

# FOCUS

## Microcredit, Poverty Alleviation and Social Development

by Rushidan Islam Rahman

THE recent enthusiasm about non-farm self-employment has emerged from the consideration that the generation of non-farm self-employment can solve the problems of both unemployment and poverty prevailing in densely populated developing countries like Bangladesh. In Bangladesh, the large-scale manufacturing sector has been unable to absorb the growing labour force during the last two decades. Low and declining land-man ratio displaces rural workers from crop production. Development theories had postulated that industrialisation would progress through the use of cheap labour attracted from the rural areas. This did not happen in reality and the large-scale industries proved to be inadequate for absorbing the growing urban labour force, not to speak of drawing the surplus labour from the rural areas. Whatever be the reasons behind such performance of the economy, this scenario implies that rural non-farm activities (RNA) can play a crucial role in the labour absorption process.

During the last one and half decades, RNA had absorbed an increasing percentage of the rural labour force. It has been observed that a larger percentage of labour force involved in RNA comes from poor and landless households and are engaged in activities where capital intensity and labour productivity are low.

Many of the wage labourers in the rural areas are also engaged in part-time self-employment. Agricultural wage employment can hardly keep a labourer busy for more than half of the year and do not provide sufficient earnings even for a three-member family.

Additional earnings from part-time self-employment can provide a solution to the problem of poverty for such households. Poor household's lack of access to financial capital is an important factor behind low productivity of labour in self-employment and/or their inability to engage in such employment. The intervention through credit can help them to break the vicious circle of low income, low saving, low investment and low income. Poor households' lack of access to financial capital is limited because of their inability to provide collateral and to follow the complicated official procedure for obtaining loans. The above background provides a rationale for introducing a special procedure of institutional finance for the poor rural households.

The poor households possess little land. Since the land frontier had already been reached and the possibility of land redistribution is a sensitive issue, financial capital is expected to provide an alternative form of productive resource to which poor may get access through credit.

NGOs in Bangladesh play a crucial role in the development of microenterprise (ME) through their poverty-oriented credit programmes and other related inputs. It is now time for an evaluation of the last two decades of experiences of NGO programmes for micro credit (MC) operation and the success of such credit in the alleviation

of poverty and in ensuring a progress towards social development.

The scope for improving the situation of rural poor through MC will depend on how far such funds are invested in RNA and their importance in terms of contribution to village income. A study by Hossain, M: 1992: Socioeconomic Characteristics of Poor in Rethinking Rural Poverty. A Case of Bangladesh by eds H Z Rahman and M Hossain Mimeo, BIDS, Dhaka on 62 villages, provide the overall picture of the contribution of RNA to the household income of poor and non-poor.

The extreme poor (moderate poor and extreme poor, have been defined in terms of poverty line income corresponding to the minimum calorie requirement and 80 per cent of the minimum respectively) derive only 22 per cent of their income from non-farm self-employment. The moderate poor and non-poor get 26 and 30 per cent of their income from these sources. Among the poor (extreme and moderate) 26 per cent households are observed to take up RNA as the major occupation. Data from another

study (by H Z Rahman and B Sen 1994: Rural Poverty Update, 1992 Improvement, But... BIDS Working Paper, New Series No 6, BIDS) shows that ME contribute about 25 per cent of total employment of poor households (with chronic and occasional deficit).

Thus, combining the findings of the two studies, it can be concluded that the provision of credit for the poor households can help at least one-fourth of the rural poor by enabling them to invest in microenterprises and increase the rate of return from such activities. A doubling of their total income from ME can raise their income by 20 per cent which can lift many of them above poverty. A dynamic growth in opportunities of rural non-farm activities may attract more poor families through part-time involvement, who were not previously engaged in such activities and, thus, the above figures are only hypothetical and the actual percentage of beneficiaries may be even larger.

