

Role of NGO's Micro-credit Programme in Poverty Reduction in Bangladesh: A Study on Some Selected NGOs

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Abstract: The present study intends to access the impact of the micro-credit program of NGOs to reduce poverty in Bangladesh. For this study, three NGOs i.e., BRAC, ASA and Grameen Bank have been selected. The study was basically conducted based on qualitative case study method. From the findings, it has been found that micro-credit program of various NGOs are playing significant role in reducing poverty in the study area. It has also been found that as a powerful tool of poverty reduction program of NGOs, micro-credit helps the creditors to reduce poverty more efficiently. On the other hand, creditors have been able to engage with income generating activities after receiving credit from NGOs.

Key words: NGOs, poverty reduction, BRAC, ASA Bangladesh

INTRODUCTION

Do NGO's^[1] contribute to poverty reduction? What are the factors^[2] that facilitate NGOs to obtain the goal of poverty reduction? It is intended to explore these questions in this study by examining micro-credit program of several NGOs working in Bangladesh.

At the time of independence, the economic condition of Bangladesh was very deplorable. Following independence the new government was much preoccupied with meeting a series of problems that needed to be solved immediately, such as alleviate poverty, care for the wounded and disabled, help to the war windows and orphans; and restoration of law and order in the country^[1]. And during the last few decades since independence Bangladesh has scarcely made any progress in accelerating growth and in relieving poverty and unemployment^[2]. So it is clear that various initiatives, which were taken by the government to achieve the goal of poverty reduction, have not been able to fulfill the demand as people's need. Having this background, NGOs have come to light as the latest 'alternative development sector' to reduce poverty in Bangladesh.

NGOs, in the form of alternative development sector in Bangladesh, have already been acknowledged as a model of poverty reduction and have created a notion of high expectation since early 90's as a powerful instrument of creating income generation and self-employment opportunities for the distressed poor by providing micro-credit. So micro credit is crucial for the poor to create self-employment and reduce their poverty situation. In Bangladesh more than 1000 NGOs are currently involved in micro-credit activities^[3]. The micro-credit summit declaration in 1997 pledged to cover 100

million poor households all over the world especially women. Association for Social Advancement (ASA), Grameen Bank, Bangladesh Rural Advancement Committee (BRAC) in Bangladesh, BRRI in Indonesia, Bankosol in Bolivia have proved that micro-credit is not a charitable programme. Though not significant, micro-credit is positively contributing to the poverty reduction in Bangladesh. Everybody, therefore, wants to see micro-credit thrive as an industry to the benefit of the real poor people including the hardcore poor who constitute bottom 20 % of the total population^[3].

Statement of the problem: Bangladesh is one of the poorest countries of the world. It is often cited in world development literature as a country which has 12,31,51,246 (according to the population census report, 2001) people but at present this figure is near about 150 million who live in the small area of 1,47,570 K m. and per square kilometer is 981^[4] which is the highest in the world. Therefore, poverty is persistent in Bangladesh. Over 52% of its population lives under the poverty line^[5]. The above picture clearly depicts that poverty is pervasive in Bangladesh. Among the poor, the most vulnerable are those who live in villages. Poverty is not only an economic aspect but also a human aspect^[6]. The Human Development Index (HDI), composed of standard of living, longevity and educational attainment, were used to measure the countrywide trend. Bangladesh in the HDI rank, occupies the position of 146th among 174 countries in 1998^[7]. So the poor in Bangladesh are in a more vulnerable position than any other country of the world. Their vulnerability in real terms is reflected in the writings of Robert Chamber^[7] A family with lower income but with more assets to meet contingencies may be better off

than a family with higher income but fewer assets. Families whose assets are mainly productive are especially vulnerable to impoverishment, since disposal of them to meet a contingency will reduce the family's productive or earning capacity^[4].

Social condition of Bangladesh, according to latest data^[6], is being slightly increased, but it is even than unsatisfactory. Our human nutrition, life expectancy, size of population and the rate of population growth are high, and health level, literacy rate and technological skills are low than that of most other countries in the world. All the characteristics discussed above are the symbol of poverty.

Based on the above discussion, it is clear that poverty is one of the major social problems in Bangladesh that epidemic through out the country. With the advancement of civilization and modern technological development, the problem of poverty remains the same. The reason for such a prevalent problem is not only using the available resources to the optimum level, but also unequal distribution of resources that are so far utilized. In the context of Bangladesh, Unequal distribution has made poverty very serious because various services of government intended to reduce poverty is accessible only to those who can create pressure on government. But creating pressure by the poor on the government is not an easy task. So, NGO sector developed soon after end of the bloody liberation war for a gap-filler of public services in the view of poverty reduction.

