



Study of Impact of Micro-Credit on Selected Area with Special Reference to Bangladesh

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Abstract

Micro-credit is a part of microfinance, which provides a wider range of financial services, especially savings accounts, to the poor. Modern micro-credit is generally considered to have originated with the Grameen Bank founded in Bangladesh in 1983. Many traditional banks subsequently introduced micro-credit despite initial misgivings. The United Nations declared 2005 as the International Year of Micro-credit. As of 2012, micro credit is widely used in developing countries and is presented as having "enormous potential as a tool for poverty alleviation. This study is based on the data generated through face to face interviews with a country-wide (rural) representative sample of rural micro-borrowers numbering 295 (over 99% female). The field work was conducted during October-November 2013. It has emerged from this study that micro-borrowers have generally remained tied to rudimentary trading, manufacturing and other economic activities regardless of the length of time they have been micro-borrowing. It also appears that micro-credit taken year after year repeatedly is the lifeline for the micro-borrowers to remain in business once they got involved. The study results show that some of the micro-borrowers have benefited in terms of reasonable increases in income but in majority of the cases there has not been a significant increase in income and about a quarter earn from micro-credit related activities and other sources taken together only about or below the average income of the rural poor. The study also shows the socio-economic impact of micro-credit, is marginal. And also observe selected MCIs (Micro Credit Institutions) situation on Bangladesh and their impact on their client.

Keywords: Micro-Credit, Socio-economic Impact, Poverty, Deprivation, Microfinance, Village banks.

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1. INTRODUCTION

Bangladesh economy is characterized by unfavorable per capita land, low per capita income, glaring and accentuating income disparity, high level of unemployment, low productivity and persisting high levels of poverty and deprivation. Under the circumstances, micro-credit has been promoted to help the poor to take up self-employment on tiny/micro scales with a view to improving their living conditions.

This study focuses on micro-credit operations in rural Bangladesh. To ensure country-wide rural representation, a total of 295 rural micro-credit receivers, selected on the basis of a combined purposive and multi-stage random sampling procedure, have been interviewed using a pre-designed questionnaire.

The sampling procedure followed was to select 2 districts from the two divisions and two upazilas from each district randomly but two unions from each upazila purposefully considering concentration of micro-credit programmes. Villages from those unions and respondents from those villages were then selected randomly.

2. OBJECTIVE OF THE STUDY

- a) To review present status & magnitudes Micro-credit in Bangladesh.
- b) To analysis the impact of Micro-credit in the selected study area.

3. LITERATURE REVIEW

Microfinance, according to Otero (1999, p.8) is "the provision of financial services to low-income poor and very poor self-employed people". These financial services according to Ledgerwood (1999) generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet (2001, p.339) define microfinance as "the attempt to improve access to small deposits and small loans for poor households neglected by banks." Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

In the literature, the terms Micro-credit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Sinha (1998, p.2) states "Micro-credit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs¹ supplement the loans with other financial services (savings, insurance, etc)". Therefore Micro-credit is a component of micro-finance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services (Okiocredit, 2005).

Micro-credit and microfinance are relatively new terms in the field of development, first coming to prominence in the 1970s, according to Robinson (2001) and Otero (1999). Prior to then, from the 1950s through to the 1970s, the provision of financial services by donors or governments was mainly in the form of subsidized rural credit programmes. These often resulted in high loan defaults, high loses and an inability to reach poor rural households (Robinson, 2001).

Village banks are community-managed credit and savings associations established by NGOs to provide access to financial services, build community self-help groups, and helps members accumulate savings (Holt, 1994). They have been in existence since the mid-1980s. They usually

have 25 to 50 members who are low-income individuals seeking to improve their lives through self-employment activities. These members run the bank, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and services (Grameen Bank, 2000a). The loans are backed by moral collateral; the promise that the group stands behind each loan (Global Development Research Centre, 2005).

There is a certain amount of debate about whether impact assessment of micro-finance projects is necessary or not according to Simanowitz (2001b). The argument is that if the market can provide adequate proxies for impact, showing that clients are happy to pay for a service, assessments are a waste of resources (ibid.). However, this is too simplistic a rationale as market proxies mask the range of client responses and benefits to the MFI (ibid.) Therefore, impact assessment of microfinance interventions is necessary, not just to demonstrate to donors that their interventions are having a positive impact, but to allow for learning within MFIs so that they can improve their services and the impact of their projects (Simanowitz, 2001b, p.11). Poverty is more than just a lack of income. Wright (1999).

Carney (1998, p.4) defines a livelihood as comprising "...the capabilities, assets (including both material and social resources) and activities required for a means of living." Chambers (1997, p.10) states that livelihood security is "basic to well-being" and that security "refers to secure rights and reliable access to resources, food, income and basic services. It includes tangible and intangible assets to offset risk, ease shocks and meet contingencies." Lindenberg (2002, p.304) defines livelihood security as "a family's or community's ability to maintain and improve its income, assets and social well-being from year to year. Johnson and Rogaly (1997, p.122) state that "NGOs aiming for poverty reduction need to assess the impact of their services on user's livelihoods." They argue (1997) that in addressing the question of the impact of micro-finance, NGOs must go beyond analyzing quantitative data detailing the numbers of users, and volumes or size of loans disbursed, to understanding how their projects are impacting on clients' livelihoods."