The intervention through microcredit is expected to initiate changes which are crucial for the growth of the rural income and poverty alleviation. Increases in income will take place through greater involvement of the both men and women in self-employment in RNA. This is expected to set in a chain of interlinked process of change including women's employment which is expected to improve girls' education, reduce population growth, and increase household saving. The positive impact takes place through an increase in labour force participation by families' women and increase in the vol-

ume of self-employment among both men and women.

A recent study (Rahman R I 1996: Impact of Credit for rural Poor: An Evaluation of Palli Karma-sahayak Foundation's Credit Programme, Research Report 119, BIDS) looked into the impact of micro credit provided by small NGOs who are partner organisations of PKSF. A modest increase in income has been observed within one to two years of obtaining the loan. About half of the borrowers reported significant increase in income while a small percentage had been unsuccessful because of inability to make productive use of loan or other accidental circumstances. Data from another BIDS survey to assess the impact of credit for rural poor shows that the amount of credit taken from Grameen Bank has a positive impact on poverty alleviation (Rahman, S R and Chowdhury O H 1995: Targeted Credit Programmes and Rural Poverty in Bangladesh, Paper presented at the workshop on 'Credit Programmes for the Poor' held in March 1995, organized by BIDS and the World Bank). It has been observed that MC has a

input in family enterprises is provided by women. Magnitude of female labour is larger in enterprises when women are provided with loans for such enterprises. Female labour supply shows a positive response to microcredit supply. Self-employment of women, and thereby total household employment is higher in villages with NGO credit programmes.

How far women's employment can be considered as a step towards empowerment will depend on the interlinked changes that take place with the changes in employment. A control over income and asset, and the possibility of improvement of consumption, increase in contraceptive use etc., can be considered as components of empowerment of women which can be achieved through women's greater involvement in income earning activities.

Several studies provide definite evidence of improvement in women's situation through NGO credit. Whether the causality in the mechanism of change works through the receipt of credit or through income enhancement through the investment of credit in ME is not always clear. Membership of NGO have positive impact on women's status both directly and indirectly through their income earning capacity.

A large number of both large and small NGOs have been engaged in consciousness raising programmes along with provision of microcredit. In general it can be mentioned that such inputs have brought about gradual changes in the lives of women. NGO members involved

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positive impact on household expenditure, especially on the expenditure on food.

The same data set shows a comparison of the extent of poverty in the areas where the NGO programmes operate with areas where they do not. It shows lower percentage of poverty in the areas covered by NGOs. The study shows that the extent of poverty gradually declines as the landless households get repeat loans. Poverty among households who obtained five or more loans is substantially lower compared to new borrowers or non-members. A comparison of pre-loan and post-loan situation shows that with NGO loans, asset situation substantially improves over the pre-loan situation. GB members with more than four loans possessed assets 3.6 times their initial endowment. The high rate of asset accumulation actually reflects a high propensity to save by the NGOs members. Most asset, whatever be the form, help them to raise productivity of labour by providing supplementary inputs for their ME.

**Micro Credit and Women's Situation**

A major objective behind taking up ME activity organised with micro credit is to utilize family's female labour force who would be otherwise under-employed. Social reasons and lack of wage employment opportunities for women impose constraints on the way to total utilisation of women's labour even if the poor families are in desperate need to raise family income through intensification of family labour use. In contrast a large part of the labour

in these programmes have gained a greater control over their income and has been able to control its expenditure.

A survey on the impact of Grameen Bank credit provides evidence that the women who borrowed from GB enjoyed a better standard of living for themselves (in terms of food intake and possession of clothing) and a greater control over family decision-making.

A discernible positive impact of women's involvement in NGO-financed self-employment is the increase in contraceptive use. GB is not actively engaged in promoting contraception. The greater use of contraceptive in village covered by GB has occurred through the strengthening of women's economic roles which give them more autonomy and more control over decisions affecting them and their family. In addition, the involvement in income generating activities contributes to their self-confidence and ability to have access to family planning materials.

