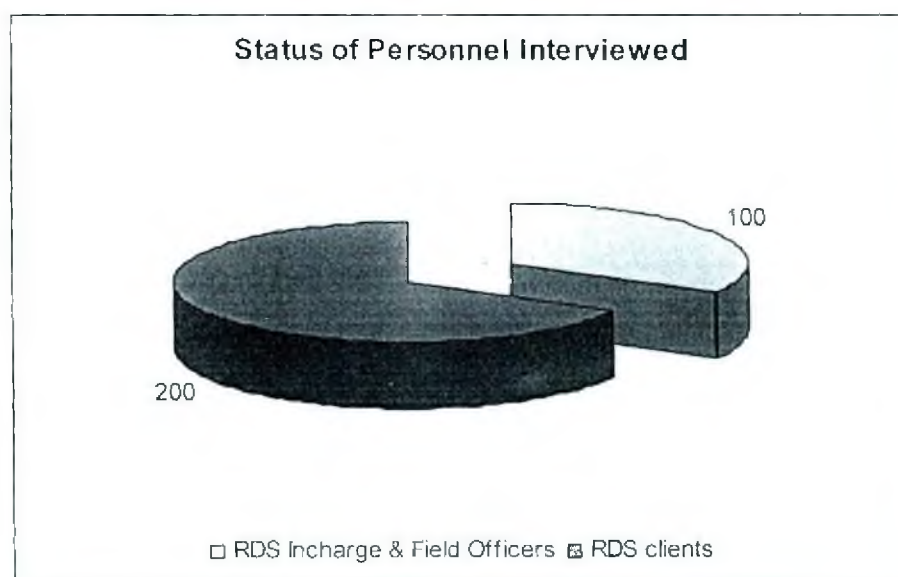
## Analysis of Primary Data

**Status of Personnel Interviewed:** RDS on-going project has 180 in-charges and 1800 field officers. Moreover, RDS has 500000 members. The researcher have interviewed 100 RDS in-charge of field officers and interviewed 200 RDS members only among the 500000 members. Though it is a little amount, it is acceptable as homogenous group.

**Table: 4.48 Status of Personnel Interviewed**

SL No	Status	No of Respondents	Remark
1.	RDS In charge & Field officers	100	
2.	RDS clients	200	
3	Total	300	

**Figure: 4.4 Status of Personnel Interviewed**



Source: Devised by Researcher

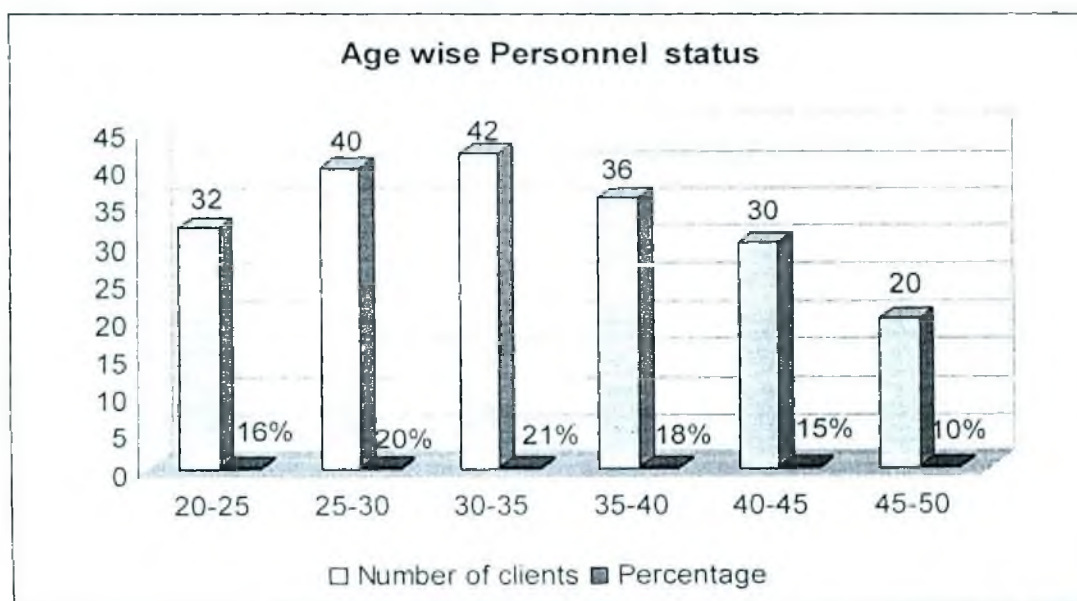
## Analysis of Primary Data (Clients)

**Age:** Age Structure of clients is an important factor of economic development issue. Young aged people are active and energetic on the other hand old aged people have many experiences, skill and knowledge very young age structure of clients have no experience skill and knowledge. Very old age clients are not active and energetic, middle age clients are superior for economic development. The combination of young aged and old aged must be superior to other age structure. In the above table the researcher has shown the age structure of RDS members.

**Table: 4.49 Age wise person**

Years	20-25	25-30	30-35	35-40	40-45	45-50	Total
Number of clients	32	40	42	36	30	20	200
Percentage	16%	20%	21%	18%	15%	10%	100%

**Figure: 4.5 Age wise person**



The age group of the respondents varied significantly ranging from 20 to 50 years. 76 percent respondents belong to the age group of 20 to 40 years. 26 % respondents were of 40 years and above. Figure in table 2, provide a

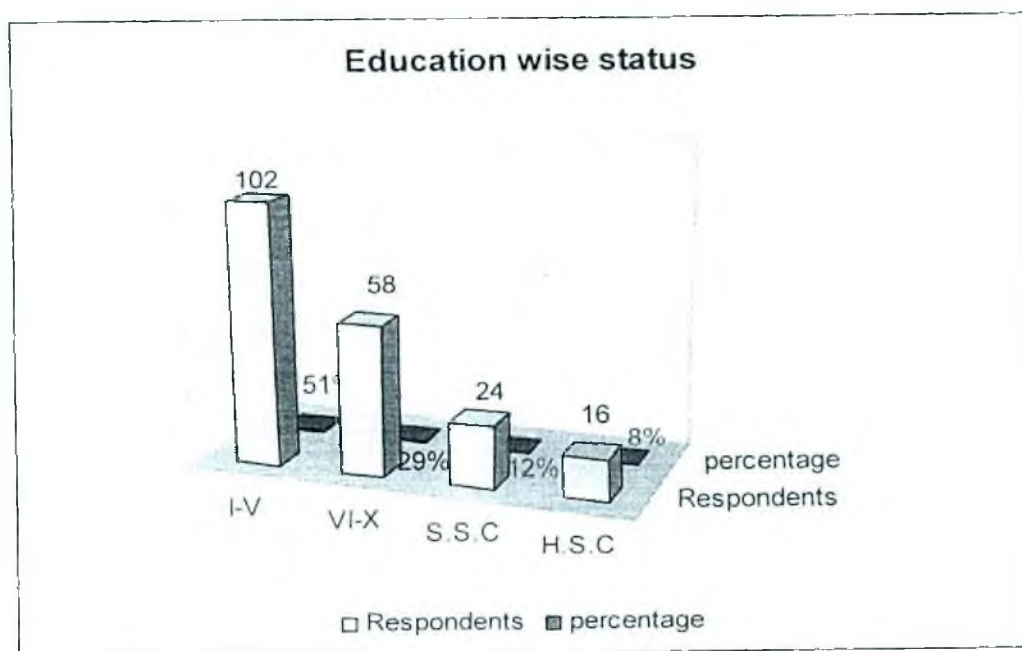


broad indication that more than half of the respondents were young and in the active age group. Youth is the best time of life. It is the sowing season of life. Our national poet Kazi Nuzrul Islam said "youth is the best time to go out for battle". So we can say that respondents (clients) significantly fight against the poverty. The young female /male sacrifice all their energy for welfare of the family and also the country. However, about one fourth of the number were aged persons.

**Table: 4.50 Education level of RDS members**

Education level	I-V	VI-X	S.S.C	H.S.C	Total
Respondents	102	58	24	16	200
percentage	51%	29%	12%	8%	100%

**Figure: 4.6 Education level of RDS members**



RDS does not provide investment to those one who cannot sign in the application form. While RDS field officers organize the group, the field officers train the prospective clients how to sign. This creates enough interest among the clients about the usefulness of education. "It has been noticed that once an illiterate poor person learns how to sign, he can now claim that he is a literate person, that means he is 1-V pass. Figure in the table-4.51 shows that

51 percent of the respondent RDS group members can read or write only their name. 29% i.e. 58 persons are of below S.S.C, 12% i.e. 24 respondents passed S.S.C.; while only 6% respondents passed H.S.C. When they become a group member, then they become alert for their children's education.

**Table: 4.51 RDS Male/Female members Ratio**

Name	Female	Male	Total
Figure	184	16	200
Percents	92%	8%	100%

92%, i.e. 184 respondents are female, and only 8% of the respondents are male. The percentage of the female members are high means that they are more credit worthy. That means RDS successfully targets poor women and offers them the opportunity to get rid of poverty and bank interest (riba). In fact, a distinguishing feature of the RDS model is the female participation. Its investment program is proportionately far large than that of men. Clearly, RDS is a woman-based organization. From economic point of view, the cost for women in the RDS investment programs is less than that of men because most women in rural Bangladesh do not have much opportunity for employment except begging and working in relatively wealthy households as maidservants. This factor also explains why women's economic development is so urgent. RDS initially adopted a strict policy of reserving at least half of its loan able funds for female borrowers. Later, it was found that women were better borrowers than they would from male borrowers. Consequently, the RDS modified its policy again to prefer women to men in selection of clients beyond the 50:50 ratio levels. The RDS field operations are of great help to rural women, who seldom leave the village and generally feel uncomfortable in the atmosphere of a commercial bank.

Figure: 4.7 RDS Male/Female members Ratio

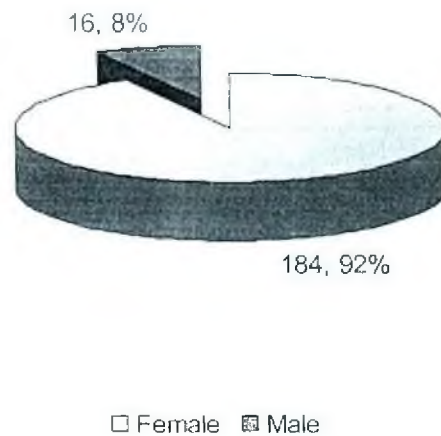


Table: 4.52 Training of Personnel

Item		Respondents	Percent
a	Yes	40	20%
b	No	150	75%
c	No comment	10	5%
d	Total:	200	100%

Training is widely considered as an important tool for enhancing a person's Attitude, Skill and Knowledge (Ask). It is the process of assisting a person for developing his efficiency and effectiveness at work by improving and growing appropriate behavior and attitude towards work and people. Training is, therefore, an effective tool for Human Resource Development (HRD) as well as for achieving the goals of an organization. RDS clients are interested to be trained up. Only 40 i.e. 20% admitted that they had received training from other NGO'S, on the other hand 150 i.e. 75% respondents told that they had not yet received training from RDS of IBBL. Only they follow the RDS field officer's 18-point decision. 10 i.e. 5% respondents did not agree to comment about training.

Figure: 4.8 Training of Personnel in Figure

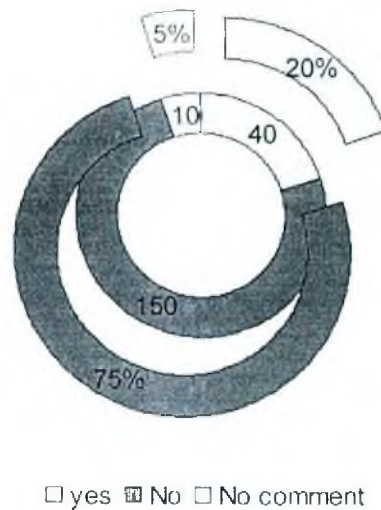


Table : 4.53 Reasons for Choosing IBBL

Item	Islamic Banking like	Client	Percent
a	Interest free	20	10%
b	Security	25	12.5%
c	No red tap	28	14%
d	Expected grow	25	12.5%
e	All	102	51%
	Total	200	100%

Source: Field Survey.

10% i.e. 20 respondents liked Islamic Banking due to free of interest. 25 i.e. 12.5% liked Islamic Banking due to security. 28 i.e. 14% liked Islamic Banking due to no red tapism. 25 i.e. 12.5% liked Islamic Banking due to expected growth. But 51% respondents liked Islamic Banking due to of all such as, interest free, security, no red tapism expected growth. Thus we can say that 100% respondents support the Islamic Banking because of Islamic Banking is free of interest.

Figure: 4.9 Reasons for Choosing IBBL

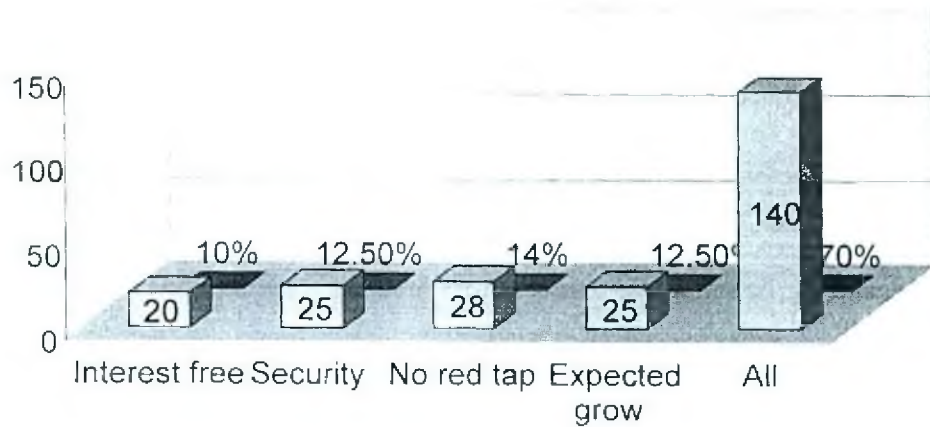


Table: 4.54 Nature of supervision of RDS program of IBBL

Item	Properly supervised	Respondents	Percent
a	properly supervised	180	90%
b	not properly supervised	30	15%
c	some times properly supervised	10	5%
d	never properly supervised	0	0%
e	supervision is unsatisfactory	0	0%
	Total:	200	100%

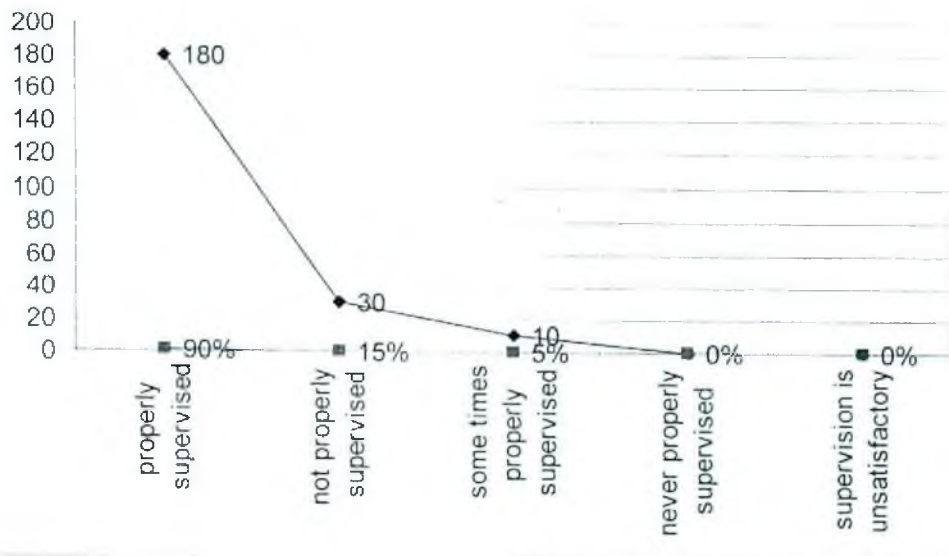
Source: Field Survey.

From the above table it is seen that 180 or 90% clients say RDS program is properly supervised. 30 respondents i.e. 15% say RDS is not properly supervised. Only 10 respondents i.e. 5% says, RDS is sometimes properly supervised. None of the respondents says that it is never properly supervised and supervision is unsatisfactory.

RDS does not provide Investment to those who cannot write his/her name in the application form. While organizing the groups, the RDS field officer train the prospective clients how to write his/her name. This creates enough interest amongst the RDS clients about the usefulness of education. Islamic education must be improved by the discussion of the Quran & Sunnah. It has

been noticed that once an illiterate poor person has learnt how to sign. He/she then gets involved in it and goes on practicing it on the ground, leaves or the earth wall like a child enthralled after getting first taste of learning. This influences his way of thinking and living. Invariably he/she vows that he/she will never allow his/her children to undergo such an experience (i.e. learning at an old age). In this way RDS takes up the policy of the removal of illiteracy and improvement of the knowledge of Islam. In the following graph the opinion of the respondents is shown.

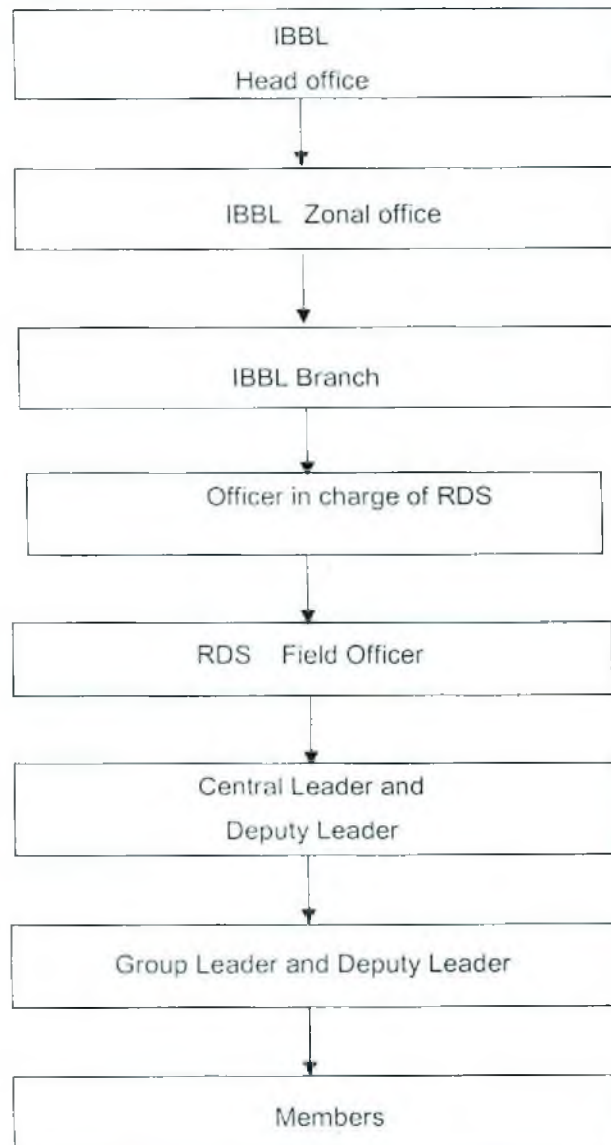
Figure: 4.10 Nature of supervision of RDS program of IBBL



### Supervision Model of RDS:

RDS'S supervision never bases on the traditional concepts of supervision. To achieve the best possible result and ease the supervision categorized into two groups viz. IBBL officer and RDS field officer. Supervision model is given below for understanding the concept.

