

# Strengthening Poverty Alleviating Effect of Micro-credit Why Agricultural Growth is Imperative

by Mahbulul Islam Khan

*In order to sustain and strengthen economic gains achieved at grassroots level through micro credit programmes and to open up new avenues for investment and further increase loan absorption capacity of the poor borrowers, generation of growth in agriculture, including crop, livestock and fisheries is a must. This is because increase in agricultural production helps to create demand for both food and non-food items ...*

A recent World Bank report titled "Bangladesh: From Counting the Poor to Making the Poor Count" indicates a statistically significant decline in poverty in Bangladesh in percentage terms since 1991-92. The study reports that the incidence of the "very poor" has dropped by 7 per cent to 36 per cent in 1995-96 from 43 per cent in 1991-92. During the same period the incidence of "poor" registered a 6 per cent decline from 59 to 53 per cent. The report also revealed a higher incidence of poverty in rural areas, which justifies the need for continuity, deepening and expansion of rural poverty alleviating programmes. Despite recent indications of improvement in poverty situation, poverty in Bangladesh still remains visibly overwhelming and ubiquitous. The study report suggests that although higher inequality inhibits to have full poverty alleviating effects of growth, faster growth is needed because of its net positive effect on poverty reduction. Thus in order to accelerate poverty alleviation in addition to faster growth, efforts for limiting rising inequality is needed now.

**Innovative Programmes of NGOs:** In innovating poverty alleviating programmes, leading non-governmental developmental organizations in Bangladesh have earned appreciation from development planners, thinkers and practitioners at home and abroad. Here NGOs refer only to those non-governmental organizations that are seriously and exclusively engaged in development activities and have displayed acceptable level of professionalism in their work. As recipients of credit, poor were considered a high risk in the seventies. Lack of collateral barred them from access to mainstream credit. Reasonably priced collateral-free micro credit programmes of Grameen Bank (GB) and BRAC refuted earlier beliefs. Credit worthiness of poor has now been established. The much-publicized Washington summit on micro credit held last year with the objective of extending micro credit support to world's 100 million poor is a recognition of the credit worthiness of the poor.

Apart from micro credit, innovative approaches of leading NGOs in delivering education and health services to disadvantaged groups have also drawn national and international attention and recognition. Active participation of community in managing schools, close and effective interactions between teachers and students, adoption of life-oriented and gender-bias free curriculum and flexible time tables allowing students to participate in other demanding works made BRAC's approach to non-formal primary education (NFPE) innovative. At present approximately one million students, mostly girls, are receiving BRAC's 3-year long NFPE at about 31,000 school centers spread throughout the country. Another 1.2 million students have already graduated from BRAC's non-formal primary schools, many of them now pursuing further formal education. BRAC's NFPE has dis-

missed the myth that poverty prevents education. Innovative ideas and concepts of non-formal primary education programme have been adopted in designing pro-poor primary education in a number of African developing countries including Zambia, Uganda, Mali, Sierra Leone and Egypt. China and Pakistan also showed keen interest in NFPE programme of BRAC. Its successful attempt in disseminating oral re-hydration therapy nationwide contributed to save invaluable lives and empowered people with life-saving knowledge and skills.

**Micro-credit Programmes of NGOs:** During eighties and first half of nineties poverty alleviating micro-credit programmes of NGOs targeted to rural poor experienced remarkable horizontal and vertical expansion. Apart from GB and BRAC, a good number of NGOs (large, medium and small) are now engaged in extending micro-credit support to the rural poor. Two other major micro-credit providers are Association for Social Advancement (ASA) and Proshika. In 1990, at the initiative of the government, an apex financing organization named Palli Karma Sahayak Foundation (PKSF) was formed in order to mainly provide loan funds to micro-credit organizations. Under micro-credit programmes rural poor are organized in small groups and then provided with collateral free credit to undertake mostly non-farm income generating activities. Loans are usually given for a year and repayable in weekly/fortnightly installments with a nominal interest rate varying from 15 to 20 per cent. Borrowers are also required to make saving deposits on a regular basis. Women's domination as participants in micro-credit programmes is overwhelming and they make up more than 90 per cent of total number of borrowers.