The dependent variable of this study is poverty reduction, which is influenced by independent variable (e.g., micro-credit program of NGOs).



The present study is confined to assess impact of Micro-credit program of NGOs on the poverty reduction in Bangladesh. In this regard, the prime and foremost objective of this study is to examine the role of NGOs in poverty reduction. The objectives are specified here: What role do micro-credit program of NGOs play for reducing poverty in Bangladesh?

METRIALS AND METHODS

Research methodology: This study employed case oriented qualitative research strategy. A descriptive and exploratory case study approach was utilized for this study because how, what and why questions were posed, the researcher had little control over the events, and the focus was on contemporary phenomenon. In this regard,

three NGOs had been selected for the study, which are working in Shadullapur Upazila under Gaibandha District.

The study was mainly based on qualitative data, however some qualitative data were used, though limitedly to supplement the qualitative data. The study had been conducted on the basis of primary as well as secondary data. Primary data related to the research objectives and questions had been collected through a structure interview guide having closed and open ended questions. Secondary data had been gathered from libraries of the department of Public Administration, Rajshahi University, various published documents, newspapers and Internet.

Why shadullapur upazila has been selected?: In this study, Shadullapur Upazila of Gaibandha district in Bangladesh has been selected for some reasons. First, several number of NGOs along with selected three NGOs are working at Shadullapur Upazila. Second, Shadullapur is one of the Upazilas in Gaibandha district where I have spent most of the time of my life. I know Shadullapur Upazila to a greater extent and have access to information. Having this consideration, I liked to use my experience and network during the research work. Besides, it would have been an intricate task for me to go to an unknown Upazila for field study within the stipulated time of only fifteen days.

ANALYTICAL FRAMEWORK

The main purpose of this section is to develop an analytical framework for describing and analyzing the role of NGO's micro-credit program for reduction of poverty in Bangladesh. For doing so, it is essential to discuss the independent and dependent variables and to relate them with the broad theoretical perspectives.

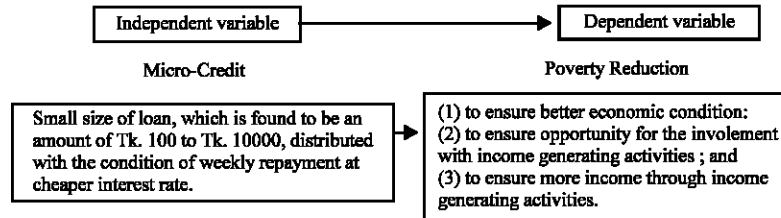
Dependent variable

Poority Reduction: Poverty is the inability to attain minimal standard of living. According to Paul Clements^[9], Poverty is understood as a multidimensional concept involving identifiable minimum standard of nutrition, clothing,, shelter, heath care (including access to safe water), education and political liberty^[4]. In this study, poverty reduction refers (i) to ensure better economic condition; (ii) to create opportunity for the involvement with income generating activities; and (iii) to ensure more income through income generating activities.

Independent variable

Micro-credit Program of NGOs: Micro-credit is now one of the most powerful instruments to reduce poverty.

Conceptual Framework of the study
Role of NGO's micro-credit program in poverty reduction



Many scholars of economics have expressed their own views about micro-credit in different ways. For that reason, it is very difficult to find any universal definition of micro-credit. In this study, micro-credit refers to the small size of loan, which is found to be an amount of Tk. 1000 to Tk. 10000, disbursed with the condition of weekly repayment at cheaper interest rate. Based on above discussion the following analytical model has been drawn.

HISTORY OF NGO AND MICRO-CREDIT IN BANGLADESH:

In order to understand the actual scenario of NGO's micro-credit program in poverty reduction in Bangladesh, it is essential to have a clear idea about the history of development of NGOs and its micro-credit program in Bangladesh.

What is NGOs? : The terminology NGO covers all those organizations outside the government, which are non-profitable and involved in various development and welfare activities with the objective of reducing poverty. In the simplest sense, the term 'NGO' refers to any voluntary non-profit agency involved in the field of development cooperation or in education and policy advocacy activities. Organization for Economic Co-operation and Development^[10] defines NGO as Organization that are established and governed by a group of private citizens for a stated philanthropic purpose and supported by voluntary individual contribution^[11].

NGOs in Bangladesh can be seen as organizations engaged in activities that are private in origin, voluntary by design but selling services, non-profit distributing by claims but make profit out of the provided services cross-subsidizing.