Figure: 4.11 Supervision Model of RDS



Source: Devised by the Researcher.

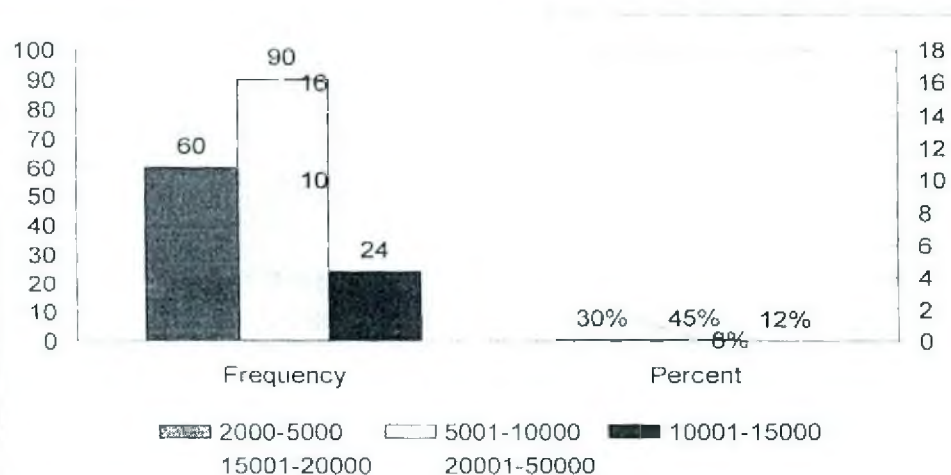
Table: 4.55 Invest taken by RDS respondent members

Item	Investment taken	Frequency	Percent
a	2000-5000	60	30%
b	5001-10000	90	45%
c	10001-15000	24	12%
d	15001-20000	16	8%
e	20001-50000	10	5%
	Total:	200	100%

Source: Field Survey.

Most of the respondents have taken investment for second, third and even five times, starting with credit of Tk. 2000 to 5000, in the initial year. The investment amount of the beneficiaries increased every year gradually. 30% of women i.e. 60 respondents are using credit amount of Tk, 2000-5000. While 45% i.e. 90 respondents have invested tk.5001-10000. While 12% i.e. 24 beneficiaries have taken investment of 10001-15000, 8% i.e. 16 beneficiaries have taken investment of Tk. 15001-20000, and 5% i.e. 10 beneficiaries have taken investment of more than 20000. The investment amount indicates a reinvestment pattern and the development of clients as investors. From the following diagram, the investment position is shown.

Figure: 4.12 Invest taken by RDS Respondent member



Source: Field Survey.



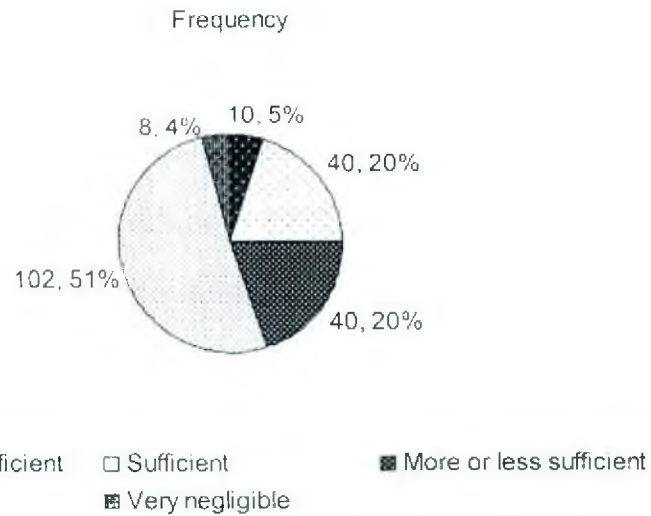
Table : 4.56 Sufficiency of investment

Item	Opinion about the investment	Frequency	Percent
a	More than sufficient	10	5%
b	Sufficient	40	20%
c	More or less sufficient	40	20%
d	Insufficient	102	51%
e	Very negligible	8	4%
	Total:	200	100%

Source: Field Survey.

The above table shows that only 5% i.e. 10 of respondents say amount of investment is more than sufficient. 20% i.e. (40) respondents say amount of investment is sufficient. 20% i.e. 40 of clients say amount of investment is more or less sufficient. 51% i.e. 102 respondents say amount of investment is insufficient. They want more investment but RDS is not able to supply. 4% i.e. 8 respondents say amount of investment is very negligible. The members are so interested that the RDS should increase the volume of investment. Now their initial fund is Tk. 5000 only. Through bitter experience they seriously demand for increasing fund because of inflation and investment situation. Even the amount of money provided by RDS fell short of the amount of finance provided by the other institutions. Particularly GB, ASA and BRAC, give the opportunities for proper utilization. The bank should also provide more than one type of investment such as general housing investment etc. simultaneously. Now-a-days education and training are very important weapon of development, RDS should provide investment for education and training purpose.

Figure: 4.13 Sufficiency of Investment



Source: Field Survey.

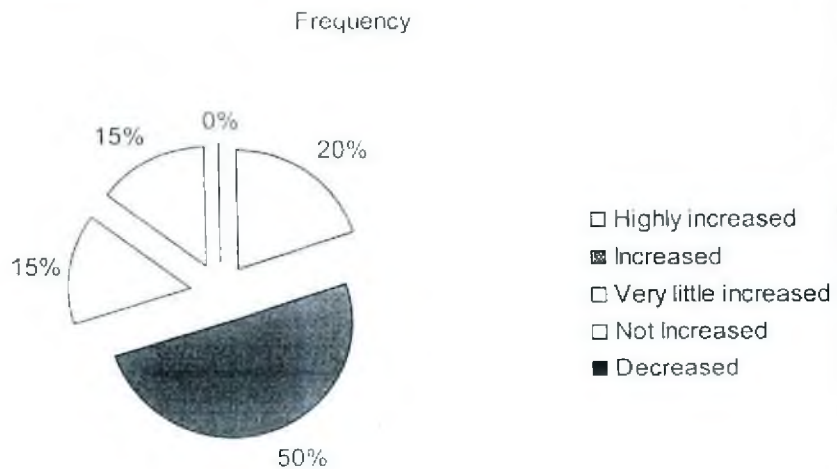
Table: 4.57 Opinion of respondent about improvement of monthly income

Item	Income change	Frequency	Percent
a	Highly increased	40	20%
b	Increased	100	50%
c	Very little increased	30	15%
d	Not Increased	30	15%
e	Decreased	0	0%
Total:		200	100%

About all of the respondents expressed their opinion that due to involvement with the RDS their income has increased. Due to the involvement with RDS all of the respondents mention that they are in profitable condition. Salient picture of their income is given above.

40 i.e. 20% of respondents opined that their income has more increased than before. 100 i.e. 50% respondents opined that their income has increased than before. 30 i.e. 15% respondents opined that their income has very little increased. 30 i.e. 15% respondents opined that their income has not been changed.

Figure: 4.14 Opinion of respondent about improvement of monthly income



Source: Field survey.

A very few portion of respondents thought that they do not become benefited from the project, their income-level do not change, they do not get any significant thing from the project, there is no scope to use their acquired skill and they have spent their time in the project unnecessarily.

Table: 4.58 Annual Income Generation of the Households

Source of income	Households' income (US\$ / year)		Change	
	At Present	At Joining	US\$	Percent
Crops	187.4	157.0	30.4	19.3
Fruits selling	23.3	14.0	9.3	66.7
Vegetable	30.1	20.9	9.2	44.1
Livestock	58.1	40.6	17.6	43.3
Poultry	23.8	17.1	6.8	39.7
Small Business	458.0	361.4	96.6	26.7
Labor Selling	194.5	157.2	37.3	23.8
Service Income	211.8	145.9	65.9	45.2
Others	141.8	82.2	59.7	72.6
Total:	1329.0	996.2	332.8	33.4

Source: Dr. Mizanur Rahman (IBTRA).

**Table: 4.59 Problem on Receiving Money**

Item	Problem of money receiving	Frequency	Percent
a	Serious problem	0	0%
b	Problem	0	0%
c	Some times problem	10	5%
d	Negligible problem	4	2%
e	No. Problem	186	93%
Total:		200	100%

Source: Field Survey.

None of the respondents claim to face any major problem to receive fund from IBBL. However, other NGO'S demand bribes. None of the respondents claim to face any problem to receive fund from IBBL. 5% of respondents claim to face receiving money sometimes as a problem. That problem was time lag. 2% of respondents claim to face receiving money as a negligible problem. 186 respondents such as 93% of respondents claim to face receiving money as no problem.

**Table: 4.60 Problem to pay installment**

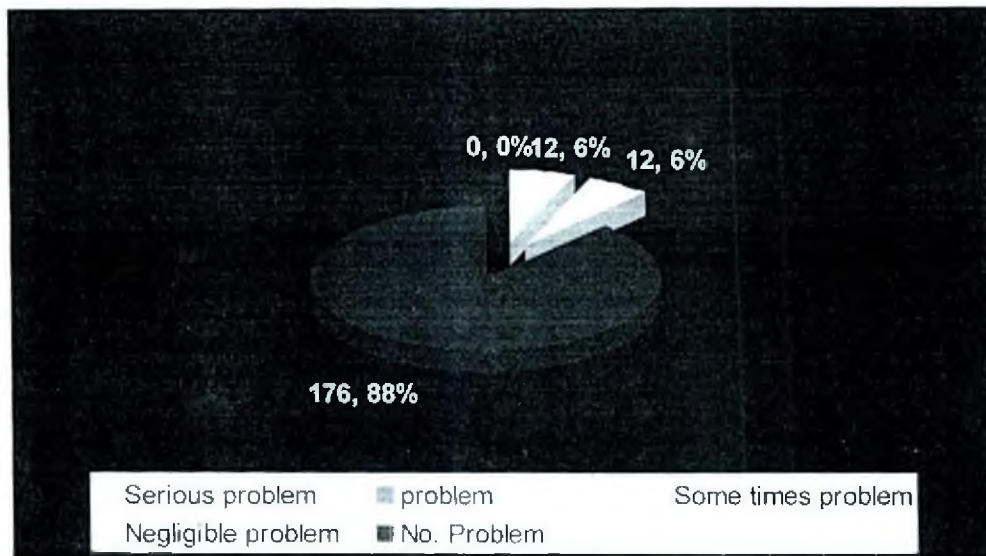
Item	Problem	Frequency	Percent
a	Serious problem	0	0%
b	Problem	0	0%
c	Some times problem	12	6%
d	Negligible problem	12	6%
e	No. Problem	176	88%
Total:		200	100%

Source: Field Survey.

No respondent opined there are severe problems to pay installment because RDS rate of return is small and profitable. Also no respondent opined that there are no problems to pay installment. 6% of respondents i.e. 12 opined

there are sometimes problem to pay installment. 6% of respondents i.e. 12 opined that there are negligible problem to pay Installment. 176 i.e. 88% respondent opined, there are no problem to pay installment because RDS rate of return is low than other NGOS. They made many profitable business by RDS investment.

**Figure: 4.15 Problem to pay installment**



Source: Field Survey.

**Table: 4.61 Group Management System**

Item	Group management system	Frequency	Percent
a	Very efficient	60	30%
b	Efficient	102	51%
c	Not so efficient	30	15%
d	Negligible efficient	4	2%
e	In efficient	4	2%
	Total:	200	100%

Source: Field Survey.

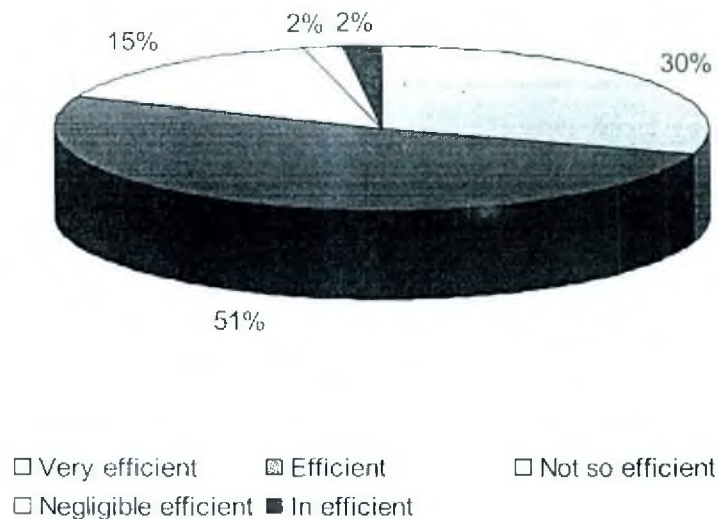
To implement the RDS project, RDS has recruited some field officers. The branch manager implements the project under the direct Instruction of the Zonal office and Head office also.

Field officers have been performing their responsibilities under close supervision of the RDS in charge officers or their assistants.

To improve the capacity of Field officers, different types of training, partnership management have been established and RDS staff as well as beneficiaries are responsible to manage the RDS.

The cardinal principle of the Scheme will be the 'Group Approach'. Allah loves those 'who conduct their affairs by mutual consultation' (Al-Quran, Al-Sura 42:38) for all decision-making activities, this mutual consultation should be given high priority.

**Figure: 4.16 Group Management System**



Source: Field Survey.

**Table: 4.62 Opinion of Respondents about Group Meeting**

Sl. No.	Group meeting	Frequency	Percent
a	Very satisfied	50	25%
b	Satisfied	100	50%
c	Not so satisfied	30	15%
d	Dissatisfied	10	5%
e	No comment	10	5%
	Total:	200	100%

Source: Field Survey

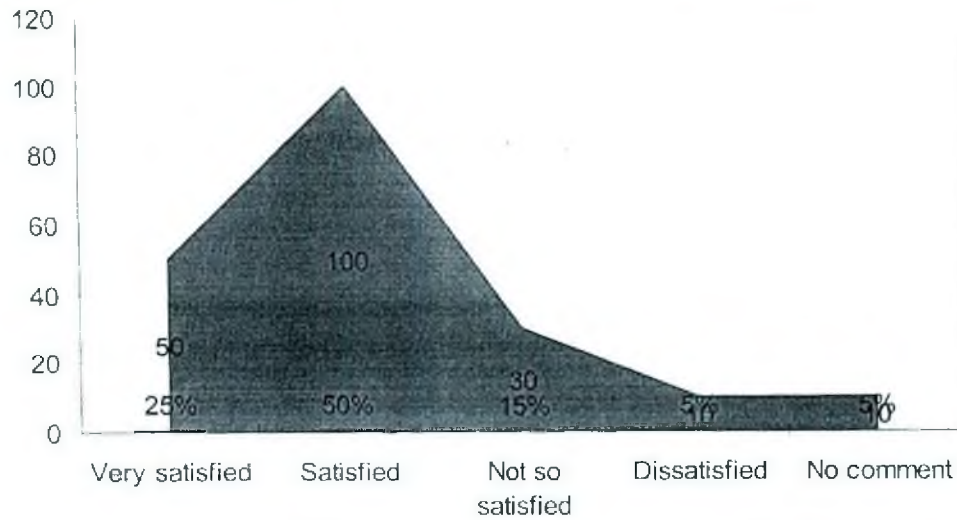
Group organization is the key to the RDS investment delivery model. Individuals have the first step by organizing themselves into small group of five with same sex. Each group elects a leader, and deputy leader. The cardinal principle of the scheme shall be the "group Approach" "Allah loves those who conduct their affairs by mutual consultation" (Al-Quran 42:38). For all decision-making activities this mutual consultation should be given high priority.

All RDS clients went to the center of RDS pay Installments on Investment. 25% i.e. 50 respondents opined that they attended weekly meeting regularly because they are very satisfied with group meeting. They go to the meeting to participate and listen to the discussion that takes place. The meeting started 'reciting the Quran, then discussed Sunnah and Islamic Masala knowledge etc. Not only that the meeting also discussed repayment of Investment, economic activities children education, Nutrition, etc.

50% i.e. 100 respondents opined that they attended weekly meeting regularly because they are satisfied with meeting activities.

15% i.e. 30 respondents opined that they attended weekly meeting sometimes because they are not so satisfied with meeting activities. 5% i.e. 10 respondents opined that they are dissatisfied with meeting activities. 5% i.e. 10 respondents opined that they did not agree to make any comment.

Figure: 4.17 Opinion of Respondents about Group Meeting



Source: Field Survey.

Table: 4.63 Change of Social Status of Respondents

Item	Social status	Frequency	Percent
a	Very satisfactorily increased	52	26%
b	Satisfactorily increased	102	51%
c	Increased	40	20%
d	Not so increased	6	3%
e	Not increased	0	0%

Source: Field Survey.

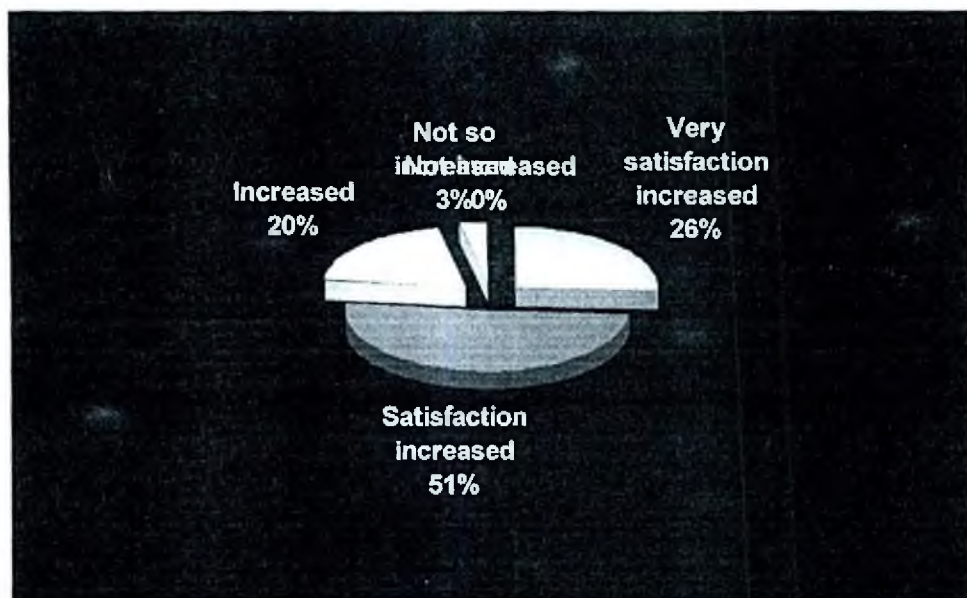
In the table we have shown 52 respondents i.e. 26% informed that their social status has been developed very satisfactorily. 26% of the RDS beneficiaries informed that the project made significant contribution to empowerment of women and there are various reasons in support of their views. Majority of them pointed out that with the increased income after joining the group they are able to support their family more effectively than previous time. Their financial contribution enhanced their social status within the family. Their husband recognized these activities and respect them than before.