**Coverage:** The total number of GB borrowers now stands at 2.2 million. BRAC's micro credit support goes to as many as 1.8 million poor. ASA covers 750,000 and Proshika another 600,000 rural households. PKSF so far enlisted 154 NGOs as its partner organizations and finances their micro credit programmes. BRAC, ASA and Proshika are also partners of PKSF. The remaining 151 partner organizations of PKSF, mostly small in size, brought another 500,000 rural households under micro-credit programme with financial support from PKSF. There are few other localized NGOs not yet enlisted with PKSF but operate micro credit programmes. Based on a guess they provide approximately another 150,000 rural households with micro credit facility. Altogether GB, BRAC and other NGOs have brought 6 million rural households under micro-credit programme. Vis-a-vis the World Bank report and with such a wide coverage of micro credit programmes the challenge for micro finance NGOs is how to generate growth and limit rising inequality in rural areas through micro-credit.

**Targeting the poor — giving them access to reasonably priced credit:** The relative superiority of NGOs in mobilizing and targeting rural poor for providing micro credit is probably well demonstrated. Although targeting suffers from considerable leakage, resources and efforts required to weed out existing and completely non-targeted participants, probably would not justify a leak-proof measure which calls for intensive supervision and continual monitoring. It is perhaps economically justifiable to accept the presence of a minimum level of non-targeted participants. Through targeting and channeling reasonably priced credit to the poor, NGOs are effectively contributing towards weakening a source of inequality (preferential access of advantageous group to credit).

**Limitation of micro-credit in output expansion:** Several studies confirmed that micro-credit when effectively targeted to the poor and properly utilized can bring economic well-being to the loan recipients. Such credit schemes promote innovativeness and entrepreneurial skills among the poor borrowers. They regularly participate in discussions held in group, share each other's experience, knowledge and advice, actively participate in the market and undertake business decisions. In terms of raising awareness and empowering rural women micro credit has also been widely hailed. Micro credit programmes contributed to give female loan recipients practical orientation to business operations, increasing their mobility, control of cash income and exposure to development problems and their possible solutions and boost their self-confidence. Nevertheless, micro credit has its own limitations to induce growth in the rural economy. The critics of micro credit argue that micro credit schemes mainly deal with petty commodity production characterized by low productivity and trade and commerce at the household level. The required output expansion effect of such credit schemes required for stimulating the rural economy is low. The multiplier effects of these activities are very weak. Rapid expansion of such credit schemes is likely to be demand constrained given the moderate and volatile growth in agriculture (overwhelmingly dominant productive sector of the

**Strengthening poverty alleviating effect of micro credit:** In order to sustain and strengthen economic gains achieved at grassroots level through micro credit programmes and to open up new avenues for investment and further increase loan absorption capacity of the poor borrowers, generation of growth in agriculture, including crop, livestock and fisheries is a must. This is because increase in agricultural production helps to create demand for both food and non-food items. It enhances non-farm activities through consumption linkages and trade services. The farmers, livestock holders and fisherman are encouraged to invest the surplus generated from agriculture in non-farm activities. Agricultural growth is desirable not only for inducing dynamism in non-farm sector but also for food security reasons and to save hard earned foreign currency spent for food importation. The close linkages between the growth of agriculture and rural non-farm sector have been displayed in certain states of India. For example, high and rising farm income and employment in Punjab, agriculturally most advanced state in India, led to new and expanding avenues of non-farm income and employment particularly for the poor. Research study revealed that even a moderate development in agriculture experienced in the western part of the Indian State of Uttar Pradesh brought certain changes in the functioning and structure of rural industries.