Health and education are two key areas of non-financial impact of micro-finance at a household level. Wright (2000, p.31) states that from the little research that has been conducted on the impact of microfinance interventions on health and education, nutritional indicators seem to improve where MFIs have been working research on the Grameen Bank.

A key objective of many micro-finance interventions is to empower women. Mosedale (2003, p.1) states that if we want to see people empowered it means we currently see them as being disempowered, disadvantaged by the way power relations shape their choices, opportunities and well-being Kabeer, quoted in Mosedale (2003, p.2) states that women need empowerment as they are constrained by "the norms, beliefs, customs and values through which societies differentiate between women and men". She also states that empowerment refers to the "process by which those who have been denied the ability to make strategic life choices acquire such an ability", Littlefield, Murdugh and Hashemi (2003, p.4) state that access to MFIs can empower women to become more confident, more assertive.

4. METHODOLOGY OF THE STUDY

4.1 Secondary data

Sources used include publications/annual reports of different MCIs, Credit and Development Forum (CDF), Bangladesh Bureau of Statistics, Palli Karma-Sahayak Foundation (PKSF) and Bangladesh Bank (BB).

Secondary Data Sources

SL NO	Sources	Nature of Data
01	Annual paper (2005-2013)	Micro-credit based
02	CDF	Micro-credit based
03	BBS	Govt. based
04	PKSF	Journal

4.2 Primary data

Data have been collected over a period of 35 days from 22 October 2013 to 19 November. The randomly selected micro-borrowers of different MCIs have been interviewed in their homes, using a pre-designed questionnaire. The questionnaire was pre-tested in a few villages in Dhaka & Bhola district. The field investigators and supervisors were thoroughly trained and one teams consisting of three investigators and one supervisor each were fielded.

The questionnaire was developed by using a 5 point Liker scale, whereas, 1= strongly satisfactory 2= satisfactory, 3=neutral, 4=dissatisfactory and 5= strongly dissatisfactory to measure the level of satisfaction and also used 5 point scale whereas, 1= Very high, 2=High and 3= neutral, 4=low 5= very low to measure the importance of these factors. Questionnaire was pre-tested several times to ensure text formatting.

It was felt that to make a judgment as to the impact of micro-credit, at least four years of micro-borrowing may be needed so that the borrowers interviewed were at the time of the interview had been micro-credit receivers for at least four years. In the process of random selection, any borrower who had been micro-borrowing for less than four years was passed over and the next one in sequence who had been borrowing for at least four years was interviewed. The data collection process was strictly supervised by field supervisors and field visits by core research team members.

5. BACKGROUND INFORMATION ON THE RESPONDENTS

Over 99% of the borrowers interviewed are females and less than one percent males as per random selection of the respondents. Most of the borrowers are in the age group of 21-50 years and most of the borrowers (84%) are primarily housewives. Only 5% have business as the main profession. The majority (65%) of the respondents are illiterate, while 17% have studied up to Class-V and another 21% between Class-V and Class-VIII. Three of the respondents are graduates. The overwhelming majority (92%) are married.

6. DATA COLLECTION

A total of 295 rural respondents (henceforth respondents or micro-borrowers or borrowers) who have been borrowing funds from a variety of micro-credit institutions (MCIs), but mostly from

Grameen Bank, BRAC, and ASA, have been selected using a purposive-cum-random sampling procedure from all the two administrative divisions of Bangladesh, as explained earlier.

7. SELECTION OF THE STUDY AREAS AND STUDY SAMPLE

In Selection this study a multistage sampling was noted for the study. First all out of 7 divisions in Bangladesh 2 divisions namely Dhaka and Barisal from this two divisions two districts namely Dhaka and Bhola were selected for study. Out of two districts three upazila/Thana namely, Barhauddin and Daulatkhan (Bhola districts) and Dhanmondi Thana (Dhaka Districts) were selected for the study. Out of three upazilas /Thanas 295 respondent client were finally selected interviews. The whole process completed considering the convenient of the researcher. The break of the sample selection in given bellow:

SL NO	DIVISION (2)	DISTRICTS (2)	UPAZILA/ (3) / THANAS	TOTAL RESPONDENT
01	Barisal	Bhola	2	145
02	Dhaka	Dhanmodi	1	150