Some of them indicated another important factor, which contributed to women's social status, which is their increasing literacy level and knowledge about Islam. 102 respondents i.e. 51% informed that their social status had been increased satisfactorily because they are now literate and capable of more earnings.

Some beneficiaries opined that their social status within community had been enhanced significantly, 40 respondent i.e. 20% informed that their social status had been increased only. 6 respondents i.e. 3% informed that their social status had not been increased so much. Change of social status shown in the figure-4.18.

**Figure: 4.18 Change of Social Status of Respondents**



Source: Field Survey.

**Table: 4.64 Education level of children of Respondents**

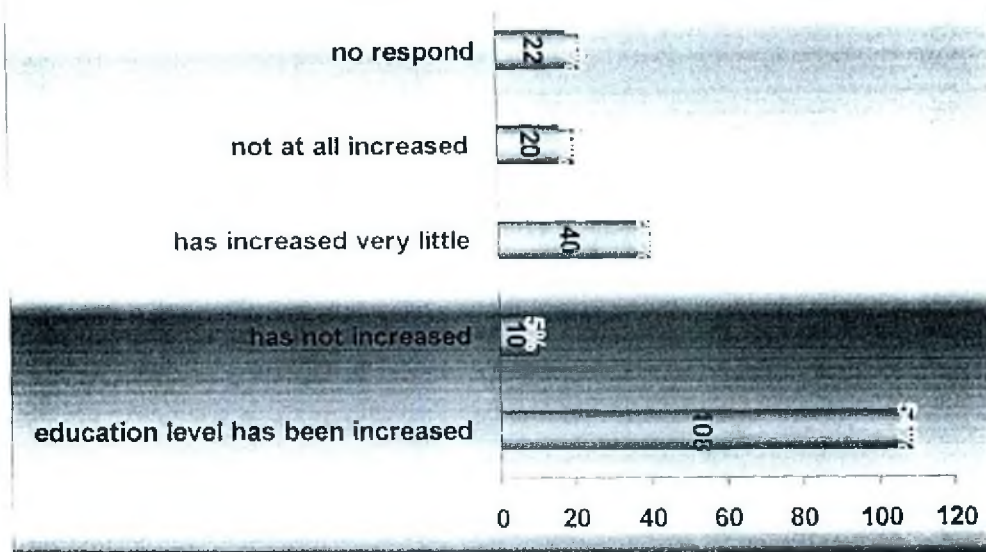
Item	Education level	Respondents	Percent
a.	Education level has been increased	108	54%
b.	Has not increased	10	5%
c.	Has increased very little	40	20%
d.	Not at all increased	20	10%
e.	No respond	22	11%

Source: Field Survey.

The above table shows that the most important impacts of the RDS are on the areas of increased level of income and employment opportunities. Improvements on these two obviously mean better standards of living for the participants. The RDS made significant contribution with regard to ensure access to education for the children of the participants, which is a remarkable achievement of participants' enhanced social status.

108 respondents i.e. 54% informed that education level of their children had been increased. 10 respondents i.e. 5% informed that education level of their children had not been increased 40 respondents i.e. 20% informed that education level of their children had been increased a little. 20 respondents i.e. 10% inform that education level of their children had not been increased. 22 respondents i.e. 11% made no comment.

Figure: 4.19 Education level of children of Respondents



Source: Field Survey.

Table: 4.65 Expectation about housing Investment of Respondents

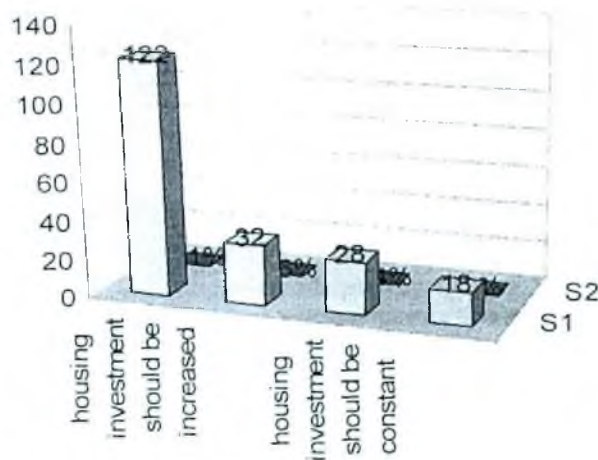
Item	Expectation about housing investment	Frequency	Percent
a.	Housing investment should be increased	122	61%
b.	Housing investment should be satisfactory increased	32	16%
c.	Housing investment should be constant	28	14%
d.	No comment	18	9%

Source: Field Survey.

122 respondents i.e. 61% opined that housing investment should be increased because ongoing investment is very low. 32 respondents i.e. 16% of the respondents opined that housing investment should be satisfactory. 28 respondents i.e. 14% opined that housing investment might be constant. 18 respondents i.e. 9% had no comments.

It was found that RDS housing investment help its borrowers to improve their living and housing condition, as house is basic need of human. Till March 2008 RDS has disbursed Tk. 5 Million as housing investment. However, clients desire more investment in housing.

**Figure: 4.20 Expectation about housing Investment of Respondents**



Source: Field survey.

**Table: 4.66 Need for ongoing RDS program**

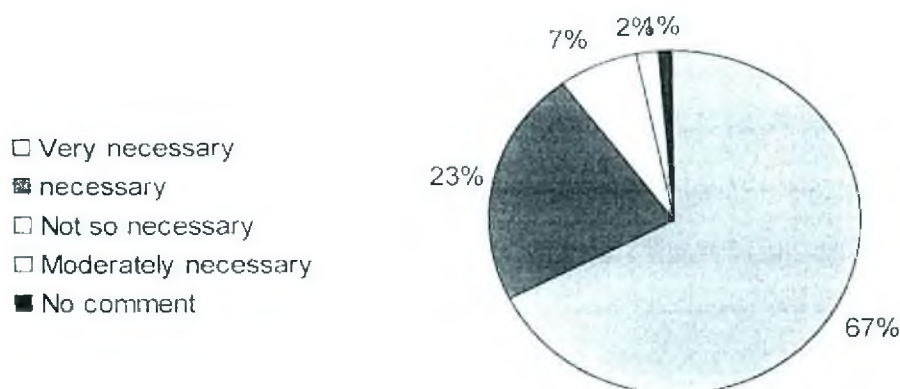
Item	Ongoing RDS program	Frequency	Percent
a	Very necessary	135	67.5%
b	Necessary	45	22.5%
c	Not so necessary	14	7%
d	Moderately necessary	4	2%
e	No comment	2	1%
Total:		200	100%

Source: Field survey.

67.5% i.e. (135) respondents opined that ongoing RDS program is very necessary because this program is profitable. It makes illiterate clients literate. It develops the education level of the client and also Islamic

knowledge. 22.5% i.e. 45 respondents opined that ongoing RDS program is necessary. 7% i.e. 14 respondents opined that ongoing RDS program is not so necessary. 2% i.e. 4 respondents opined that ongoing RDS program is moderately necessary. 1% i.e. 2 respondents did not agree to comment about it.

Figure: 4.21 Need for ongoing RDS program



Source: Field survey.

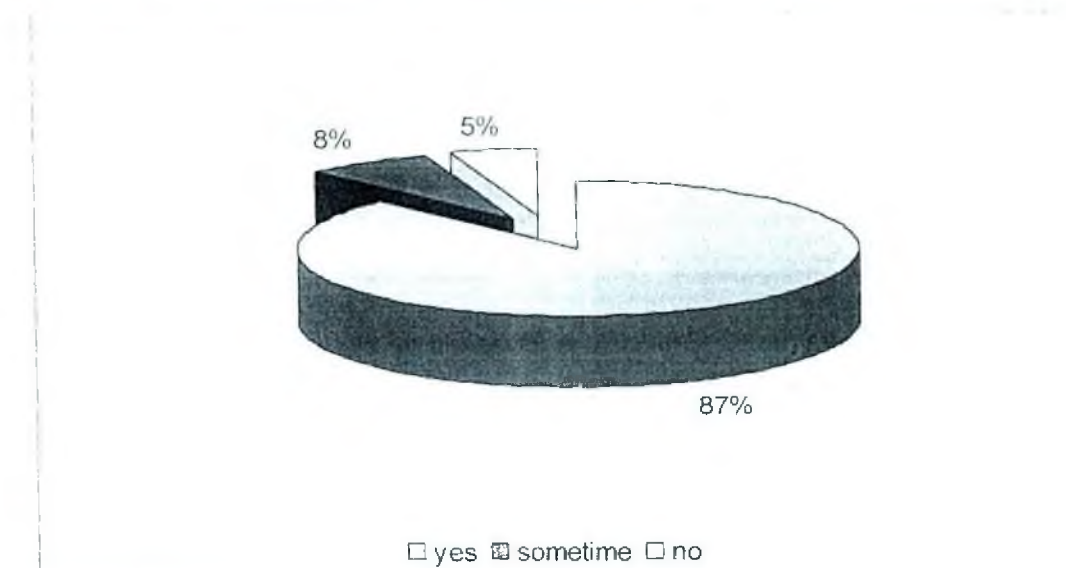
Table: 4.67 Contribution of RDS in increasing Islamic knowledge level

	Yes	Sometime	No	Total
Respondent	175	15	10	200
Percent	87.5%	7.5%	5%	100%

Source: Field survey.

175 respondents i.e. 87.5% said RDS help increased their Islamic knowledge level. 15 respondents i.e. 7.5% said RDS could help some time to increase Islamic knowledge. 10% respondents had no comment about the questions. However, majority of the respondents said yes. We can accept the answer yes.

Figure: 4.22 Contribution of RDS in increasing Islamic knowledge level



Source: Field survey.

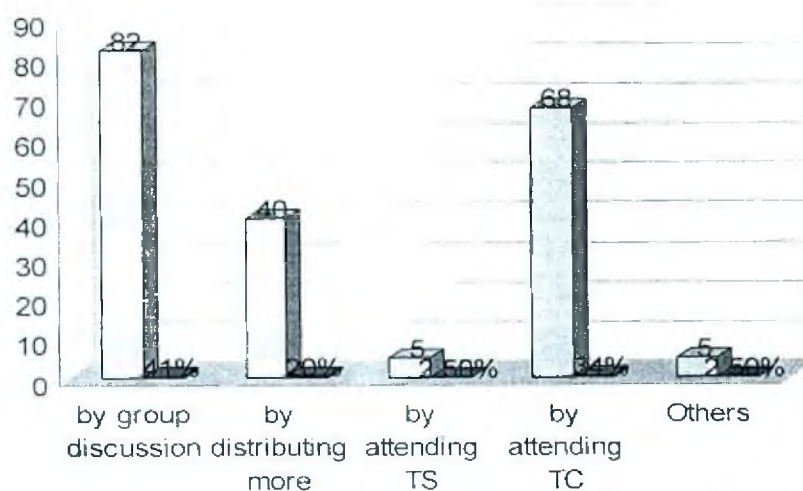
**Group discussion:** Group discussion is the most important aspect that gives such teaching which in turn can prepare the group to face any socio economic challenge collectively. Issues, discussed in the meeting are related mostly to economic activities and Islamic knowledge. Also social issues which are discussed in the weekly training classes (TC at centre) have some impact on the respondents. Through joining a group discussion clients learn about many crucial matters, which they would not have learned other wise. Group discussion is a very important tool of improving traditional knowledge and Islamic knowledge. RDS project as a micro financing group plays a very vital role in improving socio-economic condition of the clients. The activities are organized under the following headings; social and household needs, health and medical expenses, investment repayment, maintenance, repair and addition of capital equipments, raw materials for manufacturing and processing.

**Table: 4.68 Group discussion**

Item	Group discussion	Respondent	Percent
a	By group discussion	82	41%
b	By distributing more books	40	20%
c	By attending TS	5	2.5%
d	By attending TC	68	34%
e	Others	5	2.5%
	Total:	200	100%

Source: Field survey.

41% i.e. 82 respondents said their Islamic knowledge level had been increased by attending group discussion. 20% i.e. 40 respondents said that their Islamic knowledge had been increased by the distribution of Islamic books. 5 respondents i.e. 2.5% said that their Islamic knowledge level had been developed by attending TS. 34% said that their Islamic knowledge level had been developed by attending TC. 2.5 % said that their Islamic knowledge level had been developed by other activities.

**Figure 4.23: Group discussion**

Source: Field survey.

**Table: 4.69 Suggestion for Increasing RDS**

Item	Suggestion	Frequency	Percent
a	The volume of investment should be increased	120	60%
b	Teaching of Islamic Ideology should be increased	21	10.5%
c	the rate of return should be reduced	40	20%
d	the branches of IBBL should be increased	145	72.5%
e	IDB and other international Islamic Banks help should be used	150	75%
Total:		400	200%

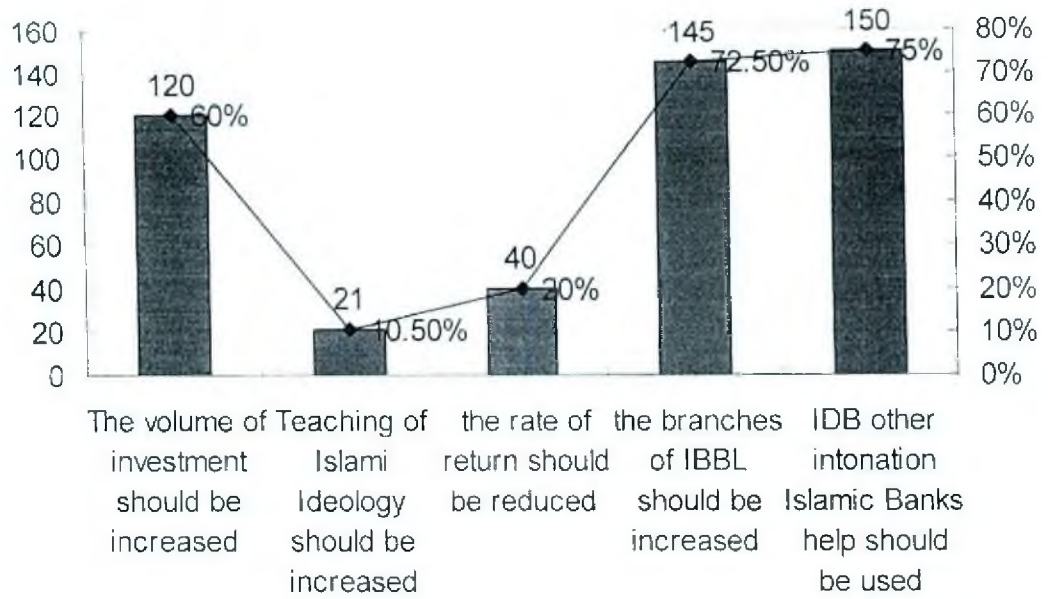
Source: Field survey.

\* (Here frequency and percent is more that 200 hundred and 100% because multiple answer).

120 respondents i.e. 60% opined that the volume of investment should be increased because other NGO'S investment is 57,000 cores by 2007. On the other hand RDS investment is only 1,600 cores only. 21 respondents i.e. 10.5% opined that teaching of Islamic Ideology should be increased. 40 respondents i.e. 20% opined that rate of returns should be reduced because rate of return is installment basis. 10% rate of returns installment basis means effective rate of returns is more than 20%. 145 respondents i.e. 72.5% respondents answered that the branches of IBBL should be increased. 150 respondents i.e. 75% said that IDB and other international banks should help the RDS poverty reduction function.



Figure: 4.24 Suggestion for Increasing RDS



Source: Field survey.

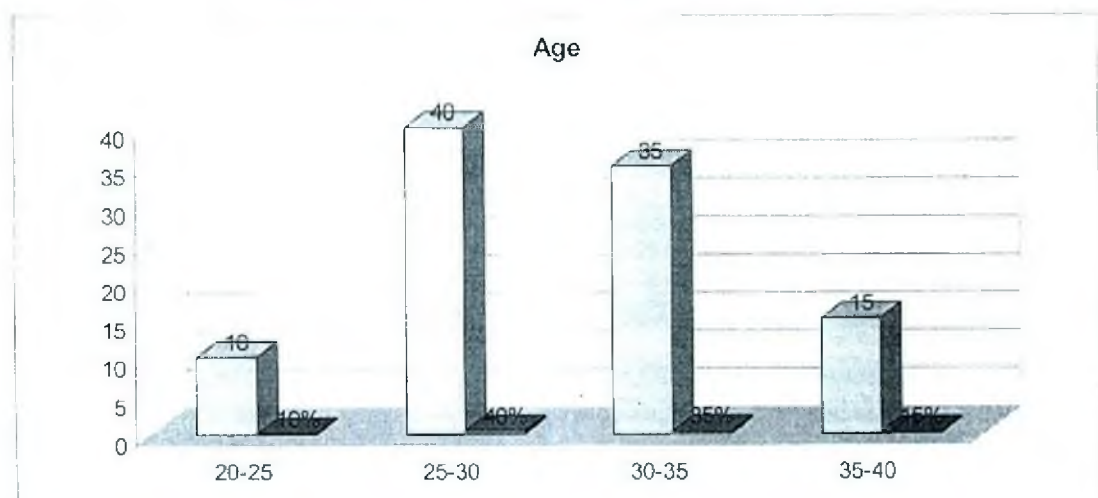
## Analysis of Primary Data (Bankers)

**Table: 4.70 Personal Profile of Bankers**

Year range	20-25	25-30	30-35	35-40	Total
Frequency	10	40	35	15	100
Percent	10%	40%	35%	15%	100%

10 i.e. 10% of the respondents belong to the age group of 20-25. 40 i.e. 40% of the respondents belong to the age group of 25-30. 35 i.e. 35% of the respondents belong to the age group of 30-35. 15 respondents i.e. 15% of the respondents belong to the age group of 35-40. 100 respondents i.e. 100% of the respondents belong to the age group of 20-40 years. So the age group of the respondents varied significantly ranging from 20 to 40 years. The above figures in the table provide a broad indication that 100% of the respondents are young and in active age group. They are young and energetic. Young person is the best to fight against the poverty. The average age of the respondents is 30 years. They are all male persons also. And there is no mentionable old person in the field officer because RDS started only 12 years ago.

**Figure: 4.25 Personal Profile of Bankers**



Source: Field survey.

**Table: 4.71 Education level of the Field Officer**

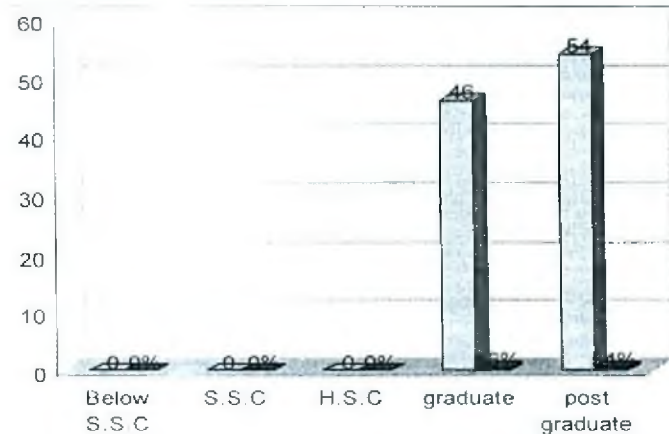
Item	Education level	Frequency	Percent
a	Below S.S.C	0	0%
b	S.S.C	0	0%
c	H.S.C	0	0%
d	Graduate	46	46%
e	Post graduate	54	54%
Total:		100	100%

Source: Field survey.