In Bangladesh, relatively slow but steady expansion of seed-fertilizer-irrigation technology in the past gave considerable stimulus to non-farm employment through consumption linkages. However, to what extent agricultural growth will induce expansion of non-farm sector depends on the nature and pattern of the growth and the institutional set up within which the growth will take place. If the growth is monopolized by a small section of urban-oriented large landowners, the expansionary effect is likely to be weak. To have strong expansionary effect on the rural non-farm sector, a wider distribution of agricultural growth is required. A favourable policy environment for encouraging establishment of processing industries that contribute to value addition of agricultural products is required to further widen expansionary effect. Promotion of urban or semi-urban industrial enterprises, which have strong linkages with agricultural activities in the local production system, is also essential for strengthening expansionary effect. Recently commissioned BRAC's dairy and food project

arranged marriage to further his immigration prospects when your application for political asylum ran into difficulties. Following your marriage your wife returned to Harjit because of your infidelity. But you realised this would damage your marriage and your chances of staying here. You decided to kill Harjit -- who you regarded with contempt because of his caste (goldsmith) -- to secure the return of your wife." Rai is a Jat.

Manjit turned against Rai during the trial and gave crucial evidence against him. Rai's mistress Rehana Islam also gave evidence in court against him. Rai and Manjit were arrested in September 1996, released, and then re-arrested in March 1997. The extensive investigation into the case has gone into more than the murder: it has sought to investigate patterns of illegal immigration into Britain. One of the consequences of the investigation has been the launch of Operation Gangmaster, which seeks to investigate gang leaders who hire illegal immigrants for cheap farm labour. A Channel 4 documentary on gangmasters and the murder investigation has led to a country-wide investigation into illegal farm labour recruited by gangmasters. For the police that is one way to trace illegal immigrants. The police has also sought to tie up with Punjab Police to investigate illegal immigration into Britain. Several incidents suggesting organised crime came up during Rai's trial. The judge had to take the unusual step of throwing out an Indian man in the public gallery who used to take notes busily and looked hard at witnesses and

provides a fine example of an industrial enterprise that generates significant development linkages with rurally resident milk producers. BRAC's milk processing plant at Gazipur every day processes 22,000 liter fresh milk collected from a large number of rurally resident milk producers into pasteurized liquid milk, chocolate milk, yoghurt drink and butter mainly for urban consumers. What potential role NGOs can play in generating growth in agriculture? Crop, livestock and fisheries face several constraints. Despite reasonable potentials its growth is hindered by lack of access to credit, weak technical package, poorly developed markets, and more importantly, a policy environment biased against agriculture e.g. depressed output pricing, overvalued exchange rate etc. One of the common constraints is the lack of credit flow. Over the past twenty years leading NGOs in Bangladesh gained wide and rich experience in extending micro credit facility to the poor. Their expertise in targeting and making reasonably priced credit available at the doorstep of the poor has matured over time. They have developed a widespread and outreach credit network covering most of the villages of the country. Through targeting small and medium farmers, small livestock holders and fishermen and extending their loan portfolio to incorporate crop, livestock and fisheries, leading NGOs are potentially well placed to ease one of the constraints to growth in agriculture (lack of reasonably priced credit).

Given the existing expanded organizational and administrative setup of the leading NGOs, the marginal cost of lending to agriculture will remain reasonably low. However, evolving a viable and replicable model for financing small and medium farmers, small livestock holders and fishermen require a great deal of homework, experimentation and learning by doing exercise. On the other hand, government through increasing efficacy of its agricultural extension and research capability and focusing the need of small and medium farmers, small livestock holders and fishermen and removing policy biases against agriculture can further strengthen its contribution to agricultural growth. Government efforts towards developing existing and expanding transport network for integrating rural markets into larger and relatively dynamic urban markets are also required.