Total = 295

8. MICRO-CREDIT IMPACT ON SELECTED AREAS OF BANGLADESH

Micro-credit program is being implemented throughout Bangladesh following grameen bank approach. It was started as a credit and savings program with mandatory weekly savings and a basic loan product called general loan. The NGOs afterwards followed this model with some modifications. During the last 2-3 years or so, a trend is being discerned among the NGOs in launching new savings and loan products. They introduced some innovative features in their design and implementation. More than 1000 NGOs are carrying out micro-finance operations now. Curiously enough, each and every NGO eventually has taken up micro-finance as a common activity. In the NGO sector alone, there are now more than 9 million active members (more than 90% are women) that include more than 6 million borrowers. These members have net savings of Tk. 6 billion. The total loan outstanding against the borrowers is Tk. 16 billion. The size of the total revolving loan fund is Tk. 20 billion. The average loan recovery rate in the sector is about 93%. Ironically, the NGO led micro-finance sector is very much lopsided, in that only a handful of organizations (not more than 2%) have very strong presence resulting in highly monopolistic competition. They now offer differentiated savings and credit products and provide lucrative interest rates to overwhelm the smaller ones. On the other hand, the Grameen Bank has 2.37 million members who have saved about BDT 9 billion and have loan outstanding of Tk 15 billion. The Bangladesh Rural Development Board (BRDB), which is one of the largest public sector programs, has about 1.65 million borrowers with loan outstanding of Tk. 2 billion. The total outreach in the country is now approximately 13 million that indicates that the sector is already somewhat saturated in terms of outreach.

The terminology of micro-credit itself has undergone a change recently. Most practitioners in many countries including Bangladesh call it micro-finance for its wider dimension. Micro-credit was initially member based, who are, of course, the poor. Now many NGOs are collecting deposits from non-members. The non-members are not necessarily poor. Micro-finance is thus marking a gradual shift from poor to non-poor. So clearly, it is no longer a service for the poor

only, as the non-poor are also becoming part of micro-finance program. Repayment system is generally weekly. But now fortnightly and monthly repayments are noticed. Many NGOs are going to the doorsteps of the clients to collect savings. So a change in the group methodology is also appearing. Efforts are seen stronger than in the past in mobilizing local resources by bringing in various savings instruments. The savings products of NGOs now include daily savings, mandatory savings, forced savings, contractual savings, and time deposits. Some are introducing flexible rules for typical loan products. The cases of ASA and BURO, Tangail can be cited as glaring examples. About 75% NGOs provide interest on savings @ 5-7%. There are, however, a few who provide more. There are also some, who commit to provide interest on normal saving deposits.

9. DISTRIBUTION OF RESPONDENTS BY MAIN SOURCE OF MICRO-CREDIT

Table 01: Distribution of respondents by main source of micro-credit

Sources	No. of Responses	%
Grameen Bank	195	33.9
ASA	125	24.1
BRAC	105	21.0
Buro Tangail	35	3.8
RDRS	25	2.4
Palli Daridra Bimonchon Pratisthan	12	1.9
TMSS	10	1.5
Proshika	8	1.4
BRDB	6	1.2
SWLA	6	1.2
Society for social service	5	1.0
EC Bangladesh	9	0.5
Others (37 sources)	20	6.1
Total	561	100.0

Sources: Fields survey

10. NUMBER OF MCIs USED BY THE RESPONDENTS

Table 02: Number of MCIs used by the respondents

No. of sources	Frequency	%
One	205	68.1
Two	90	24.2
Three	30	6.4
Three+	15	1.1
Total	340	100.0

Sources: Fields survey

The 295 respondents received a total of 561 micro-credits in the loan period, as appropriate for particular respondents, during which the survey was conducted. It is seen that 24% took loans from two sources, 6% from three sources, and 1% from more than three sources. About 68% used only one source. (Table 1 & 2), the three leading sources of micro-credit from which the

respondents have mainly borrowed are Grameen Bank (34%), ASA (24%) and BRAC (21%). All other sources account for about 21% of the loans taken (Table 1 and 2).

11. DISTRIBUTION OF THE RESPONDENTS BY THE AMOUNT OF MONEY CURRENTLY BORROWED

Table 03: Distribution of the respondents by the amount of money currently borrowed

Amount	Frequency	%
Up to 5,000	40	18.8
5,001 – 10,000	95	37.3
10,001 – 15,000	70	22.0
15,001 – 20,000	35	11.3
20,001 – 30,000	28	7.7
30,001 – 40,000	15	2.3
40,001 – 50,000	9	0.4
50,001 and above	7	0.3
Total	295	100.0

Sources: Fields survey

From Table 03, it is seen that about 56% of the respondents were at the time of survey in the category of upto Tk. 10,000 micro-credit takers, while 22% in the Tk.10,000-15,000 category, and 11% in the Tk.15,000-20,000 category. That is, 87% belong to less than Tk.20,000 loan category. The figures are inclusive of loans taken from more than one source by about one third of the respondents.