History of Development of NGOs in Bangladesh

Pre-liberation period: In the form of private or religious trust based schools, hospitals and orphanages, the NGOs

were working in this area of the subcontinent, but there were only a few NGOs working in the then East Pakistan. In the Pre-liberation Period, most of the NGOs were not only of foreign origin but also were missionaries that were working in this area. The Baptist Missionary society is perhaps the oldest one, which can be traced back to 1794. In 1800, the Christian Mission Hospital was established in Rajshahi. Among the national organizations, perhaps the Kumndini welfare trust is the oldest one, which began its operation in 1944. On the other hand, development oriented NGO activities are relatively new in Bangladesh and started their activities on a greater scale after the devastating cyclone 1970 and the liberation war in 1971^[9,11]

Post-liberation period: Although the NGOs had been working in traditional form since the British colonial Period, they got a radical transformation only after the war of liberation in 1971 and turned into agents of development^[12]. Inhuman sufferings of people and a massive destruction of the physical infrastructure and the economy caused by the war of liberation called for immediate relief and rehabilitation interventions. Government of Bangladesh (GOB) had to face a Herculean task of renewal and reconstruction of the war torn economy after the war of independence. But the GOB neither had the capacity nor had the appropriate institutional mechanism to address to the volume and diversity of such enormous problems single-handed. At the time a large number of international NGOs and voluntary organizations extended their helping hands to assist Bangladesh^[11,12].

Beside, a few national organizations developed at that period as spontaneous responses from a number of committed persons, which are at present well known leading NGOs in Bangladesh.

A short description of selected three NGOs:

Bangladesh Rural Advancement Committee (BRAC): Bangladesh Rural Advancement Committee (BRAC), one

of the largest NGOs in the world and one of the Pioneers in NGOs activities in Bangladesh, was founded in 1972 in response to the humanitarian needs of thousands of refugees returning to their homes after liberation war of Bangladesh^[13]. An enthusiastic young man, a Professional accountant Mr. Fazle Hassan Abed who was working with a British oil firm, could not deny the call of the soil for starting reconstruction work of a war ravaged new nation. Mr. Abed along with some other conscious, educated persons formed a committee in 1972 at Sullal in former Sylhet² district, as a charitable organization devoted to relief and rehabilitation of the war affected families. This committee, now a giant in the 'NGO community', is in the global context most commonly known by the Abbreviation BRAC (Saifullah, 2001: 129).

With a view to reducing dependency on the usual moneylenders, BRAC's credit program aims at creating a financial base for the group members through savings³ mobilization and credit so that they can carry out different income generating activities for reducing poverty. BRAC provides micro-credit to its members for the following purposes: to crop cultivation, loan for the release of mortgaged land; agricultural implement purchase; pisciculture; fishing implements; purchase of rural transport such as rickshaws, country boats, horse carts, and bullock carts; weaving; pottery market; food processing; black printing; small trading; cow or goat rearing; poultry keeping; and paddy husking (C. H. Lovell, 1992: 80). BRAC recovers the loan on weekly basis in installments with 15 percents flat rate of interest.

Association for Social Advancement (ASA): Association for Social Advancement (ASA) is the second largest Micro-Finance NGOs in Bangladesh. It started in 1978 with various types of development programs for the socio-economic progress of the distressed rural poor. But since 1998 ASA has been doing only micro-credit operation by discarding all other social programs.

ASA also provides group-based micro-credit and most of the ASA's credit is short-term. Credits repayment with a 12.5% service charge added are made through 45 equal installments over one full year. ASA provides various types of credit in multi-sectoral activities.

Grameen Bank (G. B.): Grameen Bank of Bangladesh is the brainchild of Dr. Muhammad Yunus, a Vanderbilt educated economics professor at Chittagong university and a social scientist. The Grameen Bank originated from a small action research project undertaken in 1976, to test the hypothesis that if financial resources are made available to the poor at reasonable terms and conditions, can they generate productive self-

employment without external assistance^[15,16].

After three years of experiment the Grameen Bank as a project was launched in 1979. After going through a process of learning until 1983, the project transformed into the Grameen bank, a special financial institution for rural poor through an ordinance⁴. Though Grameen Bank is a Specialized Bank but till today it is working like NGO model.

The Grameen Bank is one of the most successful experiments in extending credit to the poor in Bangladesh. Each member of Grameen Bank is made to save Tk. 1.00 per week with 5% of the loan amount being set aside at the time of disbursement, which is accumulated in the group fund. Grameen bank only provides micro-credit for productive activities. The credits are repaid in 50 equal instalments with 20% interest rate, which is very high compared to other NGOs.