Micro credit programmes not only improve the contraceptive prevalence rate among the borrowers, but improve the rate for the community as whole. The effect on contraception use among non-members is a diffusion effect resulting from the changing fertility norms among GB members. As the number of contraceptive users

in a community increases, it becomes easier for all women to adopt family planning, as their fear of side effects and social restrictions is reduced.

**The Need for Cautious Optimism**

One should however, be cautious in generalising the positive role of NGO credit for women. Survey among female borrowers on the use of micro credit shows that women cannot always use the credit, in enterprises which they run independently by themselves. They usually need assistance from male members of the household and as a result they cannot exercise full control over their loans and credit-based enterprises.

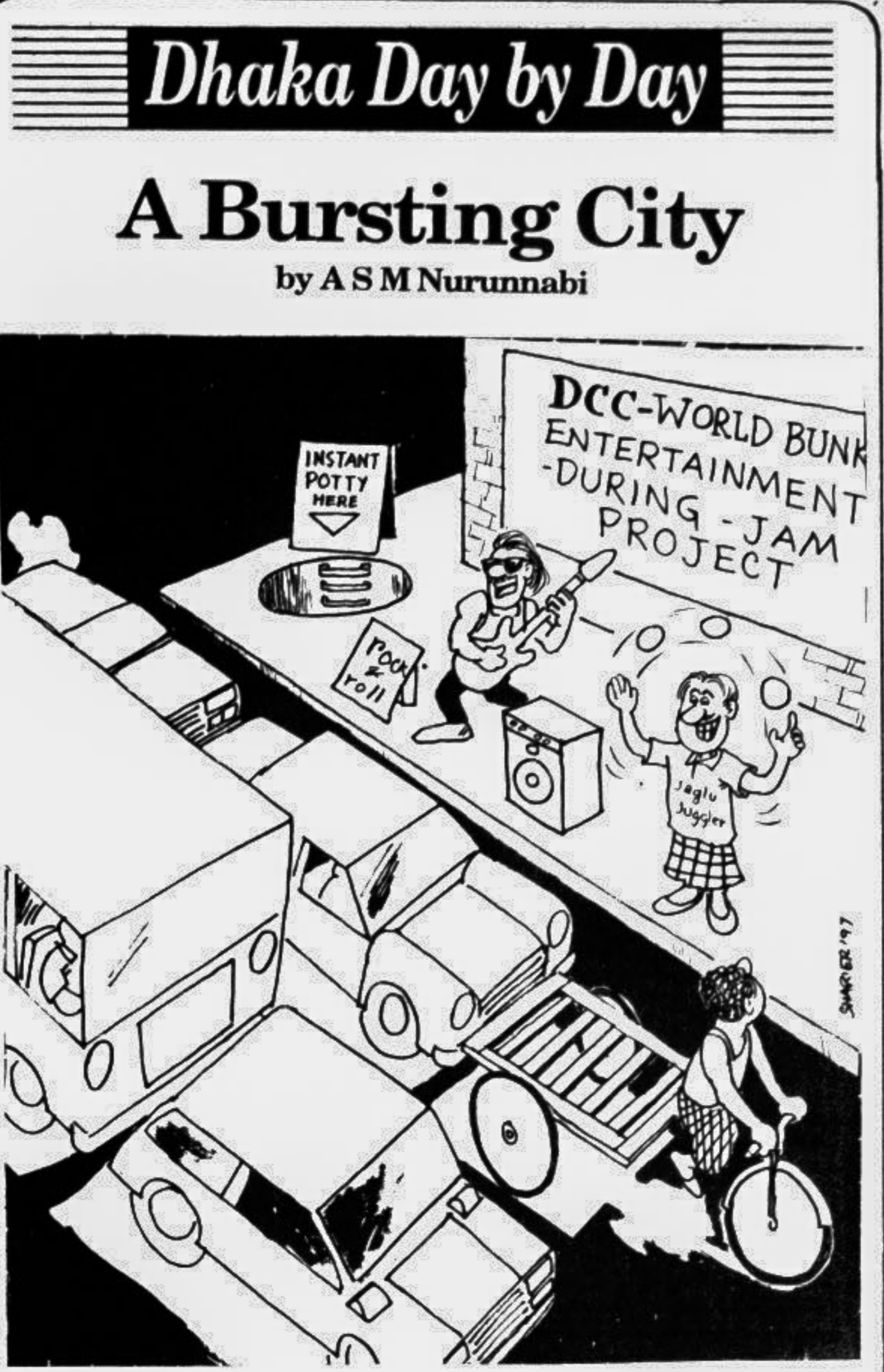
The success of NGO credit in empowering women may be understood in a wider perspective if one makes a comparison of women's self-employment with women's wage employment in large-scale industries in the urban areas. Such wage employment has been observed to bring about even a greater social change and a promise of a regular source of income which is higher than earnings from casual wage employment or from self-employment in rural micro enterprises. Therefore large-scale industries in rural areas based on female labour can have a bright prospect for the rapid growth of the economy as well as for the benefit of poor women.