12. UTILIZATION OF MICRO-CREDIT

Economic activities undertaken by the borrowers using the money received from MCIs are shown in Table 04. There are some cases of more than one activity undertaken by the same borrower. It is clear from the Table that the largest number of activities undertaken (37%) relate to trading including in paddy, rice, stationery, grocery, fish and other ordinary goods and services (in some cases with some processing). The next two important categories are renting in of agricultural land and agriculture related activities (each about 13%). The next three activities mentioned are purchase and pulling of rickshaw (9%), using the credit money to defray the costs of education and marriage of children (8%) and purchase and rearing of cows (7%). Another noteworthy activity is the payment of previous loan (6.4%). The other activities include poultry and goat rearing, preparation and sale of puffed rice, fish culture, and similar other ordinary economic activities. Further, there are few borrowers who in fact have lent the money borrowed from MCIs to others on interest or used it to defray medical and other costs.

Clearly, the respondents taking micro-credit have generally remained tied to rudimentary economic activities, many of which do not have much prospect of expanding into sustainable growth because of either market saturation (most of the products and services are directed to local markets) and/or limited scope of productivity improvement.

Table 04: Economic activities undertaken by using micro-credit

Activity	Frequency of responses	
	No.	%
Poultry	12	0.9

Goat rearing	11	0.8
Cow rearing	30	8.7
Puffed rice	7	0.5
Agro-support and agro-based activities	40	12.5
Fish culture	15	1.4
Trading (in some cases with some processing)	135	36.9
Rickshaw pulling	35	8.8
Pay up previous loan	28	6.4
Rent in agricultural land	45	12.9
Lend money on interest	9	0.7
Meet medical expenses	12	1.0
Meet educational and marriage expenses	29	7.9
Others	7	0.5
Total	415	100.0

*The larger enterprise credits provided by some MCIs on a very limited scale are not included in this study.

13. SOURCE OF INSPIRATION FOR TAKING MICRO-CREDIT

For almost two-thirds of the respondents (73%), the source of inspiration for taking micro-credit has been family members. In the case of about 16%, self-initiative has been the main reason, while about 9% were persuaded by the MCIs (Table 05)

The most influential family member has usually been the husband in the case of female borrowers usually for establishing a source of income but also at times for securing money to serve other purposes such as educational and marriage related expenses of children and paying up of outstanding debts.

Table 05: Source of inspiration for taking micro-credit

Source of inspiration	Frequency of responses	
	No.	%
Self	49	15.7
Family	205	73.1
MCIs	31	9.4
Others	10	1.8
Total	295	100.0

Sources: Fields survey

14. NUMBER OF FAMILY MEMBERS TAKING MICRO-CREDIT

Most of the respondents (96%) reported that only one member received micro-credit, while in the case of 3.4% of the cases two members, and in the case of 0.2% three or more members were micro-credit receivers. (Table 06)

Table 06: Number of members of the same family receiving micro-credit

No. of loanees in the family	Frequency	%
1 member	249	96.0
2 members	34	3.4

3 or more	4	0.2
Non-response	8	0.4
Total	295	100.0

Sources: Fields survey

15. TRAINING, IF ANY, PROVIDED BY THE MCIs TO THE CLIENTS

About three-fourths of the respondents have received training from the respective MCIs, while one-fourth did not. It is very interesting to note that the training given was mostly in respect of how to receive micro-credit and how to pay the installments and related matters. Very few received training relating to the work they would undertake with micro-credit. (Tables 7 and 8).

Table 07: Training, if any, provided by the MCIs to the clients

Training	Frequency	%
Provided	215	74.5
Not provided	75	25.1
Non-response	5	0.4
Total	295	100.0

Sources: Fields survey

Table 08: Type of training provided by the MCIs to the clients

Type of training	Frequency of responses		% of all respondents
	No.	%	
Loan taking, repayment and related matters	265	88.1	103.1
Work to be undertaken with the credit received	67	11.9	14.0
Total	332	100.0	117.1

Sources: Fields survey

16. LOANS TAKEN FROM NON-INSTITUTIONAL SOURCES

About 14% of the respondents have also been borrowing from non-institutional or informal sources in addition to MCIs. Mostly, they do so to supplement the availability of funds to tide over difficulties such as meeting urgent medical or social needs or pay the installments of the loans taken from MCIs. (Table 09). It will be seen from Table 10 that the mahajans are the most important non-institutional source, used by 46.5% of those who took loans from such sources, followed by neighbours (42.7%) and relatives (10.8%).

Table 09: Loans taken from non-institutional sources

Whether or not loans are taken from non-institutional sources	Frequency	%
Yes	60	14.0
No	230	85.8
Non-response	5	0.2
Total	295	100.0

Sources: Fields survey

Table 10: Non-institutional sources used

Non-institutional source	% of the respondents who used such sources
Mahajan	46.5
Neighbours	42.7
Relative	10.8
Total	100.0

Sources: Fields survey

17. METHOD OF SELLING OF PRODUCTS/SERVICES PRODUCED/PURCHASED USING MICRO-CREDIT

Given that multiple responses are admissible, a total of 538 responses were received from 496 respondents. No response was made to this question by 63 respondents. The few male borrowers in the sample sell their products/services themselves. Other responses shown in table 08 relate to women borrowers. In the case of the largest proportion of responses (27%), the husband or son(s) of the borrower runs(run) the businesses and all related activities, followed by a category of nothing to sell (21%). Twenty per cent of the responses indicate that sale of the products are effected by woman or husband in market places (this category includes the male borrowers). The next important method of sale is another member other than husband or son selling the products in the market (10%). About 6% of the responses indicate that rickshaws have been bought which are plied by husband or son. (Table 11).