Micro-credit program of NGOs: Micro-credit has drawn global attention as one of the most powerful and effective instrument to reduce poverty. The mission to go to the doorstep of the poor people with appropriate financial services (e. g. Micro-credit) with a view to eradicating poverty. According to Professor Yunus^[7]. Micro-credit is the 'engine' of development and 'a poverty free world' could only be created through micro-credit^[18]. All NGOs provide group-based credit facilities and these groups are made with those women who are being excluded from the facilities of on going commercial banking system in the country. They are excluded in the sense that they do not have enough resources, which they can keep as mortgage to the bank. So presently micro-credit program of NGOs has gained tremendous momentum as an effective mode of poverty reduction^[19].

MICRO- CREDIT AND POVERTY REDUCTION IN BANGLADESH: RESPONDENT'S VIEW

The main concern of this section is to analyze the impact of micro-credit program of selected three NGOs in poverty reduction of Shadullapur Upazila under Gaibandha District in Bangladesh.

Micro-credit and poverty reduction: In order to conceptualize the impact of the micro-credit program for poverty reduction Bangladesh, 100 stakeholders of the study area were interviewed to illustrate the real situation. Detailed analyses of the responses are the following.

The respondents were first asked about the timeframe of their involvement with the micro-credit operation of NGOs? They responded in the following ways:

Table 1: Estimated average years of respondent's involvement in micro-credit program of NGOs

Period of Receiving Credit (In terms of year)	BRAC	ASA	GB	Total
0-2	12	4	4	20
3-5	14	10	8	32
6-8	8	4	6	18
9-11	8	8	4	20
12-14	2	2	6	10
Total	44	28	28	100
Average	5.5	6.2	7.3	6.3

Question that was asked, When have you involved with NGO's micro-credit operation?

Table 2: Opinion of creditors about amount of credit of the NGOs

Name of the NGOs	No. of Respondents	Options	
		Yes	No
BRAC	44	10	34
ASA	28	12	16
Grameen Bank	28	8	20
Total	100	30	70

Question that was asked, was the amount of credit/loan sufficient?

The Table indicates that the average period of the involvement of the respondents with credit borrowings among selected three NGOs is nearly 6.3 years. The figure for the BRAC borrowers is 5.5 years, for ASA borrowers is 6.2 years and Grameen Bank borrowers is 7.3 years. Table 1 Form the Table 4 it appears that the borrowers of each NGO are to some extent satisfied with the micro-credit program; otherwise they would have left the program within 2 or 3 years. Another question was asked to the respondents regarding their level of satisfaction with the amount of credit that they usually received from the NGOs? Two options were given to them. They replied in the following way:

The majority of the respondents (70 out of 100) hold the view that they are not fully satisfied with the amount of loan Table 2. In reply to the question, one member of BRAC expressed that: Because of insufficient amount of loan, it is not possible for them to fulfill their requirement for which they have received credit form NGOs. Therefore their dependency on NGO is increasing. So the amount of loan should be enhanced.

The above statement reflects that the NGOs are not providing as much credit to its borrowers as they need. As a result of which, the borrowers are not in a position to be self-reliant which are becoming a barrier for their poverty reduction. The respondents were also asked to make a comparison about their economic condition (before and after receiving credit from NGOs). In reply of this question, they responded in the following way:

The majority of the respondents (90 out of 100) expressed that their economic condition has changed

Table 3: Opinion of the Respondents about the impact of micro-credit on family's economic condition

Name of the NGOs	No. of respondents	Better Economic condition	
		before receiving credit from NGO	after receiving credit from NGO
BRAC	44	4	40
ASA	28	2	26
Grameen Bank	28	4	24
Total	100	10	90
Percentage	100	10	90

Question that was asked, Do you think that economic condition of your family is better than previous period when you did not take loan from NGOs?