(Educational qualification can be considered as the pre requisite for proper understanding to perform any job efficiency).

Table: 4.71 the academic qualification of the field officer of RDS is encouraging. The customer service of the RDS project is also satisfactory. Most of the RDS field officers are post graduate i.e. 54% of respondents are post graduate. They are young, 46% field officers of RDS are graduate, none of them are H.S.C or below. The field officer must bear excellent moral character with commitment to the ideas and teachings of Islam. They have vast knowledge, skill of Islamic economy and management. Education level is considered as a main indicator of competency for a job like, "Motivational and extension works.

**Figure: 4.26 Education level of the Field Officer**



Source: Field survey.

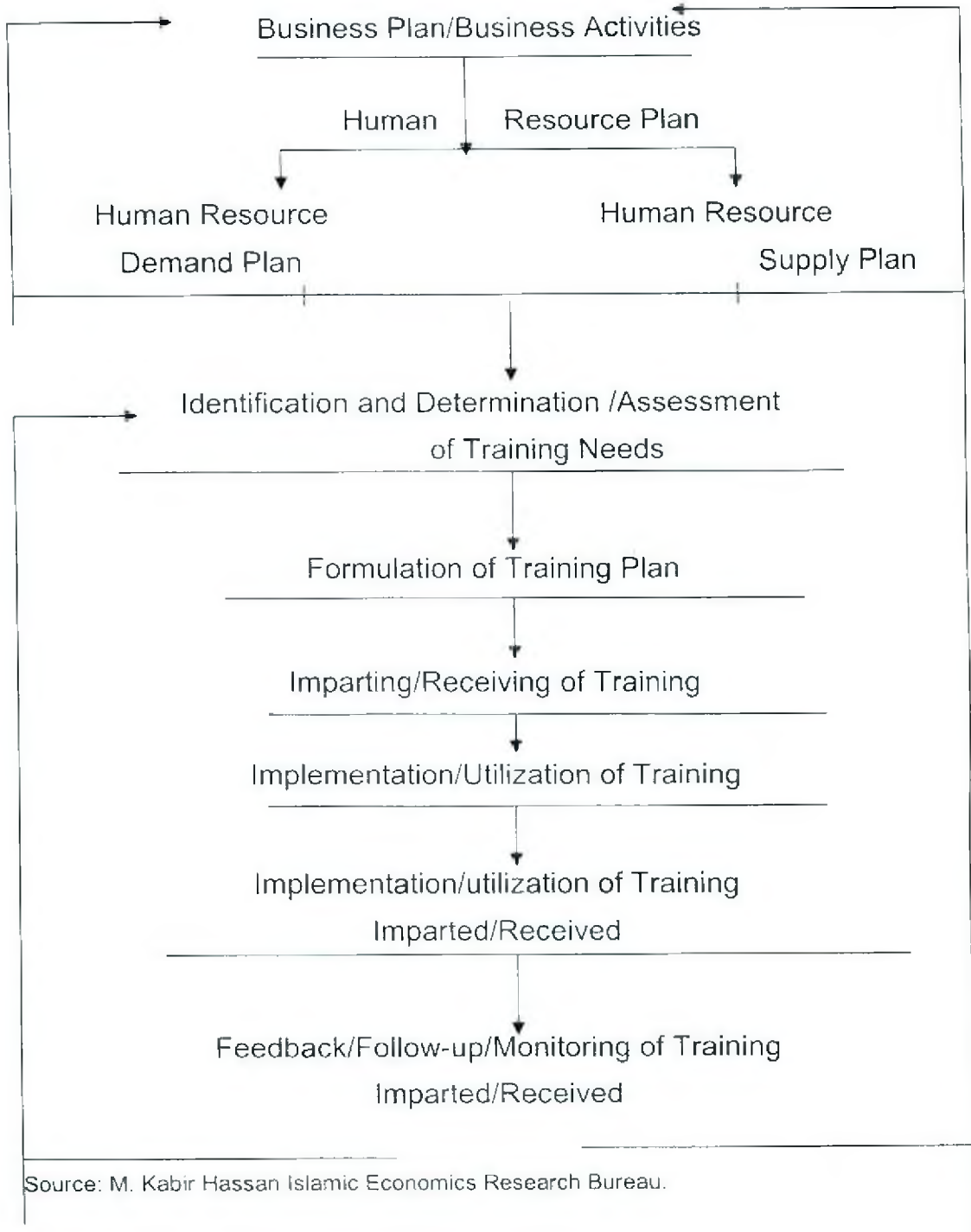
## **Training of Field Officer of RDS Programme**

(100% of the respondents replied that they all completed training course)

Training is widely considered as an important tool for enhancing a person's Attitude, Skill and Knowledge (ASK). It is the process of assisting a person for developing his efficiency and effectiveness at work by improving and growing appropriate behavior and attitude towards work and people. Training is, therefore, an effective tool for Human Resource Development (HRD) as well as for achieving the goals of an organization. So training is one of the main components of RDS project. 100% respondents have received training. They are recruited for the supervision of RDS and trained up at Islamic bank, Training and research academy (IBTRA) and RDS related IBBL branches before posting to the branches working with RDS. The objectives of such training are;

- a. To develop appropriate knowledge, skill and attitude toward Islamic economic management from the Shariah point of view professional and operational knowledge in RDS and also which them with moral and ethical values coupled with the sprit of dedication, diligence and devotion.
- b. To familiarize with the procedure of disbursement of investment under RDS procedure of collection of investment, supervision and follow-up-procedure under RDS and to gather valuable. Knowledge about the role of Islamic NGO'S including Rural Development Scheme of IBBL for alleviation of rural poverty.

Figure 4.27 Training Management System



Source: M. Kabir Hassan Islamic Economics Research Bureau.

**Table: 4.72 Level of Cooperation among the Personnel**

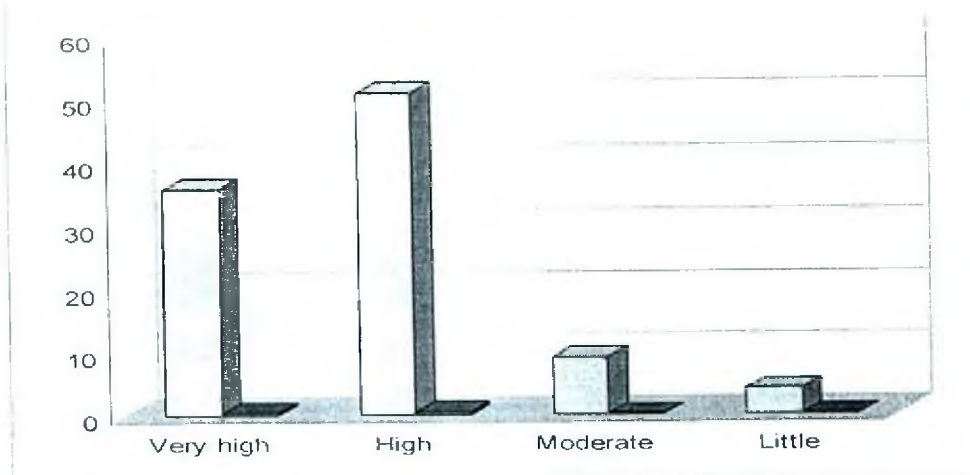
Respondents reply about assessment of the level of cooperation among the personnel for implementation of RDS activities which are shown in the table below:

Item	Level of Cooperation	Respondents	Percent
a	Very high	36	36%
b	High	51	51%
c	Moderate	9	9%
d	Little	4	4%
e	Not at all	0	0%

Source: Field Survey.

36 respondents i.e. 36% opined that the level of cooperation among the personnel for implementation of RDS activities is very high. 51 respondents i.e. 51% of respondents opined that the level of cooperation among the personnel for implementation of RDS activities is high only. 9 Respondents i.e. 9% of respondents opined that the level of cooperation among the personnel for implementation of RDS activities is moderate. 4 respondents i.e. 4% of respondent opined that the level of cooperation among the personnel for implementation of RDS activities is little. None of the respondents opined that the level of cooperation among the respondents for implementation of RDS activities was not at all present.

Figure: 4.28 Level of Cooperation among the Personnel



Source: Field Survey.

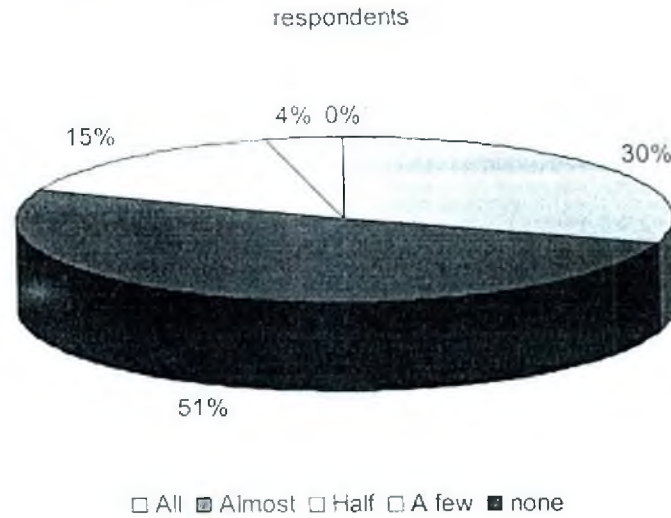
Table: 4.73 Opinion about gathering of Knowledge and Skill

Item	Eager to improve there knowledge & skill	Respondents	Percent
a	All	30	30%
b	Almost	51	51%
c	Half	15	15%
d	A few	4	4%
e	None	0	0%

Source: Field Survey.

30 respondents i.e. 30% opined RDS supervisors are eager to improve their knowledge and skill to all respect. 51 respondents i.e. 51% of respondents opined RDS Supervisors are eager to improve their knowledge and skill almost Scale. 15 respondents i.e. 15% of respondents opined RDS Supervisors are eager to improve their knowledge and skill half level of scale. 4 respondents i.e. 4% of respondents opined that the RDS supervisors are eager to improve their knowledge and skill a few level.

Figure: 4.29 Opinion about gathering of Knowledge and Skill



Source: Field Survey.

Table: 4.74 Efficiency Level of RDS supervisor's

Item	Level of efficiency	Respondents	Percent
a	Fully efficiency	31	31%
b	very efficiency	51	51%
c	Moderately efficient	11	11%
d	Little efficient	5	5%
e	Not at all	2	2%

Source: Field Survey.

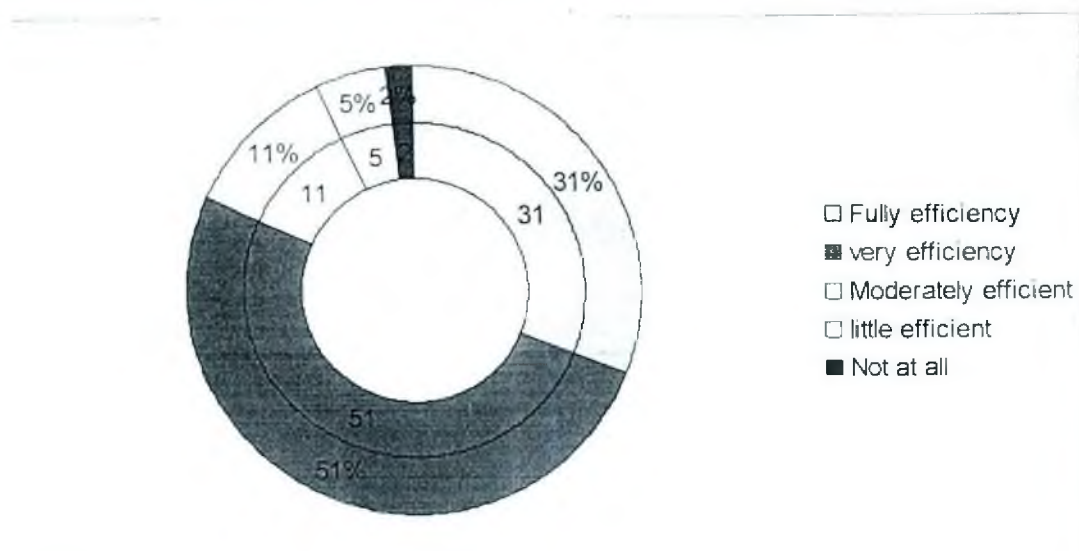
- a. The field officer carefully considers every investment.
- b. The field officers carefully attend on the installation phase of the projects.
- c. The field supervisor/officer continues to observe the clients. So efficiency grows.

31 respondents i.e. 31% of respondents mentioned that RDS supervisor's efficiency level was very satisfactory. 51 respondents i.e. 51% of respondents mentioned that RDS supervisor's efficiency level was very satisfactory. 11 respondents i.e. 11% of respondents mentioned that RDS supervisor's efficiency level was moderately efficient. 5 respondents i.e. 5% of respondents opined that RDS supervisor's efficiency level was little efficient. 2



respondents i.e. 2% of respondents mentioned that RDS supervisor's efficiency level was not at all efficient. RDS field officers were very efficient because they are honest and skilled, they also follow the Islamic ideology. From above discussion, we can say that RDS supervisors are very efficient because maximum (82%) respondents opined that.

Figure: 4.30 Efficiency Level of RDS supervisor's



Source: Field Survey.

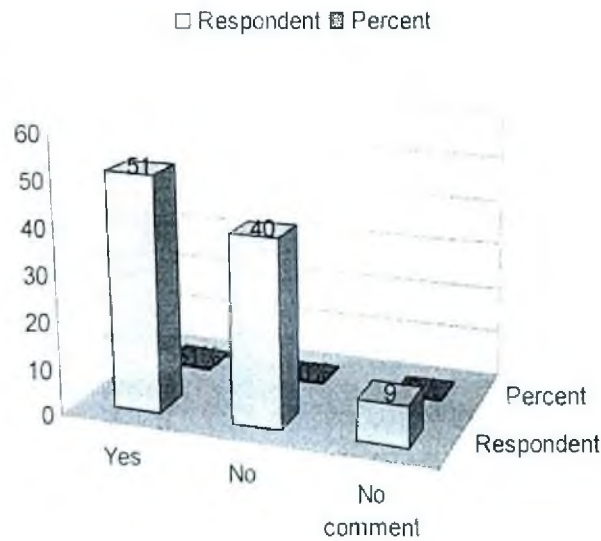
Table: 4.75 Reaching of RDS activities to the extreme rural areas

Comment	Respondent	Percent
Yes	51	51%
No	40	40%
No comment	9	9%
Total:	100	100%

Source: Field Survey.

51 respondents i.e. 51% opined that RDS activities did not reach extreme rural areas so their answer was "yes". On the other hand 40 respondents i.e. 40% said that RDS activities reached extreme rural areas so their answer was "No". Only 9 respondents did not comment.

Figure: 4.31 Reaching of RDS activities to the extreme rural areas



Source: Field Survey.

Table: 4.76 Opinion about the Causes of Failure for Reaching to the Extreme Rural Areas

Item	Causes	Respondents	Percent
a	Lack of Branches	41	41%
b	Lack of money Investment	31	31%
c	Lack of plan	35	35%
d	High risk of Investment	20	20%
e	Problem of communication	21	21%
	Total:	148	148%

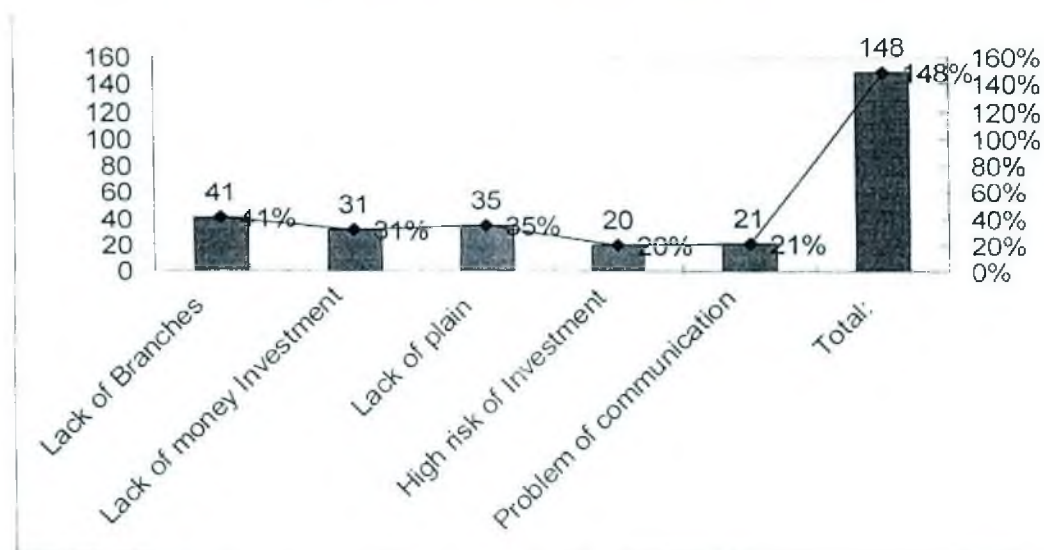
Source: Field Survey.

(% is more than 100 due to multiple answers).

41 respondents i.e. 41% opined that RDS activities did not reach extreme rural areas due to the lack of Branches. 31 i.e. 31% of respondents opined that RDS activities did not reach extreme rural areas due to the lack of money investment. 35 i.e. 35% of respondents opined that RDS activities did not reach the extreme rural poor due to the lack of plan of IBBL. 20 i.e. 20% of respondents opined that RDS activities did not reach extreme rural areas due

to high risk of Investment. 21 i.e. 21% of respondents mentioned that RDS activities did not reach extreme rural areas due to communication problem.

**Figure: 4.32 Opinion about the Causes of Failure for Reaching to the Extreme Rural Areas**



Source: Field Survey.