Table 11: Method of selling of products/services produced/purchased using micro-credit

Method of sale of products/services	Frequency of responses		As % of respondents answering this question
	No.	%	
Credit providers buy up the products	55	10.5	10.7
Sale by self/husband in market places	110	20.3	20.7
Traders buy from my residence	15	1.8	1.8
Rickshaw bought, plied by husband/son	45	5.7	5.8
Business run by husband/son	120	26.9	27.4
Given as interest on loan taken	12	1.3	1.3
Another member (other than husband/son) sell product in markets	40	9.7	9.9
Brought land/built house	30	3.0	3.1
Nothing much to sell	111	20.8	21.2
Total	538	100.0	101.9

Source: Fields survey

18. MICRO-CREDIT IMPACT ON WOMEN EMPOWERMENT ON SELECTED AREAS

Of the 242 female borrowers interviewed in the present survey, only about 10% have said that they run with full authority the economic activities undertaken using micro-credits they receive. But, almost 90% have said that they either manage the activities in consultation or partnership with their husbands or other members of the family or husbands/other members manage the activities and they do not participate at all. It has not been possible to get, from the data collected, a breakdown between those female borrowers who participate (with husband or another member

of the family) in managing the use of credit and those who do not at all participate. This issue remains in dark and needs further probing. However, there is definitely a large question mark relating to the women borrowers being in control of the management of micro-credit they receive from MCIs. (Table 12)

Table 12: Management of the use of micro-credits received by women

Who manages?	Frequency	%
Borrowers in full control	60	10.2
Borrowers in consultation/partnership with husbands or other members of the family	174	89.5
Non-response	8	0.3
Total	242	100.0

Source: Fields survey

19. PARTICIPATION OF FEMALE BORROWERS IN FAMILY DECISION MAKING

So far as family decision making is concerned, about 36% of the female borrowers are now given due importance but not so before enrollment. Another 36% are now occasionally given more importance than before. No improvement in this regard has been reported by about 28%.

It is indicated by these findings that since women are the borrowers of micro-credit and the money so received is available to the family, women are now given more importance in making family decisions, as about two-thirds of the female respondents have said that they are always or occasionally taken more seriously now than before enrollment (Table 13). They are valued more when they are micro-credit receivers as a conduit for some money coming into the family but not so much in terms of human dignity for human beings, as indicated by many respondents. Notwithstanding this view, it is good that women micro-borrowers are given more importance in making family decisions; this beginning may lead, once its benefits are seen and understood, to male-female balanced roles in family decision-making.

Table 13: Importance of the views of female borrowers of micro-credit in family decision making

Importance	Frequency	%
Given due importance now, not before	85	35.8
No importance, no change from before	50	28.0
Occasionally given more importance than before	100	36.0
Non-response	7	0.2
Total	242	100.0

Source: Fields survey

20. MICRO-CREDIT IMPACT ON SOCIO ECONOMIC (PREFERRED ISSUES) ON SELECTED AREAS

20.1 Homestead Owned

The homestead ownership pattern of the borrowers' households before enrollment and now is shown in Table 14. It is seen from the Table that there has been virtually no change in the pattern of homestead size owned by the respondents since their becoming micro-credit clients, with about 92% owning homestead of less than 25 decimals, both before and now.

Table 14: Homesteads owned by the borrowers' households

Homestead land owned (in decimal)	At present		Before enrollment ¹	
	No. of respondents	%	No. of respondents	%
Up to 0-25	240	91.8	230	91.6
26-50	30	6.5	39	6.7
51-75	12	1.0	14	1.1
76-100	5	0.3	4	0.2
100 and above	4	0.2	4	0.2
Non response	4	0.2	4	0.2
Total	295	100.0	295	100.0

1. Enrollment as used in this study refers to, unless otherwise specified, a person who has just started to take micro-credit.

20.2 Cultivable Land Ownership

Table 15 shows the cultivable land ownership pattern of the borrowers' households. The data shows that there has also been virtually no change in the pattern of cultivable land ownership of the micro-credit receiving households. If landlessness is defined with reference to 50 decimals, about the same proportion of the micro-credit receiving households (76-77%) are landless both before and now. The proportion, again about the same before and now, owning 50-100 decimals is 13-14%, while just over 9%, both before and now, own above 100 decimals.