Another master of the short story is O Henry (compare Bonoful's short stories); the supreme artist with the surprise ending in the very last sentence. Another literary effort while marking time in the jail — creativity in confinement! Fleming perfected the modern functional style (after Hemingway) in his James Bond series of 007 fame. He adopted a mass production method by employing a team of ghost writers for editorial assistance. There is action in almost every sentence (unlike the reflective rambling in Bangla literature). The 007 TV series was equally popular. Even the British critics conceded that Nehru and Gandhi were two of the top writers of English prose in this century. I recall finishing a thick volume of about 900 pages of Nehru's *Autobiography* (for was it *The Discovery of India* I cannot recall which one) in one non-stop session lasting a couple of days while I was an intermediate college student, forgetting dinner and lunch times. Earlier, his *Letters to a Daughter* was a part of the English class while I was matriculating. Great minds resting in jails are fortunate periods for a society — they get time to bring out their best, in a leisurely fashion, and leave it for posterity to savour. There is nothing better than the company of a cultivated mind, either in print or in person — the polishing effect is discovered later in life. Emerson was a pioneer of the classical essay in the timeless mould. His gentle moral admonitions rang tiny bells deep inside the inner space, sprouting philosophical urgings in the disoriented reader. Emerson has a relaxing effect on the reader, reflections rippling away the tension of the mind; encouraging it to roam for the refreshing perspective view so much sought in these turbulent times. A tutorial session with Emerson is a must in one's twenties — it provides good orientation for life's journey ahead. Dip into the delectable Oscar Wilde when depressed. He was not as wild as his name or writings suggest. He had the gift of the gab and it flowered during the age of leisure, with the additional genius of recording his colourful expressions in memorable black and white. He is enjoyable any time, although some of his observations were deliberately made up for trite effect for small talk. A short session with a brilliant mind is good for the system. I prefer Lyall Watson as a science writer to the phenomenal Asimov. I had never read Lyall Watson till I procured his *Supernature* (1985), a scientific introduction to the mysteries of nature written in popular style for the well-informed. Then later, I got hold of a copy of *Heaven's Breadth*, on the myth and mystery of the wind (*Pran, ruh, baayi*); one of the most fascinating books I have come across. Only Watson could have written these two books, the erudition and the style cannot be substituted. Clifton Fadiman is a guru in

by A M M Aabid

the American life of letters. He has done more to popularize English literature than any other writer or editor outside in United States. I first came into contact with his essays *Party of One* in the then celebrated *Holiday* magazine of the mid-century, when the Saturday Evening Post was at its peak. I am not an ardent fan of American English, but here was one writer of English prose who could get away with it. Some of his other books I have in my library are the *Treasury of the Encyclopaedia Britannica* in one handy volume (I), a masterly selection of topics expertly edited for juicy reading; and *A Lifetime Reading Plan*, telling the readers which books to read and why. William Safire is famous for his word-smith column. I have a selection in book form *What is the Good Word?* Those who spend their lifetime in English Literature emit a special ambience if they are interested in reaching for the ordinary minds who (the latter) hanker for the quality of life during their leisure hours.

In this company I would like to add the name of Edward Weeks, the celebrated editor of the *Atlantic Monthly*, an American institution. His book *Writers and Friends*, is a fascinating glimpse of the publishing world, in close touch with the celebrities with the pen. Weeks' style is effortless, remembering that he was an editor and guru to two generations of budding writers. The taste for history develops late in life, after one develops a background for probing into the innards of civilization (in school I used to fall in history). Two towering personalities led me into the labyrinths of history: the great Toynbee with his *Study of History* (*Grenville's* abridgment is itself a masterpiece) and Will Durant with his *The Story of Civilization* (in several volumes). After going through Toynbee, I felt that my education was just beginning. You get the perspective right: man standing before Mount Everest (six feet against 29,000 ft). Toynbee's book is not on history, but about history: how to look at it. There is no better introduction. The next serving should be Durant's *Story of Civilization*. It is a grand tour of man's progress through the ages. These two gentlemen left their lifetime's contribution for the future generations. They are worth saluting.