**Table: 4.77 Opinion about the Causes of Success for Reaching to the Extreme Rural Areas**

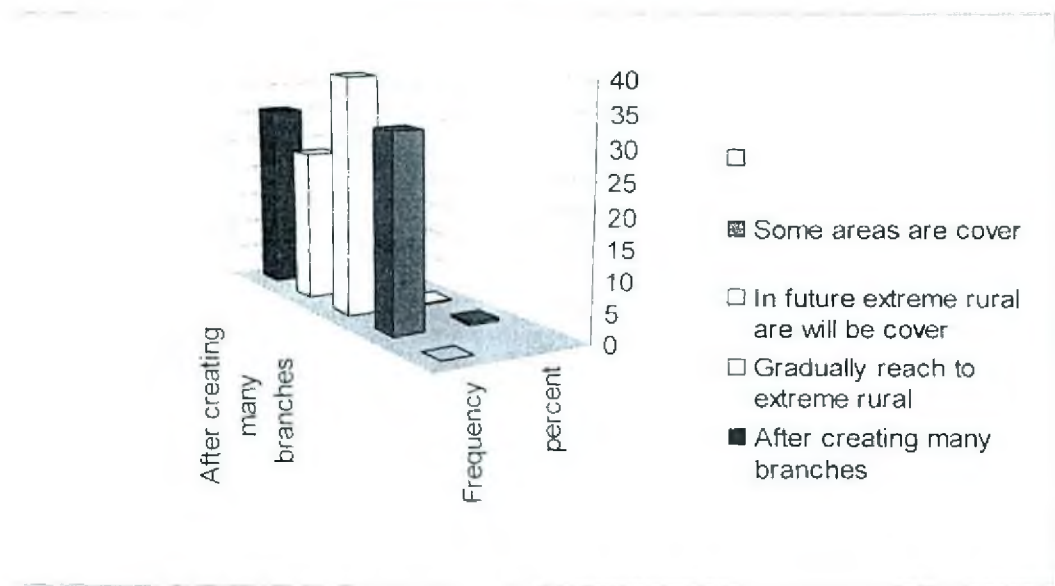
Item	Causes	Frequency Respondents	Percent
a	Some areas are cover	32	32%
b	In future extreme rural are will be cover	39	39%
c	Gradually reach to extreme rural	25	25%
d	After creating many branches	31	31%
	Total	127	127%

Source: Field Survey.

(% is more than 100 due to multiple answers).

32 i.e. 32% of respondents mentioned that RDS activities reached some extreme rural areas. 39 i.e. 39% of respondents mentioned that in future RDS activities will cover the extreme rural areas. 25 i.e. 25% of respondents opined that RDS activities gradually reach the extreme rural areas. 31 respondents i.e. 31% of respondents opined that RDS activities reached the extreme rural areas after creating many branches.

**Figure: 4.33 Opinion about the Causes of Success for Reaching to the Extreme Rural Areas**



Source: Field Survey.

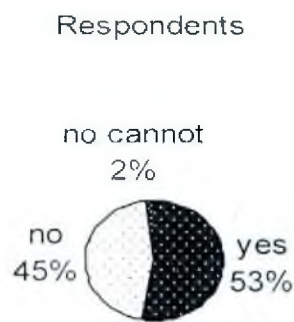
**Table: 4.78 Alleviation of the hard-core poor left by RDS**

	Respondents answer	Respondents	Percent
a	yes	53	53%
b	no	45	45%
c	no comment	2	2%
	Total:	100	100%

Source: Field Survey.

53 i.e. 53% of respondents said that the hard-core poor are left out by RDS. On the other hand 45 i.e. 45% of respondents opined that the hard-core poor are not left out by RDS. Only 2 i.e. 2% of respondents made no comment.

**Figure: 4.33 Alleviation of the hard-core poor left by RDS**



Source: Field Survey.

**Table: 4.79 Alleviation of the Hard-core Poverty Left out by RDS**

Item	Causes of hard core poverty are left out	Respondents	Percent
a	Not credit worthy	51	51%
b	Some hard core are floats	35	35%
c	Lack of supervisor	31	31%
d	They do not able to recovery	23	23%
	Total:	140	140%

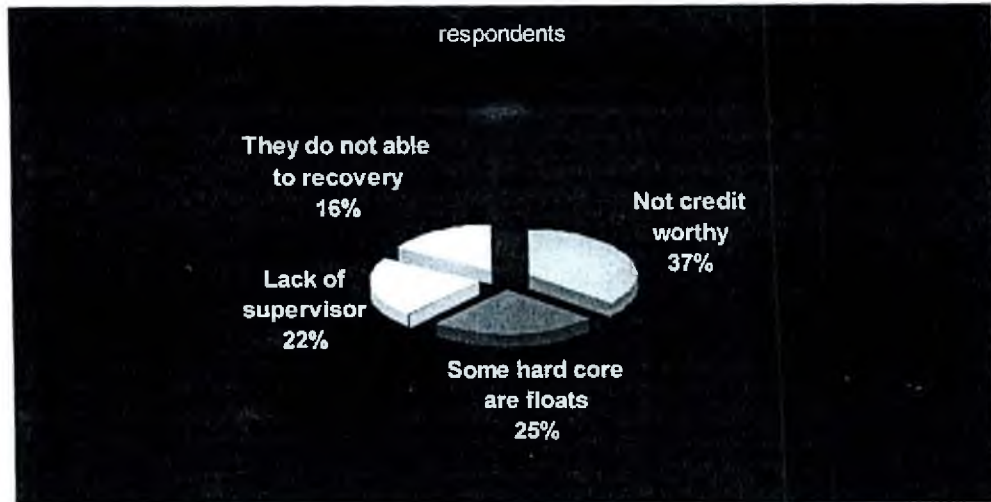
Source: Field Survey.

(% is more than 100 due to multiple answers).

51 i.e. 51% of respondents opined that the hard-core poverty was left out by RDS because hard-core poverty was not credit worthy. 35 i.e. 35% of respondents opined that the hard-core poverty was left out by RDS because hard-core poor were floating, they had no stable house. 31 i.e. 31% of respondents opined that the hard-core poverty was left out by RDS because

of the lack of supervisors. 23 i.e. 23% of respondents mentioned that hard-core poverty was left out by RDS because "They are not able to recover" the investment.

Figure: 4.35 Alleviation of the Hard-core Poverty Left out by RDS



Source: Field Survey.

Table: 4.80 Alleviation of the Hard-core Poverty Left out by RDS

Item	Particular	Respondents	Percent
a	Some hard core poverty cover	27	27%
b	In future hard core poverty will be cover	35	35%
c	After creating may branches than will be cover	41	41%
d	Gradually will be reach the hard core poverty	37	36%
	Total:	150	150%

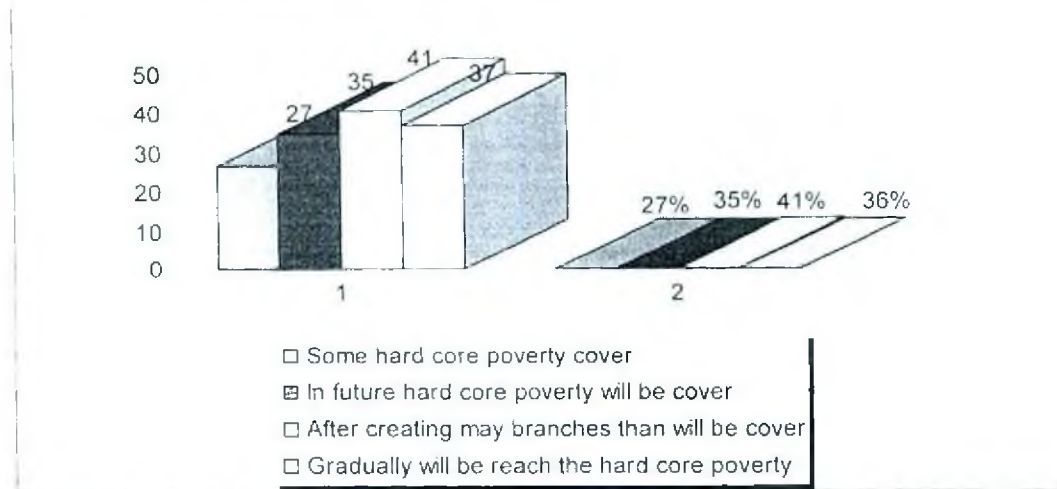
Source: Field Survey.

(% is more than 100 due to multiple answers).

27 i.e. 27% of respondents said that some hard-core poverty was covered by RDS activities. 35 i.e. 35% of respondents said that in future hardcore poverty will be covered by RDS activities. 41 i.e. 41% respondent mentioned that after opening many braches the hard core poverty will be covered by RDS

activities. 37 i.e. 37% of respondents mentioned that gradually hard-core poverty will be reached by RDS activities.

**Figure: 4.36 Alleviation of the Hard-core Poverty Left out by RDS**



Source: Field Survey.

**Table: 4.81 Attendance of Weekly Meeting**

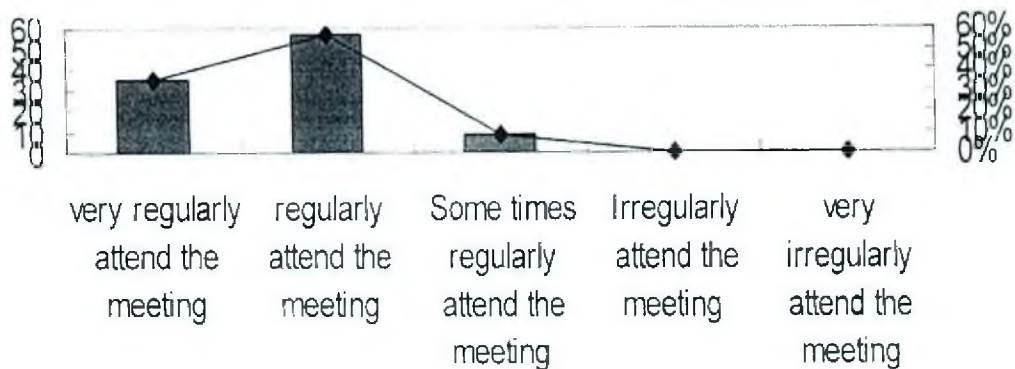
Sl. No.	Type of question: respondent	No of respondents	Percent
a	very regularly attend the meeting	35	35%
b	regularly attend the meeting	57	57%
c	Some times regularly attend the meeting	8	8%
d	Irregularly attend the meeting	0	0%
e	very irregularly attend the meeting	0	0%
	Total:	100	100%

Source: Field Survey.

35 i.e. 35% of respondents opined they attended weekly meeting very regularly. 57 i.e. 57% of respondents opined they attended weekly meeting regularly. So we can say 92% respondents attended the weekly meeting regularly. Meeting is considered as important forum of member's interaction. The client members went to meeting to pay installment on investment, on the

other hand field officers went to weekly meeting to collect Installments. So clients and field officer did not miss the meeting. The clients went to the meeting to participate and listen to the discussion that took place. There the issues which were discussed in the meeting, were related mostly to economic and Islamic activities, Investment, profit, the Quran and Sunnah. 8 i.e. 8% of respondents said that they sometimes attended the meeting.

Figure: 4.37 Attendance of Weekly Meeting



Source: Field Survey.

Table: 4.82 About Weekly Meeting Times

Sl. No.	Type of question respondent	Respondents	Percent
a	Too short meeting time	10	10%
b	Short meeting time	15	15%
c	Respond able meeting time	67	67%
d	Long meeting time	5	5%
e	no comment about meeting time	3	3%
	Total:	100	100%

Source: Field Survey.

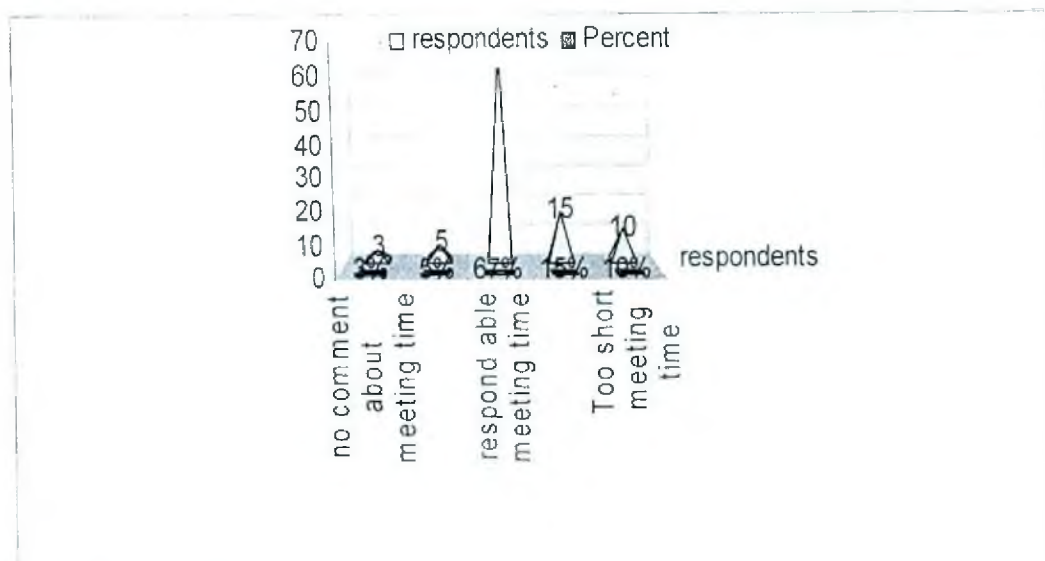
All members went to pay installment on investment. On the other hand all field officers also went to receive installment on investments. The meeting is also important forum for member interaction. They discussed their problems



and benefits of investment issues relating to economic, Islamic, social and education activities. So meeting duration is also an important factor for the members and the field officers.

10 i.e. 10% of respondents opined that weekly meeting time was too short. 15 i.e. 15% respondent said that weekly meeting time was short only. 67 i.e. 67% of respondents opined that weekly meeting time was reasonable. 5 i.e. 5% of respondents opined that weekly meeting time was long. 3 i.e. 3% of respondent did not comment about weekly meeting time.

Figure: 4.38 About Weekly Meeting Times



Source: Field Survey.

Table: 4.83 Opinion about RDS Training for Self-Employment

Sl. No.	Type of question respondent	Respondents	Percent
a	Training for self employment more than sufficient	7	7%
b	Training for self employments sufficient	11	11%
c	More or less sufficient	18	18%
d	Very negligible	16	16%
e	Insufficient	48	48%
	Total:	100	100%

Source: Field Survey.

Self-employment training is widely considered as an important tool for enhancing a person for developing his efficiency and effectiveness at work by improving and up dating his self-employment knowledge. So RDS should arrange the self-employment training.

7 i.e. 7% of the respondents opined that training for self-employment was more than sufficient. 11 i.e. 11% of respondents opined that training for self-employment was sufficient. 18 respondents i.e. 18% of respondents opined that training for self-employment was not so sufficient. 16 i.e. 16% of respondents opined that training for self-employment was very negligible. 48 i.e. 48% of respondents opined that training for self-employment was insufficient for the clients.

Figure: 4.39 Opinion about RDS Training for Self-Employment



Source: Field Survey.

**Table: 4.84 Opinion about the Alleviation of Poverty by RDS**

Item	Type of question	Not respondents	Percent
a	Strongly agreed	51	51%
b	Agreed	39	39%
c	little agreed	5	5%
d	not agreed	3	3%
e	strongly disagreed	2	2%
Total:		100	100%

Source: Field Survey.

Majority of the RDS field officers agreed or strongly agreed that the overall achievement of the RDS activities was satisfactory. So alleviation of poverty by RDS was successful. They thought that the project was successful in delivering services and it was relevant in terms of the actual needs of the clients. 80 i.e. 80% of respondents agreed that poverty alleviation was effective.

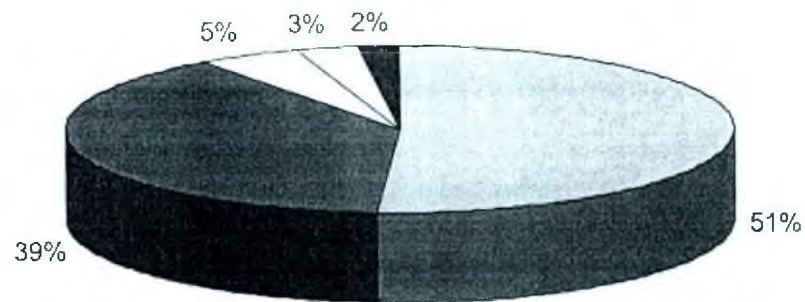
According to the RDS field officers the project's performance with regard to achievement of socio-economic and Islamic Ideological improvement was significantly higher, they believed that the project contributed significantly towards the achievement of social empowerment for its participants.

80 i.e. 80% of respondents strongly felt that the project contributed productively. They also mentioned about five types of activities under taken for the clients.

- i) Income generating activities undertaken for the member.
- ii) Capital formation.
- iii) Islamic education and knowledge generating activities.
- iv) Health and nutrition services.
- v) Literacy programs.

5 i.e. 5% of respondents little agreed about the success of poverty alleviation by RDS. 3 i.e. 3% of respondents not agreed about the success of poverty alleviation by RDS.

Figure: 4.40 Opinion about the Alleviation of Poverty by RDS



□ Strongly agreed ■ Agreed □ little agreed □ not agreed ■ strongly disagreed

Source: Field Survey.

Table: 4.85 Opinion about Change in Quality of Life by RDS Activities

Sl. No.	Respondents question	Respondents	Percent
a	Very significantly changed	35	35%
b	Significantly changed	51	51%
c	Not so significantly changed	10	10%
d	Little significantly change	2	2%
e	no comment	2	2%
	Total:	100	100%

Source: Field Survey.

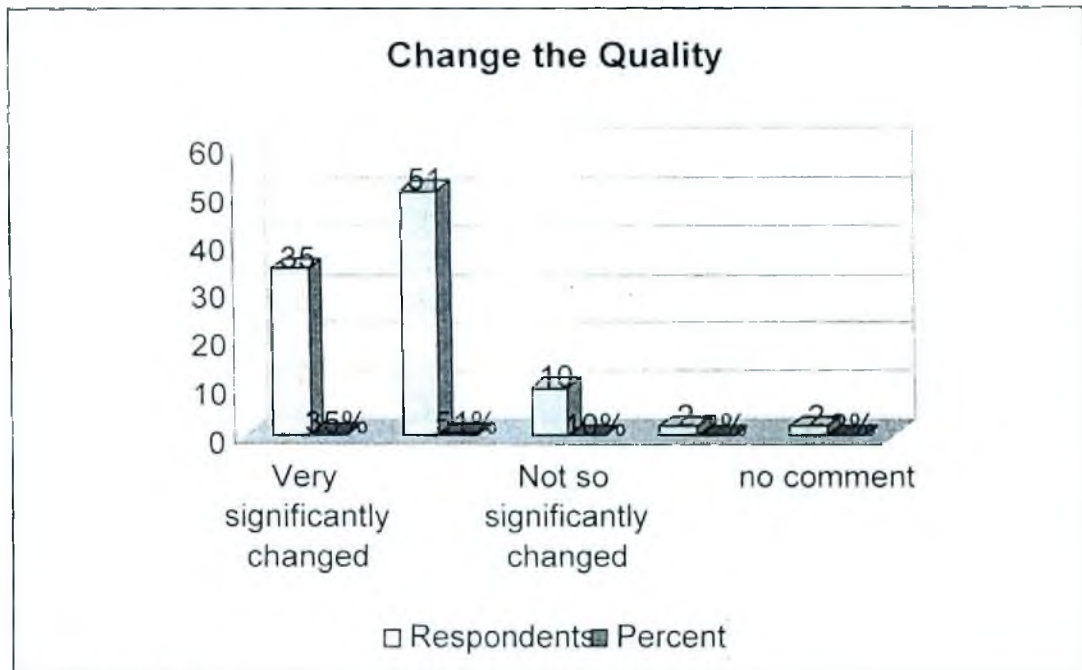
Quality of life is depended on: - income, expenditure, productivity, social status, education, Islamic education and knowledge.