Table 15: Cultivable land owned by the borrowers' households

Amount of cultivable land owned (in decimal)	At present		Before enrollment	
	No. of respondents	%	No. of respondents	%
Up to 25	162	65.7	175	67.0
26-50	40	10.4	32	10.3
51-75	30	8.9	28	8.1
76-100	25	5.5	22	5.2
101 and above	38	9.4	38	9.4
Total	295	100.0	295	100.0

Sources: Fields survey

20.3 Food Intake

Relevant data on food intake status are presented in Table 16. Asked about their present food intake status compared to that before joining micro-credit programmers, about 40% of the respondents could not be sure about improvement or otherwise in their access to food and have also declined to indicate their present food intake status. The rest have indicated their current food intake status. About 20% of all respondents still suffer from shortages of rice or other basic food items from time to time, while about 34% of all respondents have access to the basic foods with occasional meat, eggs and fish. About 7% can afford to include meat, fish, eggs, etc. in their diet as they please. Clearly, food insecurity, particularly relating to quality foods, remains a major

problem for about half of all respondent households as it has been clearly indicated by them and may be many more out of those who have not provided information on their present food intake status as well.

Table 16: Current food intake by borrowers' household members

Food intake	No. of respondents	%
Unsure about improvement or otherwise since micro-credit enrollment and no comment on the present food intake status.	120	39.7
Quantity deficiency: shortages of rice and/or other basic food items.	53	19.9
Quality (but not quantity) deficiency: access to sufficient cereal foods and vegetables etc. but only occasionally to meat, fish, eggs etc.	102	33.7
Quantity and quality sufficiency: access to sufficient foods including meat, fish, eggs, etc. as required.	20	6.7
Total	295	100.0

Sources: Fields survey

Of the 250 respondents (54% of all respondents) who have indicated that they suffer from quantitative or qualitative food shortages, 205 have indicated why this is so. Some 48% of these respondents have indicated that overall household incomes, from various sources including micro-credit-based activities, remain low while the other 52% have directly blamed the weekly loan repayment requirement starting just one week after the taking of the loan as a major reason constraining their ability to improve their access to food (quantity and/or quality). The second answer is in reality subsumed is the first, the implication being that micro-credit based activities have not been of much help in the enhancement of their incomes sufficiently to enable them to improve their food intake after meeting repayment obligations (Table 17). A small number of respondents (20 or 7% of all respondents) who eat well, including meat, fish, eggs etc. as they please, have mentioned micro-credit based activities as being a contributory factor in this regard.

Table 17: Reasons for failure to improve access to food in terms of quantity and/or quality (The respondents here include those who have stated that they suffer from a lack of access to sufficient food in terms quantity and/or quality)

Reason for quantity and/or quality food deficiency suffered	Respondents	
	No.	%
Low household income from various sources	80	47.6
Weekly loan repayment requirement	125	52.4
Total	205	100.0

Sources: Fields survey

20.4 Access to Health Services

Access to health services of the respondents at present and before enrollment is shown in Table 18.

Table 18: Access of the borrowers' households to health services

Access to health care	At present		Before enrollment	
	No. of respondents	%	No. of respondents	%
Cannot/could not afford to go to doctors; don't/did not go to quacks	155	42.2	165	60.1
Treatment taken from quacks	65	28.8	85	35.7
Treatment taken from qualified doctors	55	23.6	25	2.7
Treatment taken from qualified doctors and health centers	15	4.9	15	1.3
No comment	5	0.5	5	0.2
Total	295	100.0	295	100.0

Sources: Fields survey

Table shows that there has been significant improvement in access to health services of the households since enrollment. The proportion of the respondents who could not afford to go to qualified doctors or went to quacks for treatment has declined from 96% to 71%. Also, the proportion receiving treatment from qualified doctors and health centers was about 4% before enrollment, which is now about 29%. The reasons for the improvements in the access to health services since enrollment as reported by 235 respondents are shown in Table 19.

Table 19: Reasons for the improvement in access to health services

Reason	No. of respondents	%
Mainly influence of micro-credit	75	31.6
Largely influence of awareness raising by health NGOs and increased availability of health facilities	160	68.4
Total	235	100.0

Sources: Fields survey

Some 32% of those who now have access to improved health services have said that the improvement has been possible mainly as a result of borrowing from MCIs. The other 68% have indicated that the improvements have been more due to awareness rising by health NGOs and increased access to health services provided by government health facilities and NGOs. But still 71% of all respondents either do not receive proper treatment or take recourse to treatment by quacks. This indeed is a clear testimony to the persisting extremely poor availability of health services in the rural areas of Bangladesh.

21. IMPACT ON EDUCATION

Table 20 presents data on the impact of micro-credit on education in the borrowers' households. In the case of 26% of the respondents, their children do not go to school on a regular basis. In the

case of 18% of the respondents, no child went to school before enrollment but now all the children do go regularly. In the case of 7% of the respondents, only boys went to school but now girls also go to school. In the single largest proportion of the households (38%), all the children used to go to school before and they do so now.