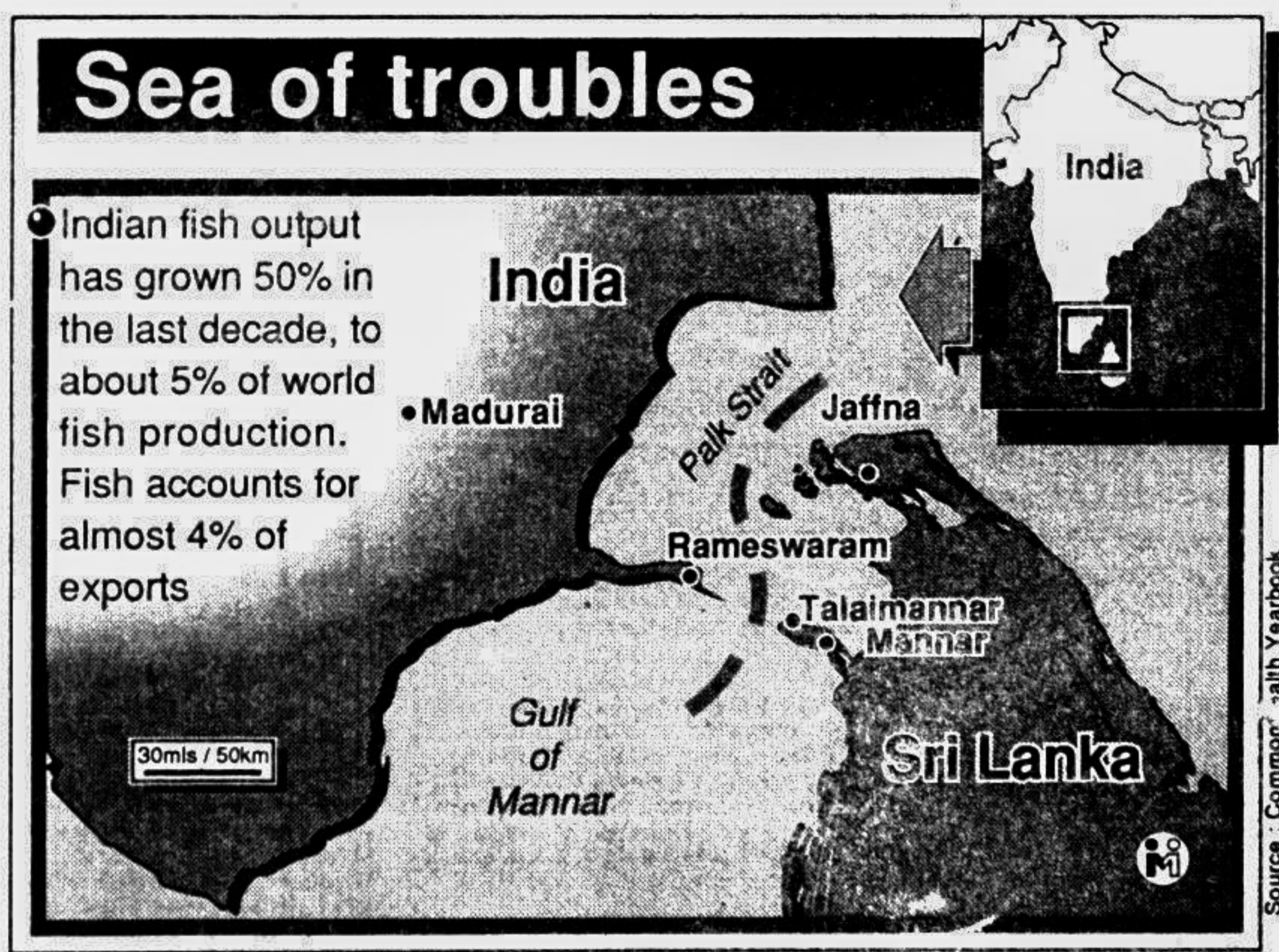
Will Durant also wrote on philosophy. His *The Pleasures of Philosophy* is one of my favourites. He knew how to make a dry subject interesting.