35 respondents i.e. 35% of respondents opined that the RDS activities very significantly changed the quality of their life. 51% of respondents i.e. majority of the respondents indicated that by the influence of RDS programmes their

income was high. It has also brought for them production opportunity, children education, Islamic values etc. Therefore, RDS has significantly changed their quality of life.

10 i.e. 10% of respondents opined that the RDS did not so significantly change the quality of life of the clients. 2 i.e. 2% of respondents opined that RDS little significantly changed the quality of life. 2 i.e. 2% of respondent did not comment about RDS activities in changing the quality of life.

Figure: 4.41 Opinion about Change the Quality of Life by RDS Activities



Source: Field Survey.

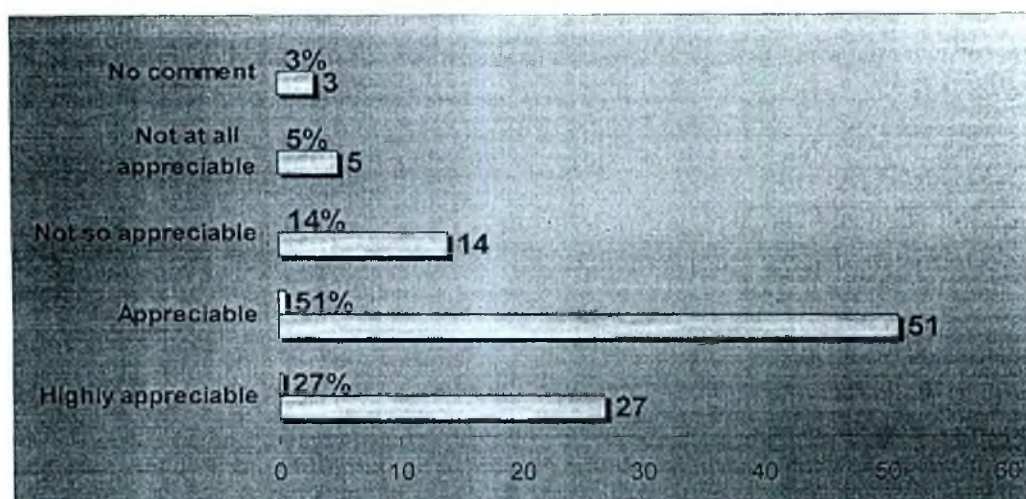
Table: 4.86 Opinion about Contribution of RDS Activities

Sl. No.	Type of question respondent	Not of Respondents	Percent
a	Highly appreciable	27	27%
b	Appreciable	51	51%
c	Not so appreciable	14	14%
d	Not at all appreciable	5	5%
e	No comment	3	3%
Total:		100	100%

Source: Field Survey.

27 i.e. 27% of respondents opined that RDS is a sustainable organization for the poverty alleviation. Its activities are highly appreciable for the poverty alleviation. 51 i.e. 51% of respondents opined that RDS activities are appreciable as sustainable organization for the poverty alleviation. 14 i.e. 14% of respondents opined that RDS activities are not so appreciable in contribution to a sustainable organization for the poverty alleviation. 5 i.e. 5% of respondents opined that RDS activities are not at all satisfactory as a sustainable organization for the poverty alleviation. 3 i.e. 3% of respondents did not comment about RDS as a sustainable organization for the poverty alleviation.

Figure: 4.42 Opinion about Contribution of RDS Activities



Source: Field Survey.

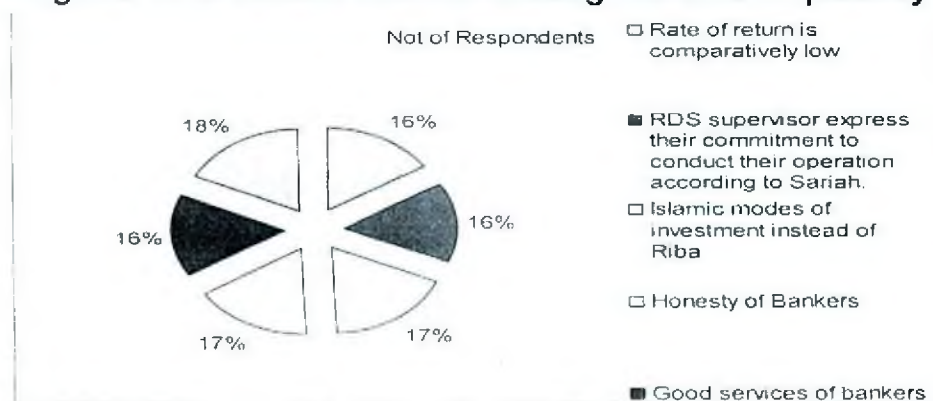
**Table: 4.87 Causes Behind Getting the RDS Popularity**

Sl. No.	Type of question respondent	Not of Respondents	Percent
a	Rate of return is comparatively low	61	61%
b	RDS supervisor express their commitment to conduct their operation according to Sariah.	60	60%
c	Islamic modes of investment instead of Riba	67	67%
d	Honesty of Bankers	63	63%
e	Good services of bankers	61	61%
	All	69	69%
	Total:	321	321%

Source: Field Survey.

61 i.e. 61% of respondents opined that RDS is getting popularity gradually because the rate of returns is comparatively low. 60 i.e. 60% opined that RDS supervisors express their commitment to conduct their operations according to Shariah. So Islam loving people come to RDS project rather than other NGO'S. 67 i.e. 67% of respondents opined that RDS applies Islamic mode of Investment instead of riba. So it is getting popularity gradually. 63 i.e. 63% of respondents opined the RDS is getting popularity gradually because of honesty of the Bankers. 61 i.e. 61% of respondents opined the RDS is getting popularity gradually because of good services of the Bankers. 69 i.e. 69% of respondents opined the RDS is getting popularity gradually because of all.

**Figure: 4.43 Causes Behind Getting the RDS Popularity**



Source: Field Survey.

**Table: 4.88 Opinion of the Respondents about the Performance RDS Program**

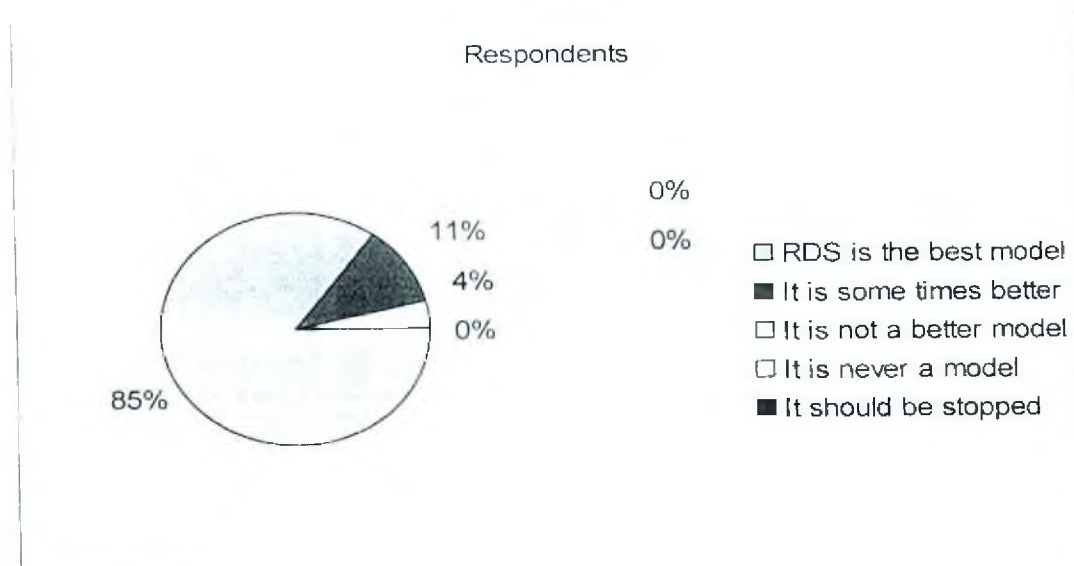
Sl. No.	Type of question respondent	Respondents	Percent
a	RDS is the best model	85	85%
b	It is some times better	11	11%
c	It is not a better model	4	4%
d	It is never a model	0	0%
e	It should be stopped	0	0%
	Total:	100	100%

Source: Field Survey.

85 i.e. 85% of respondents opined that RDS is the best model because the model is free from Riba (interest). Not only that RDS rate of return is lower than other NGO'S. RDS field officers are honest and dedicated. They always desire the good for the clients. They also try to teach the Islamic knowledge to the clients in order to make them honest and active. Majority of RDS field officers point out group solidarity as the main contributing factor to social status, uplift of income and output. RDS field officers report that enhanced income of the group members is the contribution of RDS. RDS has made economic gains, raised standard of living, increased production, made employment opportunity. It has also made possible the sustainability of economic well-being and also has developed the Quran and Sunnah knowledge. 11 i.e. 11% of respondents opined that it is sometimes a better model. 4 i.e. 4% of respondents opined that it is not a better model.



**Figure: 4.44 Opinion of the Respondents about the Performance RDS Program**



Source: Field Survey.

**Table: 4.89 Opinion about the Socio-economic Development of Respondents**

Sl. No.	Type of question respondent	Respondents	Percent
a	very significantly	53	53%
b	Significantly	35	35%
c	not so significantly	7	7%
d	little significantly	3	3%
e	no comment	2	2%
Total:		100	100%

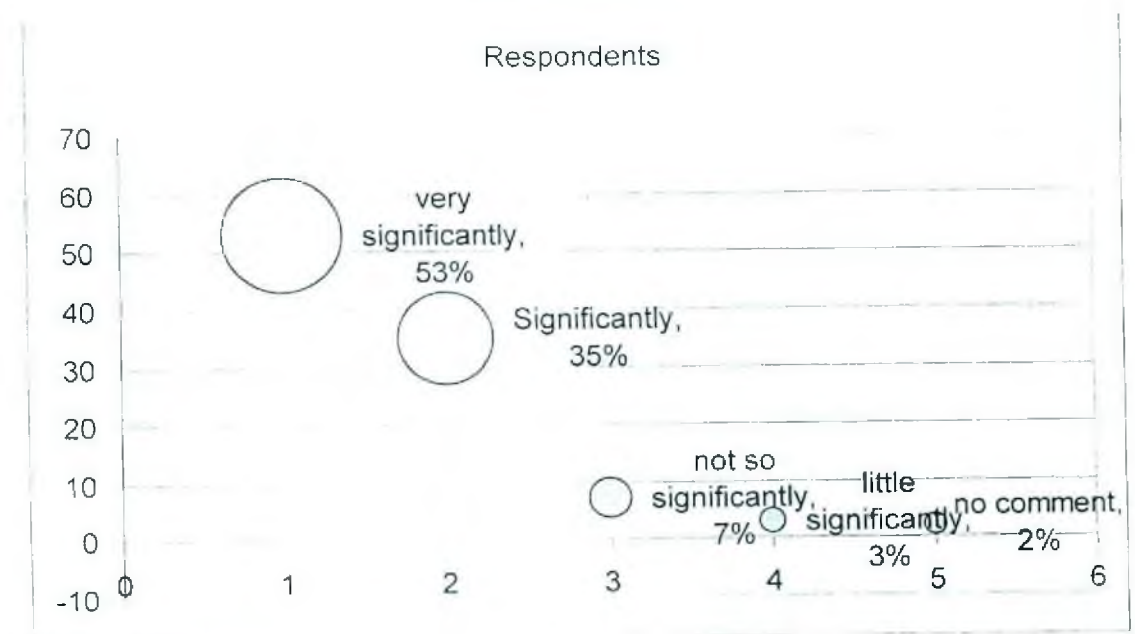
Source: Field Survey.

53 i.e. 53% of respondents opined that RDS improved very significantly the socio-economic conditions of the clients through Health and nutrition, education program, addressed to the group members. Through formal and non-formal training RDS improved the income, productivity, employment, education and literacy. Through the assistance of the RDS program small and

marginal farmers could allocate a higher percentage of their land to the cultivation of high yielding varieties (HYV) and subsequently had increased their agricultural productivity. Member's assets have also been expanded significantly through improved house ownership facilities by RDS investment; by the end of 2007, RDS had extended US \$ 1.2 million housing loans. It was found that RDS housing loans help its members to improve their living and housing condition.

35 i.e. 35% of respondents opined that RDS brought in significantly socio-economic improvement of the client. 7 i.e. 7% of respondents opined that RDS brought in no significant socio-economic improvement of the clients. 3 i.e. 3% of respondents opined that RDS brought in little significant socio-economic improvement of the clients. 2 i.e. 2% of respondents did not comment.

**Figure: 4.45 Opinion about the Socio-economic Development of Respondents**



Source: Field Survey.

Table: 4.90 Opinion of Respondents for an Effective RDS Program

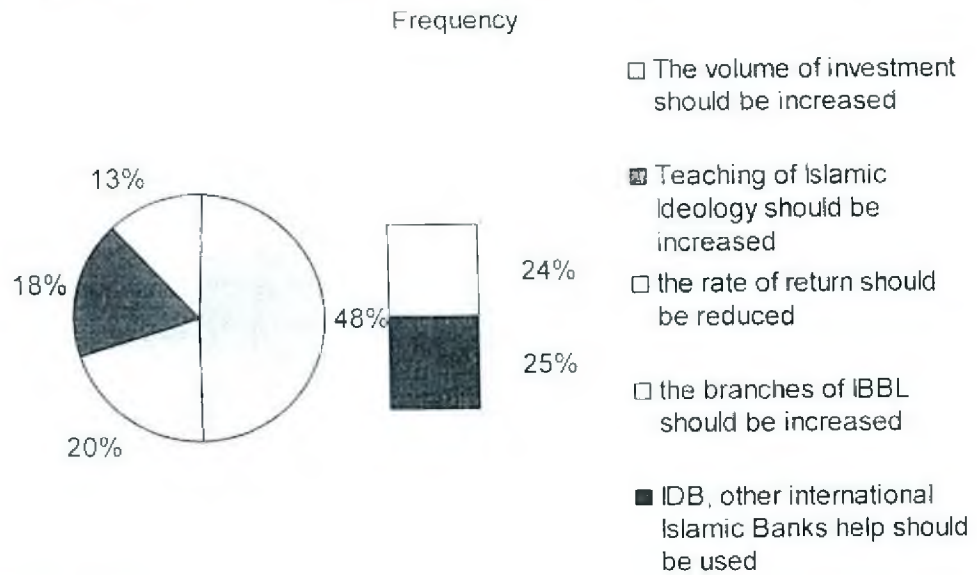
Item	Suggestion	Frequency	Percent
a	The volume of investment should be increased	81	81%
b	Teaching of Islamic Ideology should be increased	72	72%
c	The rate of return should be reduced	50	50%
d	The branches of IBBL should be increased	98	98%
e	IDB, other international Islamic Banks help should be used	99	99%
Total:		400	400%

Source: Field Survey.

(% is more than 100 due to multiple answers).

81 i.e. 81% of respondents opined that the volume of investment should be increased. Because other NGO'S investment was 57,000 crores by 2007. On the other hand RDS investment was only 1,600 cores only. 72 i.e. 72% of respondents opined that teaching of Islamic Ideology should be increased. 50 i.e. 50% of respondents opined that rate of returns should be reduced because rate of return is installment basis. 10% rate of returns is installment basis that means effective rate of returns is more than 20%. 98 i.e. 98% of respondents answered that the branches of IBBL should be increased. 99 i.e. 99% of respondents said that IDB and other international banks should help the RDS poverty reduction function. Poverty alleviation cannot be handled in an isolated fashion. The complexity and multi disciplinary nature of the job claimed collaboration as IDB and other Islamic NGO'S of the world.

Figure: 4.46 Opinion of Respondents for an Effective RDS Program



Source: Field Survey.

## **CHAPTER # 05**

### **CONCLUSIONS AND RECOMMENDATIONS**

## CHAPTER # 05

### CONCLUSIONS AND RECOMMENDATIONS

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#### 5.1 Conclusions

In this study, the researcher has discussed past and present programs of rural development. No program or plan succeeded for development of rural people in the past. The villagers were neglected. However, by this time many programs have been taken for the development of rural people. No program has been able to prove its vital utility. RDS has created an extra ordinary impact on rural development.

In the fourth phase of the study, the researcher has discussed the aims, functions and strategies of RDS programmes and examined the impact of the program. To study the impact of the program the researcher has conducted a survey in RDS project villages. The researcher found that before involving the villagers in this program, they were in backward condition. The village people were not satisfactory and self - sufficient. The food problem was quite abnormal and people could not take food twice a day. The overall economic problem of the people was acute. There was no system for getting work in the village. Most of the people were illiterate. All these problems created a peculiar and in secured economic condition in the village. People did not come forward to participate in development activities due to the lack of organization.

In this study, the researcher has shown the condition of socio-economic development of poor village people, especially of women. These women once idled away their time. They were liabilities to the family. RDS has played a vital role to improve the family's economic condition by using the unused strength of the rural people. In this study, the researcher has shown that women are now helping the families increasing their income and doing better

in the rural economy. Some have made poultry farm, some are involved in cultivation or some are in small business and earning money for the family. Once who were the liabilities of a family, now they are made into assets & taking part in decision making of the family.

In the observation, the researcher has indicated that RDS motivated the poor women to keep family small, to free themselves from the dowry system. The villagers are now sending their children to the school. RDS has another - program for education. The importance of rural women as members of society has increased. In some families, women are acting as only earning source and bearing all expenses of the families.

RDS gives special focus on Women in Sahid Nagor village of Narayanganj and also other 50 villages in Savar, Keranigonj, Faridpur, Bogra, Narsingdi, Comilla, Barisal, Rajshahi and Patuakhali. RDS has proved that deprived people could be made into resourceful. The main objective of the present study is to find out the development of poor women (who are involved with RDS). In fact, the researcher talked to women and they said once some of them had no house, some did not take food three times daily and children did not go to school. At present, they have made house, sunk tube-well, sent children to school and fed all family members.

However, most of the poor women want that RDS should take step to use the investment properly. For it, if the Bank helps them to use the investment in proper way they will be able to earn more. Many of them cannot use the investment properly and this investment brings sufferings to them.

In the observation, what the researcher found in the villages are stated below:

- The economic condition and social environment have improved.
- The condition of the villagers has improved satisfactorily.
- The poor women have become earning member of the family.
- The economic condition of the families is improving.

- The other environmental surroundings are improving.
- Children are going to school and education rate is increasing.
- A dynamic condition is created in rural economy.
- Making house & sanitary latrine, sinking tube well etc. In fact RDS is providing improved life standard.
- Deprived poor women now turned into asset.
- Infrastructure and village economy has developed.