Clearly, therefore, only in about one-fourth of the borrowers' households, there has been an improvement either in terms of all children or girls going to school now, while they did not before. Moreover, it appears that micro-credit is not the main factor behind the positive changes in the education of children. More important reasons include awareness raising and grants provided to girls if they enrolled in schools (Tables 21 and 22).

Table 20: Children's education in the borrowers' households as of now compared to that before enrollment

Status of children's education	Frequency	%
No children go to school now, did not do so before	85	25.7
Only son(s) used to go to school before enrollment but girls also go now	15	6.5
No child went to school before enrolment, all children go now	60	18.2
All children used to go to school before and the same is true now	110	38.1
Non-response	25	11.5
Total	295	100.0

Sources: Fields survey

Table 21: Reasons why girls also go to school now, while they did not before enrollment

Reason	Frequency	%
Micro-credit	45	27.8
Other reasons*	102	62.9
Non-response	15	9.3
Total	162	100.0

*Include awareness raising through campaign by concerned NGOs and government agencies and grants given to girls if they enrolled in schools.

Table 22: The reasons why no children went to school before but all the children go to school now

Reason	Frequency	%
Micro-credit	71	16.0
Other reasons*	374	84.0
Total	445	100.0

*Include awareness raising through campaign by concerned NGOs and government agencies and grants given to girls if they enrolled in schools.

22. FAMILY INCOME

It can be seen from the Table 23 that the total monthly income per family of about a quarter of the respondents is less than Tk.3,000. Assuming that there are, on average, five members in a family, the per capita income is Tk.600 per month. Thus, given that the per capita income of the rural

poor in the country, as of 2004, is Tk.562 (see in References: MoF 2006, p. 142), one quarter of the respondent households are generally at or below the per capita income of the rural poor. About 41% of the households have monthly income of between Tk.3,000 and Tk.5,000, while that of about 28% between Tk.5,000 and Tk.10,000.

Table 23: Distribution of respondents by monthly family income categories

Monthly family income category	No.	%
<3,000	55	25.6
3,000-<5,000	125	40.9
5,000-<10,000	65	27.5
10,000-<15,000	30	4.3
15,000-<20,000	15	0.8
20,000 or more	10	0.9
Total	295	100.0

Sources: Fields survey

23. FUTURE SOCIO-ECONOMIC PERSPECTIVES PRIMARILY DEPENDING ON MICRO-CREDIT

Asked as to how they see their future socio-economic prospects if they rely primarily on micro-credit, i.e. if the micro-credit is the main vehicle for socio-economic improvement, only about 36% of the respondents have expressed the opinion that they see good future prospects, while about 19% are not sure and 34% foresee that their socio-economic conditions will deteriorate. Clearly, the perception of the majority of the respondents is that they do not foresee improvements or that there will be deterioration (Table 24).

Table 24: Future socio-economic prospects relying primarily on micro-credit

Perceived prospect	Frequency	%
Very good	5	0.6
Good	105	35.0
Neither good nor bad	60	18.9
Bad	80	24.7
Very bad	20	9.6
Non-response	25	11.2
Total	295	100.0

Sources: Fields survey

A further question was asked as to whether there had been any change in their social position following enrollment. Only about 4.6% of the respondents have said that they are now more respected, while another 23% have said that their social interaction have increased. About 56% have reported no change in their social position and about 13% have said that their social position has deteriorated (Table 25). Given these outcomes, the comments made by the respondents about future prospects seem to be based on how things have evolved for them in the past, from socio-economic point of view.

Table 25: Changes, if any, in the social position of the borrowers since enrollment

Change in social position	Frequency	%
Socially more respected now	30	4.6
No change	160	56.4
Social interactions have increased	60	22.7
Deterioration in social position	35	13.2
Others	10	3.1
Total	295	100.0

Sources: Fields survey

24. ANALYSIS

The MCIs can generate, as it has been shown, huge credit funds (e.g. starting with an initial loan of Tk.5,000, the creation of credit under certain assumptions – including assumptions of 5% initial obligatory savings and 10% base interest rate, but weekly savings ignored – amounts to an additional credit of Tk.12,650 over a period of one year) through their credit supply and repayment collection activities. This is the reason why micro-credit is an attractive business for MCIs, leading to the establishment of hundreds of MCIs in the country, large and small. Such quick multiplication of credit funds helps the MCIs to sustain and enlarge their operations and prosper. But, as seen in this study, micro-borrowers often fail to break out of income poverty and many even get caught up in an increasing debt-burden syndrome and slide further into poverty, let alone moving on to significantly higher levels of income and living standards. As indicated by the results of the study, not much has happened in relation to women’s empowerment through micro-credit. Only about 10% of the respondents have said that they are in full control of the economic activities run by using the micro-credit they take. The other 90% include those who either do not have anything to do about the use of micro-credits they take or they manage them in consultation or partnership with their husbands or other family members. The data generated has not allowed a decomposition of these two categories. In family decision-making, however, about three-quarters of the respondents are either given due importance regularly or at least occasionally now, but not so before the enrollment. It appears that since women are now conduits of securing funds for the family through micro-credit, they are allowed to play a greater role in family decision-making. However, about a quarter of the female borrowers currently face physical or mental torture from one member or another of her family, usually from the husband. About 60% of them have said that the intensity of torture has increased since enrollment. Another ominous finding is that in the families of some 82% of the female borrowers, has increased since their enrollment.