It can be argued that investment in ME will by no means prejudice against large-scale industrialisation and women's employment in the formal sector. The NGO credit has not created fixed capital that will need to be scrapped if large-scale industrialisation takes place.

The positive role of NGO-financed ME development in the country should not, however, be viewed with over-optimism.

At present we are witnessing a buying spree on a mammoth scale to celebrate the upcoming big festival. This has been creating a fearsome spectacle of people streaming through the streets in almost all areas of the city particularly in its shopping malls. The traffic picture includes a medley of transports of all descriptions - cars, buses and predominantly slow-moving rickshaws. The pedestrians on city footpaths experience a stormy passage on account of the free-for-all encroachment by hordes of hawkers of conceivably every kind of consumer items.

It is quite an experience to observe how the jostling crowds of people conducting transactions of buying and selling on the suffocatingly congested pavements and the inordinately heavy vehicular traffic on city roads, behave. While prospective customers crowd round the hawkers with such bargaining skills as each side can master to clinch transactions, other pedestrians, not interested in shopping but intent on passing through the congested crowds to reach their destinations for other purposes, inch forward in their way, all the time guarding purses against threats of pickpockets. In this melee, the roadside customers cannot be always sure if the merchandise they are buy-



Dhaka city has become a classic example of how horrendous traffic jams in almost every street of the city can practically throw out of gear the normal life of the citizenry. In normal times, this is the usual picture of the traffic situation. But when big festivals or when large-scale gatherings of people for any important occasion take place, the traffic situation on city streets gets all the worse.

The people in various modes of transport, caught up in traffic jams almost everywhere also present an interesting picture. The passengers aboard the autorickshaws and tempos and also buses and trucks with faulty exhaust system, inhale poisonous fumes spewed by these vehicles. A small minority of people travelling in these vehicles, have lately become conscious of the health hazard posed by emission of these fumes and have started using face masks to guard themselves against the threat. The trend of using such face masks is steadily on the rise, and even some traffic policemen are seen wearing this mask against the growing menace.

The way traffic jams are getting bigger and bigger in Dhaka city, it may not be long before the Bangkok example may be imitated in this city. It was also recently reported that in Manila, for relieving the tedium of long wait of the people caught in traffic jams, the civic authority arranged road shows of dancing on traffic islands along some routes. This example also seems worthy of emulation.

As there is no immediate prospect of relief from the steadily burgeoning traffic jams, it seems that we may have to think of every diverse method by which we may confront this all-pervasive city problem.