Table 4: Opinion about Involvement in Income Generating Activities

Name of the NGOs	No. of respondents	Options	
		Yes	No
BRAC	44	38	6
ASA	28	26	2
Grameen Bank	28	28	-
Total	100	92	8
Percentage	100	92	8

Question that was asked, Are you involved in any income generating activities

positively after receiving credit from NGOs and the rest (10 out of 100) expressed negatively Table 3. They were also asked about the basis of their assessment? In reply, they pointed out that: (i) they have bought land and made houses; (ii) they have bought agricultural lands; (iii) they have evacuated mortgaged lands; (iv) they have bought rural transport (van); (v) they are leading better life; (vi) they have started business; (vii) they have managed to ensure fresh drinking water and sanitation. They identified above points as indicators of their economic betterment. One respondent expressed her experience in the following way:

Another respondent has expressed her feelings regarding comparison of economic condition as the following way:

Economic condition of her family is now better in comparison to any time of the previous years. She took once Tk. 3000 from a moneylender of her village, but She had to repay a total of 4800 Tk as an interest rate of 20% per month against per hundred after three months. Later on, She took Tk. 5000 from BRAC and repaid total amount of Tk. 5750 on weekly basis in equal installments with 15% interest rate per month against per hundred.

From the above discussion, it can be said without hesitation that micro-credit program of NGOs has a positive impact on the betterment of the economic condition of their stakeholders.

The respondents were also asked whether do they have any income generating activities? Two options

Table 5: Period of involvement in income generating activities

Name of the NGOs	No. of respondents	Options	
		before receiving credit from NGO	after receiving credit from NGO
BRAC	38	4	34
ASA	26	8	18
Grameen Bank	28	4	24
Total	92	16	76

Question that was asked, when have you been involved in income generating activities?

Table 6: Opinion of the Respondents about impact of increased Income on poverty reduction

Name of the NGOs	No. of respondents	Options	
		Yes	No
BRAC	38	38	-
ASA	26	26	-
Grameen Bank	28	28	-
Total	92	92	-

Question that was asked, Do you think that the increased income, which is earned from income generating activities, is contributing to reduce poverty?

were given to them. They replied in the following way:

The majority of the respondents (92 out of 100) expressed that they have involved themselves in income generating activities Table 4. Respondents were also asked the time frame of their involvement in income generating activities? Two options were given to them. They replied in the following way:

The majority of the respondents (76 out of 92) expressed that they involved themselves in income generating activities after receiving loan from NGOs.

They were again asked whether have they been able to reduce poverty by using increased income through income generating activities? In an answer to this question, they responded in the following way:

The Table reflects that all of the respondents hold the same view that the increased income had contributed to poverty reduction. One creditor of ASA expressed his views in the following way:

She had taken Tk.6000 as loan from ASA. After receiving the loan, she bought some Chicken and goats at the cost of Tk. 2000. Few month back she had received Tk.2000 by selling few chicken and goats. Now she is approaching to buy a cow which is expected to be costed of Tk.10000.

The statement reflected the positive impact on the poverty reduction by the income generating activities.

Another question was asked to the respondents that whether do they have any relationship between the micro-credit and income generating activities? In the answer, they replied in following way:

Table 7: Opinion of the Respondents about the Relationship between Micro-credit and Income Generating Activities

Name of the NGOs	No. of respondents	Options	
		Yes	No
BRAC	38	34	4
ASA	26	16	8
Grameen Bank	28	24	4
Total	92	76	16

Question that was asked, is there any relationship between micro-credit and income generating activities?

income generating activities. One creditor expressed her opinions in the following way:

She has involved herself in income generating activities after receiving credit from NGO. She also expressed that before her involvement with the income generating activities, it was impossible for her to think to save any single taka from their income after meeting up daily requirements of her family.

From above discussion, it can be said that having positive relationship between micro-credit and income generating activities, majority of the respondents (76 out of 92 which is shown in table: 5) have involved themselves in income generating activities after receiving credit from NGOs which has a long lasting impact on the reduction of poverty.

CONCLUSIONS

In Bangladesh more than thousand of NGOs are carrying out micro-credit operations. The total loan outstanding against the borrowers is TK 16 billion. The size of the total revolving loan fund is 20 billion. The average loan recovery rate in the sector is about 93%. Credit operations has been activating in our society for decades. But, unfortunately the morbid situation of our socio-economic condition especially in the rural settings is evident. What has been explained earlier in this writing is just a model. A model is which tries to attain some sort of success with its perseverance, devotion and commitment. Not only selected three NGOs but also other NGOs are also playing significant role in reducing poverty in Bangladesh. To some extent, selected three NGOs have been successful too, as the case of Shadullapur Upazila reveals such.

In the light of above discussion it can be said that as a powerful tool of poverty reduction programs of NGOs, micro-credit helps the creditors to reduce poverty more effectively. On the other hand, creditors have been able to engage with income generating activities after receiving credit from NGOs and income-generating activities positively influences poverty reduction. So it is obvious that NGOs are playing positive and significant role for reducing poverty in Bangladesh by providing micro-credit to the poor people.

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