25. CONCLUSION

Micro-credit organizations were initially created as alternatives to the "loan-sharks" known to take advantage of clients. Indeed, many micro lenders began as non-profit organizations and operated with government funds or private subsidies. The generally discouraging and in some ways discouraging results thrown up by this study eloquently testify to the severe limitations of such a simplistic approach to poverty alleviation, but do not mean that credit is not useful to the poor people. The problem lies in the approach taken. To start with, poverty is conceptualized extremely narrowly in this approach – in terms of income only. Once income is the only focus, the

view taken is that small amounts of credit funds provided to poor people would help them raise their incomes, leading to poverty alleviation and improved living conditions. But, poverty is a comprehensive concept, which has to do with all aspects of life and living, involving both the basic material needs (food, clothing, housing, etc.) and the basic human needs (human dignity, human rights, human capability through education and health, fine values of life, socio-economic equity, moral values, participation in all processes of social transformation, etc.). If poverty is defined and its alleviation approached from a comprehensive human development perspective underpinned by equity, morality, and participation, then micro-credit could be a useful element within the framework of that comprehensive approach. However, the terms of such credit should be less stringent in terms of both the repayment schedule and the effective rate of interest. It may be recalled here that the rich have access to credit at much more favorable terms. The selected areas shows us the basic constraints on the proposed comprehensive approach are the existing power relations in society, which enable a small minority to prosper and control the affairs of the state and the economy; condemn the large majority to a lowly and subservient state of living. The ongoing neo-liberalism-based free market paradigm sustains and strengthens the exercising power relations. But micro-credit all over not good for every client the available evidence indicates that in many cases Micro-credit has facilitated the creation and the growth of businesses. It has often generated self-employment, but it has not necessarily increased incomes after interest payments. In some cases it has driven borrowers into debt traps. There is no evidence that Micro-credit has empowered women. In short, Micro-credit has achieved much less than what its proponents said it would achieve, but its negative impacts have not been as drastic as some critics have argued. Micro-credit is just one factor influencing the success of a small businesses, whose success is influenced to a much larger extent by how much an economy or a particular market grows. Many scholars and practitioners suggest an integrated package of services ('a credit-plus' approach) rather than just providing credits. When access to credit is combined with savings facilities, non-productive loan facilities, insurance, enterprise development (production-oriented and management training, marketing support) and welfare-related services (literacy and health services, gender and social awareness training), the adverse effects discussed above can be diminished. Some argue that more experienced entrepreneurs who are getting loans should be qualified for bigger loans to ensure the success of the program.

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Annexure 1
DISTRIBUTION OF RESPONDENTS BY DISTRICT

Dhaka Division		
Name of Districts	Number of respondents	Percentage
Panthapath	75	25
Karwanbazar	75	25
Total	150	50
Barishal Division		
Name of Districts	Number of respondents	Percentage
Daulatkhan	40	14.5
Borhanuddin	45	16.5
Bhola	50	19
Total	145	50
Grand Total	295	100.0

Annexure 2
BACKGROUND INFORMATION ON RESPONDENTS

Table A2.1: Distribution of respondents (borrowers) by sex

Respondents	No.	%
Male	19	0.8
Female	276	99.2
Total	295	100.0

Table A2.2: Distribution of respondents by age

Age (years)	No.	%
Up to 20	20	2.3
21-30	70	28.8
31-40	120	38.3
41-50	60	23.8
51 and above	25	6.8
Total	295	100.0

Table A2.3: Distribution of respondents by primary occupation

Occupation	No.	%
Public sector teacher	7	0.3
Private sector teacher	2	0.1
Business	60	5.0
Farmer	9	0.4
Agri-labour	32	1.3
Industrial labour	20	0.8
Richshaw/van puller	3	0.1
NGO worker	5	0.2
Housewife	100	84.1

Student	7	0.3
Others	49	7.5
Total	295	100.0

Table A2.4: Distribution of respondents by level of education

Educational level	No.	%
Illiterate	150	60.0
Below class V	47	17.0
Class V-below class X	60	20.6
SSC to below HSC	30	1.9
HSC to below BA	5	0.3
BA and above	3	0.1
Total	295	100.0

Table A2.5: Distribution of respondents by marital status

Marital status	No.	%
Married	203	92.2
Unmarried	13	0.5
Divorced	7	0.4
Widow/widower	60	6.4
Separated	12	0.5
Total	295	100.0