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DEPTHnews

## The Daily Star Entertainment Guide

**Thursday 6th January**

(All programmes are in local time. There may be changes in the programmes)

**BTv**

3:00 Opening Announcement Al-Quran, Programme Summary  
3:10 News in Bangla 3:15 Patriotic song 3:20 Recitation from the Geela 3:25 Re-telecast of selected programme from TV Archive 4:10 Sports programme 4:45 Tom And Jerry 5:00 News in Bangla 5:25 National Television School Debate 6:30 Roder Alo Meghar Chhaya 6:50 Religion and Life 7:00 The News 7:25 Sandha Malatee 8:00 News in Bangla 8:25 Arabian Nights 9:00 Ai Prethibee 9:05 Chhaya Chhanda 10:00 The News 10:25 Switch 11:30 News in Bangla 11:35 Friday's programme summary 11:40 Close down

**CHANNEL V**

6:30am Frame By Frame 7:00 Retwind VJ Sophia 8:00 Frame By Frame 9:00 Jump Start VJ Alessandra 10:00 Frame By Frame 11:30 The Vibe VJ Luke 12:00noon Retwind VJ Sophia 1:30 By Demand VJ Trey 2:00 Frame By Frame 2:30 First Day First Show 3:00 BPL Oye 4:00 Planet Ruby 4:30 Big Bang VJ Alessandra 6:00pm Retwind VJ Sophia 7:00 By Demand VJ Trey 8:00 The Vibe 9:00 Videocoin Flashback 9:30 Top of the Pops 10:30 Soul Curry 11:00 Classic Rock 12:00am Big Bang VJ Alessandra 1:00 Haysah 2:00 By Demand VJ Trey 3:00 Big Bang VJ Alessandra 4:00 BPL Oye 5:30 Jump Start VJ Alessandra

**STAR PLUS**

6:30am Ninaad 7:30 Star News 8:00 Sky Business 8:30 Star News 9:00 Sky News 9:30 Aerobics Oz Style 10:00 Master Chefs Of Florida 10:30 EL TV 11:00 Kala & Allie 11:30 The Oprah Winfrey Show 12:30 Serial Picket Fences 1:30 Santa Barbara 2:30 The Bold & The Beautiful 3:00 Hindi Serial: Tehkikat 3:00 Hindi Serial: Khandaan 4:00 Hindi Serial: 4:30 Land of the Giants 5:30 Black Beauty 6:00pm Kate & Allie 6:30 Master Chefs Of Florida 7:00 Manaka's 7:30 Star News (Hindi) 8:00 Small Wonder 8:30 Hindi Serial: Tu Tu Main Man 9:00 Hindi Serial: Ghatan 9:30 Star News 10:00 British Comedy 10:30 Baywatch 11:30 The Bold & The Beautiful 12:00am Santa Barbara 1:00 Star News 1:30 Baywatch Night 2:30 Mystery Movies - Inspector Morse 4:00 The Oprah Winfrey Show 5:30 Barnaby Jones

**STAR MOVIES**

7:30am Classic: White Zombie

**ZEE TV**

6:00 News 6:30 Jaaran 7:00

**EL TV**

07:30 Pyar Hi Pyar 08:30 Jeevan Ki Rang 09:30 Dance Dance 10:30 The Music Show-Real Countdown 11:00 Nukkad 11:30 Shatranj 12:00 Top of the Tops 12:30 Brigadier Balwant 1:00 Bengali Serial: 1:30 Bengali Serial: 2:00 Amar Prem 3:30 Chhetha 4:00 Akanksha 4:30 Song Yatra 5:00 Dear EL 05:30 Special 6:30 Sorry Men Lorry 7:00 Bengali Serial: 7:30 Bengali Serial: 8:30 TBA 8:30 Public Demand 9:30 Gambler 10:00 Miro's Club 10:30 Hindi Feature Film 1:30 Tarane Aur Fasane 2:30 Party Time

**PTV**

8:00am Tilawat Aur Tarjuma/Hamd/Naat 8:20 Cartoon 8:30 Khabrain 8:45 Cut Piece 9:20 Aahang & Rosbni 9:45 Phool Chandi 10:05 Sona Chandi (Drama Serial) 10:30 Buttons & Rustys (Eng. Film) 10:55 Milli Aagha 11:00 Khabrain 11:10 Aashiq (Music Programme) 11:55 Tele Play (Drama Serial) 12:45pm Qawaal 12:55 Quran-e-Hakeem & Bismillah 1:15 Muqadder (Drama Serial) 2:00 Putjhar (Drama Serial) 2:45 Perspective