RDS has been playing pioneering role for development of socio-economic conditions of rural poor women. Breaking the vicious circle of poverty, RDS has emerged as a model in Bangladesh as well as in the world. It has employed rural poor women in income generating activities. As a result, a large amount of income has been added to our national income. The major findings of this study are mentioned below:

01. RDS has passed first step of its rural development program. It has established a vast network in every remote area in Bangladesh. Presently number of its branches is 136 and number of total borrowers is 5,60,000 of which total number of women is 4,25,000.
02. RDS provides investment mainly for off-farm activities as livestock raising, food processing, manufacturing and trading activities.
03. Recovery position of RDS is excellent. The loan disbursement and recovery rate is highest among all banks and financial institutions. Its recovery rate is about 99 percent.
04. Improving the standard of living of rural poor women is another important achievement of RDS. Providing loans and employment opportunities, the Bank has enhanced the standard of living of its members. Borrowers' perception of change in their economic condition after joining the RDS is over-whelming. 96% of the borrowers believe that their economic condition has improved after joining the RDS



activities. The members thought that the major factors behind the improvement were:

- a) Additional employment in different sectors.
- b) Increase in wage rate.
- c) Accumulation of capital from bank loan
- d) Emancipation from the clutches of Mohajans.
- e) Additional investment in agriculture etc.
- f) The increase of the Islamic knowledge.

05. RDS is very much successful in generating additional and new employment activities. It may be due to reallocation of work from other activities. For example, agricultural wage earning employment was the principal occupation of 20 percent of the investors when they joined the bank. But at the time of survey by IBTRA, only 2 percent of them were employed in this inferior occupation. This indicates that there has been a major shift towards a better quality of employment for RDS members.
06. The poor women of the rural society are the main focal point of the Bank's operation. The bank has changed the pattern of life of the women in the areas it operates. These women were neglected in the families. However, with the help of the RDS they are now the main earning members of their families. Through employment of poor women in productive activities, the Bank has contributed to the national economy. Before joining the investment program of RDS, the unemployed women were 75% and it came down to 11% after joining the investment program of the Bank.
07. Rural poor women borrowers are not competent to use the borrowed fund.
08. Borrowed money of rural women is used by their husbands/sons.
09. The amount of investment is not insufficient.

10. The rate of return on investment is high.

However, sometimes they are unhappy with RDS. They complain that its rate of return is high. Bank sanctions insufficient investment and they cannot start a business properly by that. If they are not able to invest money, they fall in miseries. However, they must have to repay the installment in weekend. In this condition, the villagers suggest the following:

1. To decrease the rate of returns.
2. To increase the amount of investment.
3. Taking steps to utilize the investment.
4. To increase the client's number.
5. To extend the Scheme to Thana, Union, Village as a whole area.

However, poor women have reported that they have improved their condition. In fact, the researcher has seen that most of the women are dependent on their husbands or others to utilize the investment. In some cases, it creates another problem. Other persons consume the investment and women fall into suffering. Sometimes the investment is used in consumer sector. Then the women fall in danger and they cannot repay the installment.

## **5.2 Recommendations**

RDS has come forward to provide capital to the rural poor women. So that they can invest their capital in various productive activities and utilize their idle time that will help them earn more money. Most of the poor rural women are deprived of rights by their husbands because the income of a man in a family is not sufficient to meet their living expenditure. As a result, they need extra income from other sources. In this issue, RDS helps them by providing investment, training and other guidance. In conclusion, it can be said that the contribution of RDS to increase the living standard of rural poor women and loan recovery performance is very satisfactory and more contributory than the other financial institutions in Bangladesh.

RDS, as a poverty alleviating organization, has been contributing most in this regard; but if the following suggestions could be implemented it could improve its services and activities relating to investment recovery and disbursement vis-à-vis improving the living standard of rural poor women. Under the circumstance the researcher intends to furnish the following suggestions:

- 01.** The maximum limit of individual investment should be revised in upwards every year at least in line with the rate of inflation. This would increase the size of business and income of older borrowers.
- 02.** The older investor may be required to pay back in monthly installments that would reduce the paper work and the cost of operation.
- 03.** For increasing the size of business per branch, the bank might extend its credit operations to small farmers to provide short/medium term agricultural investment. Such investment might be repaid in seasonal installments collected immediately after harvest.
- 04.** To alleviate the countrywide poverty the RDS should increase its coverage rapidly.
- 05.** The RDS should increase its savings by external resource mobilization.
- 06.** If one of the borrowers defaulted for example, then the utility of the latter would decrease because he/she will have to pay for his/her defaulting peer. The bank can compensate for this by offering a higher investment, and/or lower rate of return.
- 07.** To reduce the operating cost, the RDS should increase the use of its own fund and savings. This would reduce the high interest paid to external sources. The RDS should also minimize the administrative costs.
- 08.** The principles of decentralization and participation in decision-making must be adhered at any cost.

09. Borrowers may be provided with a short training for proper utilization of borrowed money.

10. Proper supervision is to be ensured so that the husbands of the women borrowers cannot misuse the money.

11. To establish agro-based industries for men also.

12. Encouraging members/borrowers to use investment in productive sector.

13. To establish small industries for women so that women can use the investment herself.

14. The employee of RDS should change their attitudes to the borrowers.

15. To help the borrowers who incur loss in their business.

16. RDS project should be increased because till now RDS members are only 0.5 million. On the other hand, other NGO members are about 30 million. Bangladesh has 80 million poor people. RDS is better but not available to the poor. There are three alternative models, which are given below and by that RDS can serve the much poor people. RDS can handle any of them or at a time three models.

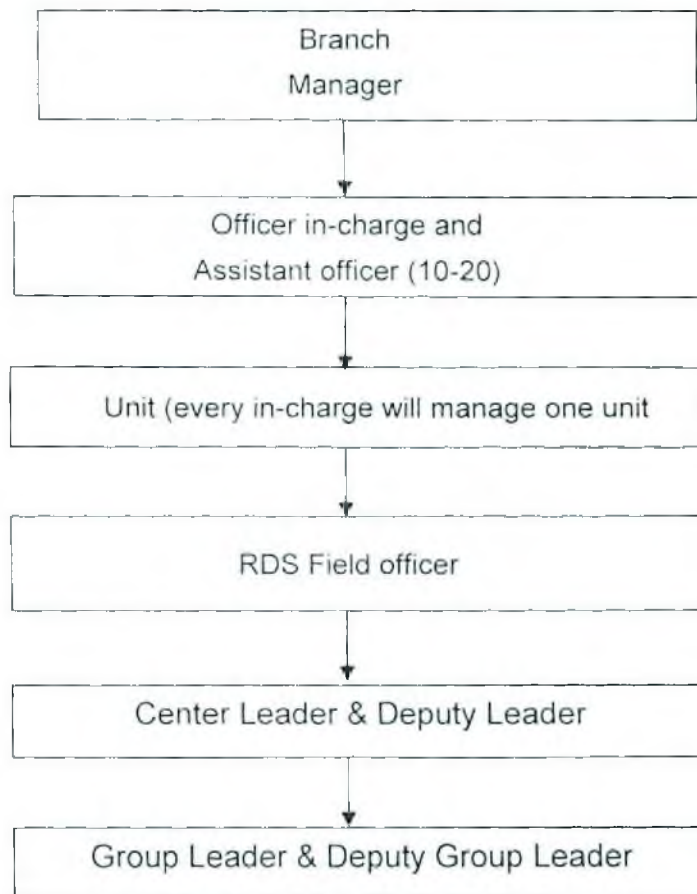
### **16.1 Branches should be increased**

About 80% of people of Bangladesh live in the villages. Most of them such as 70% are poor people. More than 80 million poor people live in the rural areas but RDS project has failed to reach the rural areas. GB and other NGO's network are more extensive than RDS network. However, they cannot remove poverty because of high rate of interest, dishonesty and corruption (see Table 4.30, page-170). GB has 2500 branches. Therefore, IBBL should open new branches at least 1500 within 2020 to reach 95000 villages. Therefore, IBBL should try hard to reach the goal.

## 16.2 New Model of RDS Supervision

Now every branch of IBBL employs only one in charge of RDS. If IBBL employs at least 10 in charge and they can manage the 10 to 20 field officers, then follow-up work and efficiency will be increased (10 × 10) to (10 × 20) field officers that means 100 to 200 field officers will be included. Then they will go to every nook and cranny of every village. Every in charge may manage a unit. Every unit will have 20 field officers that means unit system will include in the on going RDS project. As a result, the poor people of the villages would get the benefit from RDS new model. New model of RDS supervision is given below.

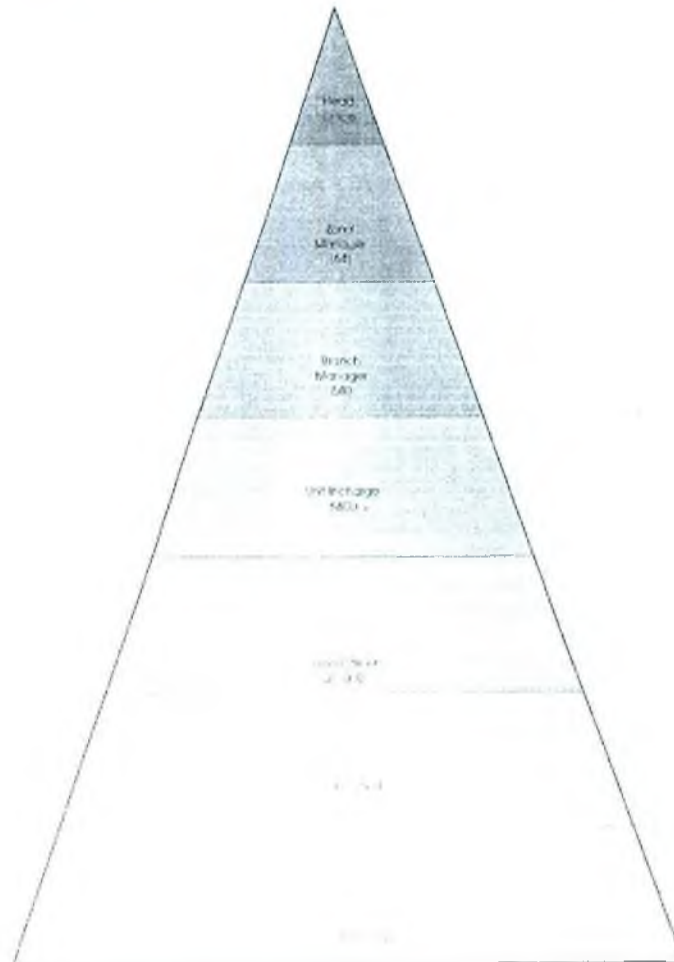
Figure: 5.1 Proposed Model of RDS



### 16.3 Alternative Model for RDS

The growth rate of RDS on-going project is 12% only. But this growth rate should be 22% to cover 95,000 villages within 12 years. The expected growth rate of RDS implies that in near future the size and work volume of RDS will be too big to manage for IBBL. Besides RDS clients pollute branch premises, make noisy atmosphere and create insecurity. Therefore it would be better to have a separate autonomous institution instead of working under IBBL. A fully separate model of RDS from IBBL is given below. 1. Head Office 2. 64 Zonal Branches 3. 640 Upa-Zila Branches 4. (5000) Union Branches 5. Village Branches 6. Centre Branches 7. Group Members.

Figure: 5.2 Alternative Model for RDS



17. There is a great paradox in the calculation of rate of return. RDS provides investment to the group members at 10% rate of returns. The weekly

compulsory saving is minimum Tk 10 per member. The group members refund the investment by 46 consecutive weekly installments within a year. Compulsory saving amount is about  $=10 \times 46 = 460$ . For example if a group member Taka 5000, he/she practically receives by misusing the forced savings Taka 4540 =  $(5000 - 460)$ . Against this amount adding the rate of return, he/she will refund Taka = 5500 in 46 weekly installments. Due to the very nature of repayment the investor can use the 80% of money Tk = 4000 throughout the total year. However, against this amount he/she will have to pay taka  $(5500 - 3540) = 1960$  as effective rate of returns for a period of one year. In this situation, the rate of return stands as 39.20%. The investor always remains under the severe pressure of this high rate of return.

**Table: 5.1 Incidence of rate of return on group members for TK. 5000. Invest Received from RDS.**

SL. NO	Particulars	Position
1	Sanctioned Volume of investment	TK. 5000
2	Gross amount received by the group member (weekly TK. 10 Forced savings)	TK.4540
3	Amount of investment used by the investor TK. 10 by out investment period of 50 weeks 20% minus =4540-1000	TK. 3540
4	Extra amount paid by the investor as rate of return (5500-3540)	TK. 1960
5	Rate of return	39.2%

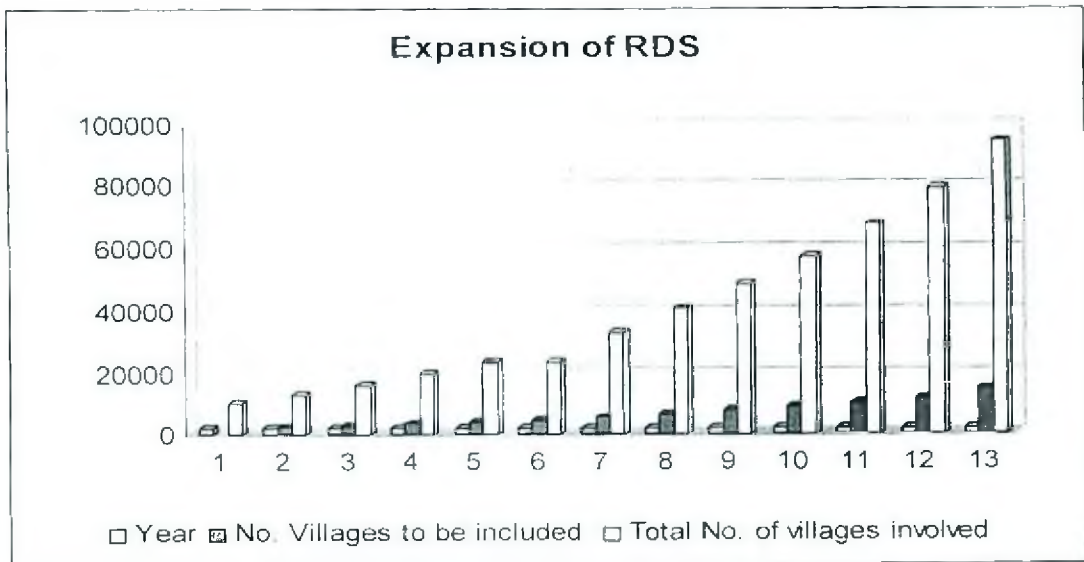
**18.** Micro credit investment should be changed into micro enterprise investment scheme and agriculture investment scheme.

**19.** 12 years future poverty reduction project model being prepared for the minimum 95,000 villages of rural Bangladesh is given below. Growth of RDS on going project is 12% but this growth rate should be 22%.

Table: 5.2 12 Years Perspective Plan Regarding Expansion of RDS (Village)

Year	No. Villages to be included	Total No. of villages involved
2008		10,500
2009	2500	13,000
2010	3000	16,000
2011	3700	19,700
2012	4000	23,700
2013	4800	23,500
2014	5700	33,200
2015	6700	40,900
2016	7800	48,700
2017	9000	57,700
2018	10200	67,900
2019	11500	79,400
2020	15600	95,000

Figure: 5.3 Expansion of RDS



20. Ongoing RDS field officer growth rate is only 12%. However, it should be raised to 22% within twelve years.

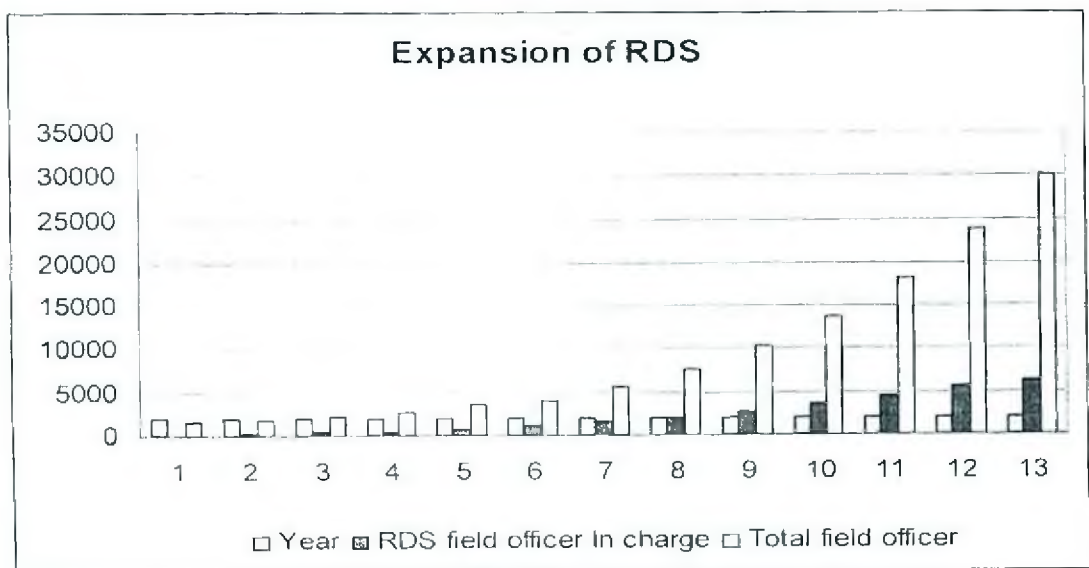


Table: 5.3 12 Years Perspective Plan Regarding Expansion of RDS field officer

Year	RDS field officer In charge	Total field officer
2008	-	1500
2009	300	1800
2010	400	2200
2011	550	2750
2012	750	3500
2013	1050	4050
2014	1500	5550
2015	2000	7550
2016	2700	10250
2017	3500	13750
2018	4500	18250
2019	5600	23850
2020	6250	30000

Source: Proposed Model by the Researcher

Figure: 5.4 Expansion of RDS

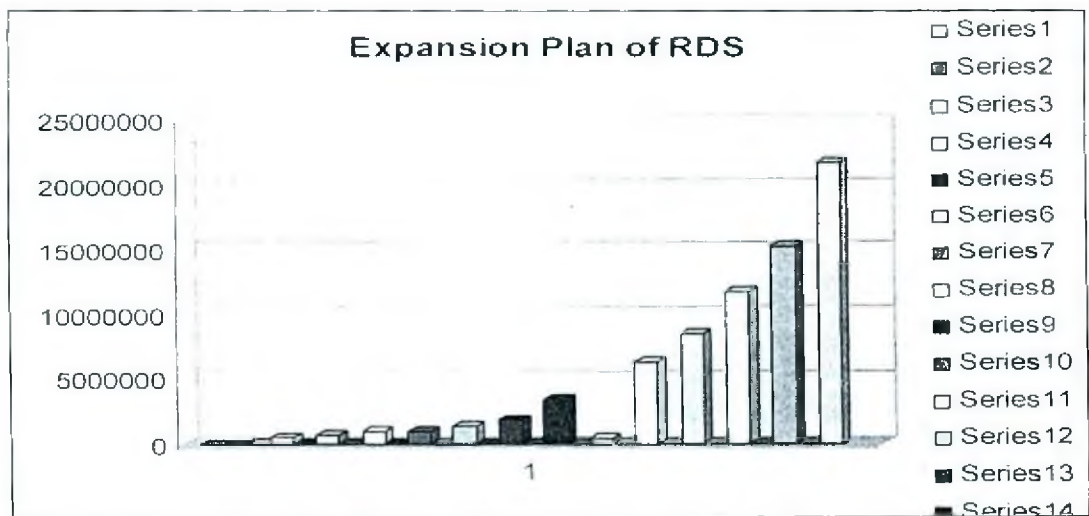


21. RDS members are only five lakh. However, in the future program members should be raised to 2, 24, 90,000 within twelve years. If they want to reach its target by 2020, it will have to increase the member @30% per year. Then it may be possible to reach the targeted number.