**SONY ET**

8:30am Yaadon Ki Baar 9:00 The Three Stooges 9:30 Dennis The Menace 10:00 Dream Of Jeannie 10:30 Surf-Wheel Of Fortune (Game Show) 11:00 O'Maria (Serial) 11:30 Ape Jaise Types (Serial) 12:00 5 Star Xpressit 12:30 p m

**DD 7**

10:30 Jamnadin 10:35 Classical Music 11:00 Dance 12:00 ETV Programme 12:30 Monorama

**Chamatkaar (Serial) 1:00**  
Anarh (Serial) 1:30 The Young And The Restless 2:30 Cine Malinee-Hindi Feature Film 5:30 The Three Stooges 6:00 Dennis The Menace 6:30 Yodon Ki Barar 7:00 Premier 7:30 Dream Of Fortune (Game Show) 8:30 Buddha (Serial) 9:00 Sidhi (Serial) 9:30 Hospital 10:00 Aahat 10:30 Jinee Kaha Mera Jigar Gaya Ji (Serial) 11:00 The

**Cabin 1:00** Jamnabhum (Serial) 1:30 Trishna (Serial) 2:30 Darpan (Serial) 3:00 Eto Taku Basha (Serial) 3:30 Shrooshi (Serial) 4:30 Thursday Bengali Film 5:30 News 7:00 Pallsama (Serial) 7:30 Bangla Sambad 8:00 Bhanga Aina 8:30 Davi Chudhuri (Serial) 9:00 Jamnabhum (Serial) 9:30 Monorama Cabin (Serial) 10:00 Bengali Movie Club Film Show 1:00 Closed

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**BBC**

06:00am BBC World News 06:10 Newsnight 07:00 BBC Newsroom in World Business Report/Asia Today 7:24 Hours 10:00 BBC World Headlines 10:05 World Focus: The Giant Awakes 11:00 BBC Newsday 02:00 BBC World Headlines 02:05 World Focus: Naked City 03:00 BBC World News 03:30 Time Out: Holiday 04:00 BBC Newsdesk 06:00 BBC World Headlines 06:05 World Focus: Horizon 07:00 BBC World News 07:15 World Business Report 07:30 BBC News-hour Asia & Pacific 08:30 Time Out: Top Gear 09:00 BBC World Headlines 09:05 World Focus: The Giant Awakes 10:00 BBC World News 10:30 Time Out: Film 97 11:00 BBC World News 11:30 Time Out: The Clothes Show 12:00 The World Today 02:00 BBC World Headlines 02:05 World Focus: Assignment 2:50 Earth Report 03:00 BBC World News 03:30 Time Out: Tomorrow's World 04:00 BBC World Report in World Business Report/24 Hours

**STAR SPORTS**

6:30am Asia Sport Show 7:00 King's Cup 1996 7:30 ATP Shanghai Open Finals 10:00 Royal Rumble 1997 12:30noon

**Arabian Nights episode: 104**

Sindbad is trapped in the well of death. He fights an alligator. Gets crushed in iron bar gates. When suddenly a miracle takes place. A divine light frees Sindbad from all shackles. And restores HIS magical Sulemani sword. In Taguti's den the third head faults. And is burnt to ashes by Taguti's anger and frustration. The king of all magicians - Samri appears before Taguti. And promises to kill Sindbad. At no cost must the innocent children be spared before the daughter of Satan. Samri confronts Sindbad, appearing from a cave - in an Ernie Ernie land.

**The Clash of Magic Sword**

Samri pleads of Sindbad to leave the love of Allah. And embrace the evil forces. Samri otherwise threatens to destroy Sindbad. By magic a sword appears in Samri's hand. Sindbad draws his Sulemani sword. A spectacular magical battle takes place. The two magic swords clash. Finally in the name of Allah. The God of all magicians - Samri evaporates into ashes.

Arabian Nights on BTv, Tonight at 8:30