Table: 5.4 12 Years Perspective Plan Regarding Expansion of RDS member

Year	RDS members increase	Total member includes
2008	-	5,00,000
2009	200000	7,00,000
2010	280000	9,80,000
2011	390000	13,70,000
2012	530000	19,00,000
2013	690000	25,90,000
2014	900000	34,90,000
2015	1200000	46,90,000
2016	1600000	62,90,000
2017	2200000	84,90,000
2018	3000000	1,14,90,000
2019	4500000	1,59,90,000
2020	6500000	2,24,90,000

Figure: 5.5 Expansion Plan of RDS member



## 22. Rural Education Development

There is no alternative to education. It is impossible to improve the fate of peasants and day labor without education. That is why Islami Bank should change and improve the rural educational scenario.

Tripartite joint venture educational institutions should be established by IBBL and such Model is given below:

- i) Unemployed village educated people.
- ii) Rural educated and non-educated rich men.
- iii) Islami Bank initiative.

Islami Bank would supply money and manage the educational institutions. At least one RDS Branch may be established where school, and training facilities will be provided. The share of educational investment will be for 20% for employed village educated people. 30% share will be for rural elites. 50% share will be for Islami Bank.

## 23. Health Services

Islami Bank may establish joint venture health institution such as Hospital, Clinic etc. Investment share for this may be distributed as follows:

- 1) Unemployed Doctors 20%
- 2) Rich Educated elites 30%
- 3) Islami Bank 50%

Islami Bank will supply 50% money and manage, also initiatives.

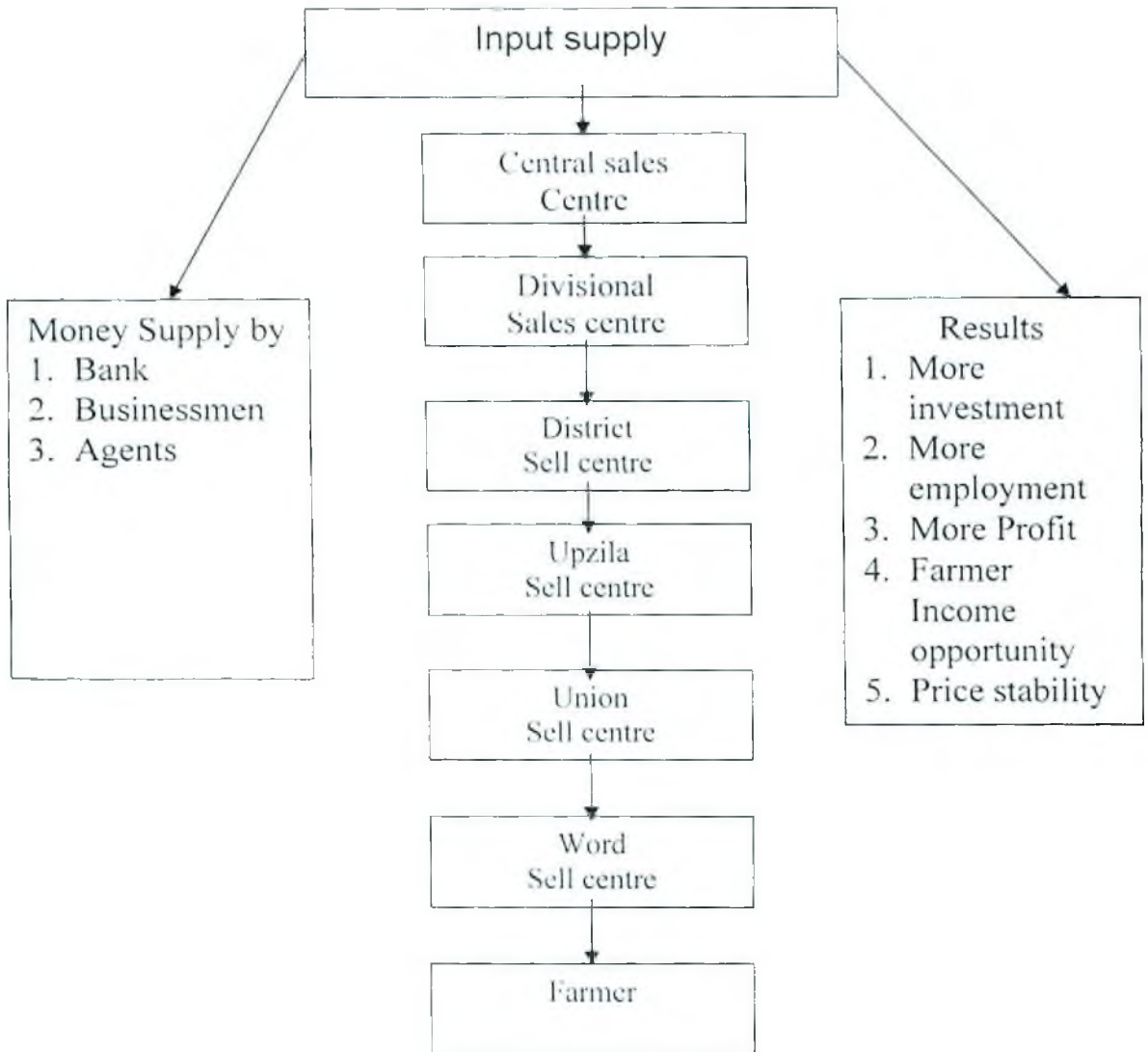
## 24. Rural Marketing System Development

The economy of Bangladesh is agro-based. Now-a-days Bangladeshi farmers do not get agricultural inputs timely and at cheap rate. On the other hand, they do not get proper price of outputs. That is why farmers are deprived of both sides such as inputs and outputs price.

Agricultural input marketing such as HYV seeds, fertilizer, irrigation inputs, and tractors is very poor. On the other hand output marketing of farmer such as rice, wheat, pulses, milk, fish's potatoes tomatoes, fruits, vegetables are also very poor.

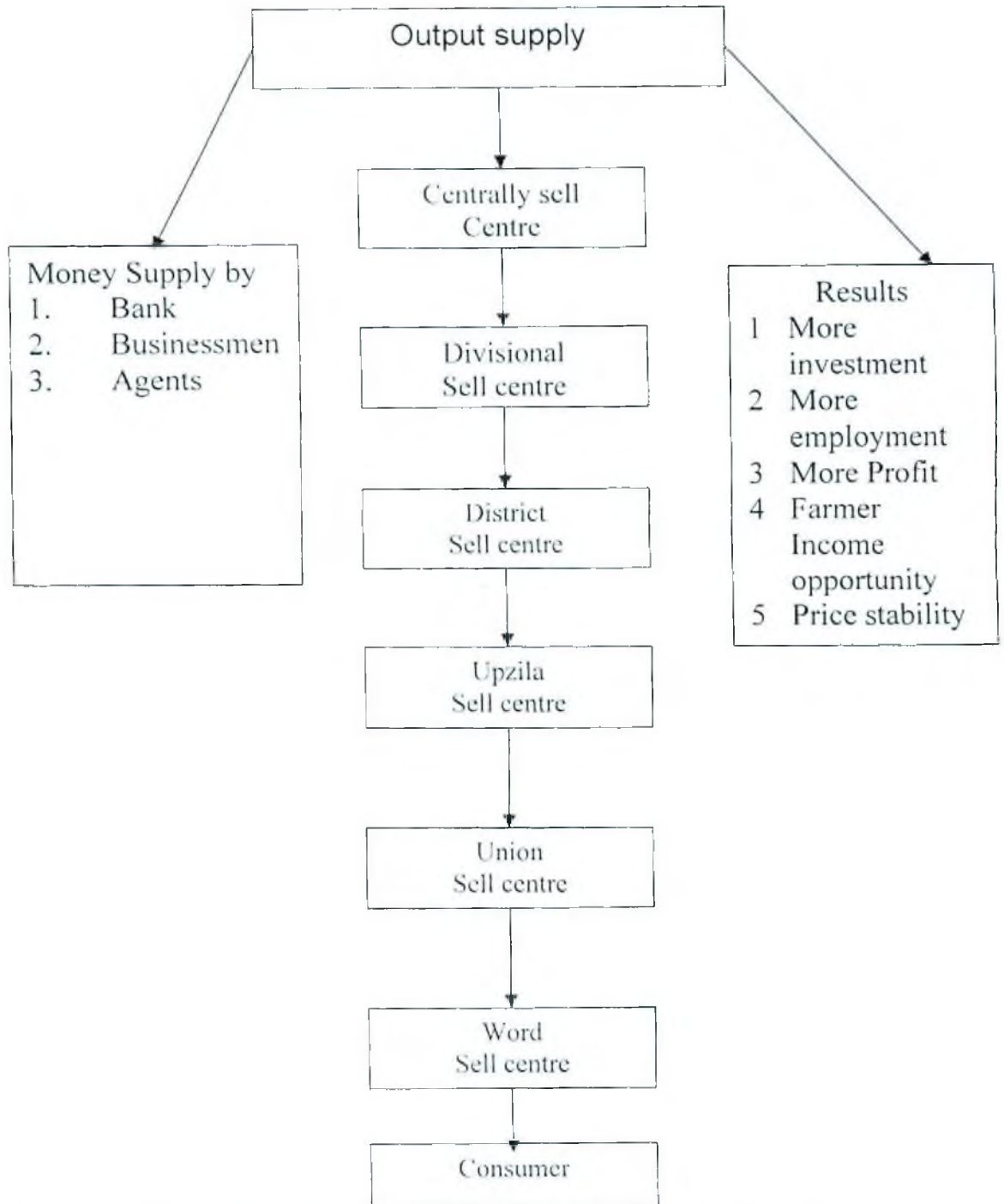
To develop the input and output marketing Islami Bank may apply Input-Output Model. Such Model is given below.

Figure 5.6 Input supply Model



To introduce miracle seeds by research, Importing of improved fertilizer, Bio-fertilizer and modern technology Islamic bank is to establish the Inputs center centrally. So that RDS can supply all the inputs to the farmers by one class of businessmen. Input sale by Bai-Salam.

Figure 5.7 Output supply Model



The RDS will take dealership of the various items normally by the clients and store them in their own storehouse and sell the same as and when demanded by the clients.

Outputs marketing system must be developed by RDS, Rice, wheat, pulse, milk, fishes, marketing networks may be developed. Now milk cow project of RDS is profitable but it has no marketing networks like Milk-vita. In this context IBBL can make a marketing network by their businessmen, agents and clients. This model is given at Figure 5.4.

## **25. Uses Zakat and Awqaf:**

RDS can reduce the rate of returns (profit). Only original amount of money can be realized from the hard-core poor by installments basis. Zakat may be applied here to admin cost as like Ameleen. One part of Zakat can be spent for Ameleen. Every year IBBL earns profit 200-500 crore taka. If RDS project collects 2.5% of it, this amount will be 5-12.5 core takas. This amount should be used to the hard-core poor amelen cost or RDS administration cost. Awqaf also for using micro financing.

Most Muslim countries of the Middle East especially Saudi Arabia, Kuwait, Qatar, Iran, Iraq etc. are endowed with natural resources, namely mineral oil. According to the Holy Quran, they must pay Al-Khums i.e. 20% of their natural wealth. This khums is not optional but mandatory on the oil-enriched country. The poor Muslim countries have justifiable right on this khums ordained by Allah. OIC can collect this khums in favor of IDB and IBBL. IBBL, IDB can sanction 2.5% as Zakat from al khums. The hard-core poor can use this wealth to change their lot. A section of the Ameleen can serve at watchdog to supervise on this poor people as how they are using the money to change their lot.

## APPENDICES

## Annexure A

Department of Management Studies

University of Dhaka

A Study on "The Role of Islamic Banking for Rural Development in Bangladesh": A Case Study of IBBL

### Confidential Questionnaire (for bankers)

01. Name: .....
02. Designation: .....
03. Age (years): .....
04. Length of service.....
05. Education level (put (√) tick one).  
(a) Below S.S.C. [ ] (b) S.S.C. [ ] (c). H.S.C. [ ]  
(d) Graduate [ ] (e) Post graduate
06. Have you received any training (Please put tick (√) one).  
(a) Yes [ ] (b) No [ ]
07. If yes (a), please mention the  
Course.....  
Duration.....  
Venue.....  
Organization .....
08. Have you received any foreign training (Please put (√) tick one).  
(a) Yes [ ] (b) No [ ]
09. If yes (a), please mention the  
Course.....  
Duration.....  
Venue.....  
Organization .....
10. Why do you like islami banking?  
(a) Interest free [ ] (b) Security [ ] (c) No red tapism [ ]  
(d) Expected growth [ ] (e) All [ ]



11. What is your assessment about the level of cooperation among the personnel for implementation of RDS activities?  
(a) Very high (b) high (c) Moderate (D) little  
(e) Not at all
12. Are the hardcore poor left out by RDS?  
(a) Very high (b) high (c) Moderate (D) little  
(e) Not at all
13. How many of your supervisor's auger to improve their Knowledge and skill? Please give your opinion against the following scale.  
(a) All (b) Almost (c) Half (d) A few (e) None
14. Please mention your RDS supervisor's efficiency level in the following scale.  
(a) Fully efficient (b) Very efficient (c) Moderately efficient  
(d) Little efficient (e) Not at all
15. Do you think that RDS activities do not reach to extreme rural Areas?  
(a) Yes (b) No (c) No comment
16. if yes, mention the causes.  
(a) (b)  
(c) (d)
17. If no, what are the causes behind.  
(a) (b)  
(c) (d)
18. Are the Hardcore poor left out by RDS?  
(a)Yes (b) No (c) No comment
19. If yes, why the hardcore poor are left out  
(a) (b)  
(c) (d)
20. if no, what are the causes behind.  
(a) (b)  
(c) (d)

- 21. What is your opinion about weekly meeting time?**  
(a) Too short (b) Short (c) reasonable (d) Long  
(e) No comment
- 22. Do you think that RDS Training for self-employment is Sufficient?**  
(a) More than sufficient (b) Sufficient (c) More or less sufficient (d) Very Negligible (e) Insufficient
- 23. Are you agreed with the alleviation of poverty by RDS?**  
(a) Strongly Agreed (b) Agreed (c) Little agreed  
(d) Not agreed (e) Strongly disagreed
- 24. Do you think that RDS significant changes in quality of life?**  
(a) Strongly agreed (b) Agreed (c) Little agreed  
(d) Non agreed (e) Strongly disagreed
- 25. What is your realization regarding the contribution of sustainable organization for the poor by RDS?**  
(a) Highly appreciate (b) appreciate (c) not so appreciate  
(d) Not at all
- 26. What are the causes behind getting the RDS popularity Gradually?**  
(a) Rate of return is comparatively low  
(b) RDS supervisors express their commitment to conduct their operation according to shariah.  
(c) Islami modes of investment instead of Riba.  
(d) Honesty of bankers.  
(e) Good service of bankers  
(f) All
- 27. Do you think that RDS is the best Model for rural development?**  
(a) Strongly agreed (b) Agreed (c) little agreed  
(d) Non agreed (e) strongly disagreed
- 28. Do you think that RDS brought in significantly socio-economic improve the client?**  
(a) Strongly agreed (b) Agreed (c) little agreed  
(d) Non agreed (e) strongly disagreed

**29. What is your suggestion for Increasing RDS?**

- (a) To Increase the volume of Investment
- (b) Teaching of Islamic Ideology
- (c) To reduce the rate of return.
- (d) To Increase the branches of banks
- (e) With the help of others resources such as IDB, others Islamic Bank.

**Annexure B**

Department of Management Studies

**University of Dhaka**

A Study on "The Role of Islamic Banking for Rural Development in Bangladesh": A Case Study of IBBL

**Confidential**

**Questionnaire (for Client)**

01. Name: .....
02. Occupation.....
03. Designation: .....
04. Age (years): .....
05. Gender: Male [  ] / Female [  ] (put (√) tick).
06. Education level (put (√) tick one).  
(a) I-V            (b) Below S.S.C.  
(c) S.S.C.        (d) H.S.C.
07. Have you received any training (put (√)).  
(a) Yes [  ]    (b) No [  ]
08. If yes (a), please mention the  
Course.....  
Duration.....Venue.....  
Organization.....
09. Why do you like Islami banking?  
(a) Interest free [  ] (b) Security [  ] (c) No red tapism [  ]  
(d) Expected growth [  ] (e) All [  ]
10. Is RDS Projects properly supervised?  
(a) Properly supervised (b) Not properly supervised  
(c) Sometimes properly supervised  
(d) Never properly supervised (e) Supervision is unsatisfactory
11. How much money you have taken from the IBBL under RDS?  
(a) Tk. 10,000/-above (b) Tk. 5,000/- (c) Tk. 2,000/-  
(d) 1,000/- Less

**12. What is your opinion about the loan amount?**

- (a) More than Sufficient (b) Sufficient (c) More or less Sufficient (d) Insufficient (e) Very negligible

**13. Do you think that your monthly income has increased?**

- (a) Highly increased (b) increased (c) very little increased (d) Not increased (e) decreased

**14. Do you face any problem to pay installment?**

- (a) Serious problem (b) problem (c) sometimes problem (d) Negligible problem (e) no problem

**15. How do you think regarding Group management System?**

- (a) Very efficient (b) efficient (c) not so efficient (d) Negligible (e) inefficient

**16. Are you satisfied with Group meeting?**

- (a) More than Sufficient (b) Sufficient (c) Not so sufficient (d) Insufficient (e) Very negligible

**17. Do you think that your social status has been increased?**

- (a) Very satisfactorily increased (b) satisfactorily increased (c) Increased (d) not so increased (e) not increased

**18. Have education level of your children been increased?**

- (a) More than Sufficient (b) Sufficient (c) More or less sufficient (d) Insufficient (e) Very negligible

**19. What is your expectation about your Housing loan?**

- (A) Should be increased (B) should be decreased (c) May be constant

**20. Do you think that ongoing RDS program is?**

- (A) Very necessary (B) necessary (c) not so necessary (d) No comment

**21. How do you evaluate about RDS to improve Quran and Sunnah knowledge?**

- (a) Highly satisfactorily (b) satisfactorily (c) Not so satisfactorily (d) Not at all

22. **What is your suggestion for increasing RDS?**
- (a) The volume of investment should be increased
  - (b) Teaching of Islamic Ideology should be increased
  - (c) The rate of return should be reduced
  - (d) The branches of IBBL should be increased
  - (e) IDB, other international Islamic Banks help should be used

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