Clifton Fadiman is a guru in

## What's Your Best-reading List?

## Fishermen Caught in the Crossfire Pay Heavy Toll

Victims of the civil war in northern Sri Lanka include fisherman on either side of the Palk Strait that separates the island from India. Many have been harassed by guerrillas and security forces, reports Gemini News Service, and lives and property have been lost. Their communities are now appealing for greater protection. Mukul Sharma writes from Rameswaram island, India



Indian fish output has grown 50% in the last decade, to about 5% of world fish production. Fish accounts for almost 4% of exports

reported this year, and the fishing folk are now seeking urgent action by their governments to agree on measures to protect them. One 45-year-old father of six tells of an encounter when he was out fishing with three colleagues: "It was a very stormy night, and our boat crossed to the Sri Lankan side. When we realised this, we started back. But suddenly we were confronted by a Sri Lankan naval boat. We put on the light, raised our hands and begged for their mercy. But they were firing and shouting at us. They captured us, took off our shirts, tied them around our eyes, and started beating us. We were taken to Sri Lanka and kept in Mannar jail."

They are suffering growing losses — of life, livelihoods and liberty — as they get shot at, beaten, arrested and have their boats seized or sunk. Small vessels from communities which depend on local fishing are harassed not only by the Tamil militants — operating between Tamil Nadu state and northern Sri Lanka, where they are seeking an independent homeland — but also by security forces from either side. The latter are quick to pounce on anyone deemed to have crossed the sea border. Fishing crews are often branded as terrorists and, at the very least, get hauled in for illegal fishing. They may spend many months in detention. Seventy-four Indian fishermen were shot dead between 1983 — the early days of the Tamil secessionist war in Sri Lanka — and last year, said Felix Gomez, assistant director of fisheries for Rameswaram island, which is just out to within 10 kilometres of Talaimannar in Sri Lanka. Another 251 Indians have been injured. "It is because of suspicion [of terrorism] that most shooting incidents take place," he said. More incidents have been captured by the Sri Lankan navy. "All our belongings — including our fishing catch, compass, radio and tape recorder — were taken away. We were badly beaten up and were released after 24 hours. Our very lives and livelihoods are in danger, and no government does anything." Sri Lankan fishermen are also being caught regularly by Indian patrols. According to press reports, about 80 Sri Lankans were being detained in India in mid-July and 25 vessels were under confiscation. A detainee in Madurai Central Jail recalls his April arrest: "Our boat was followed by the Indian navy or coastguards. They first asked us to surrender, but we tried to flee. When they were captured, the officers told them they were being arrested because the Sri Lankan navy is killing Indian people." It takes six to 12 months to secure the release of Sri Lankan fishermen. It can take years for captured boats to be handed over. Bilateral border agreements signed in 1974 and 1976 bar fishermen from crossing the maritime boundary. The accords have been a source of tension as the two sides have interpreted them differently. These should now be updated, say locals, and fishermen's interests taken into account. The problems have been made far worse by guerrilla ac-

## Crackdown on Illegal Immigration in Britain

Sanjay Suri writes from London

The crackdown has come following the arrest of 27-year-old Baljit Rai, an illegal immigrant from Punjab, who beat his wife's lover to death with a hockey stick in east London two years ago.

THE solving of a sensational murder case has led to a country-wide crackdown on illegal immigration into Britain. The crackdown has come following the arrest of 27-year-old Baljit Rai, an illegal immigrant from Punjab, who beat his wife's lover to death with a hockey stick in east London two years ago. Rai then buried the body of the victim, Harjit Luther, in a field in Southampton, about 120 miles (192 km) away in south England. The body was uncovered after the owners of the field took the unusual step of digging the field 30 inches deep instead of the customary nine inches. The blade of the tractor threw up an arm and the horrified driver called the police.

The issue of illegal immigration emerged as the police launched one of their most extensive and expensive investigations. The investigation took a team of the Hampshire police to Punjab to trace the antecedents of the suspect who had entered Britain as an illegal immigrant. It took the police months to identify the victim. This was done on the basis of a reconstruction of the face from the fractured skull by an expert from Manchester University. The picture of the face was then shown on a BBC TV programme called *Crimewatch*, and somebody from Ilford in East London immediately called the police to identify the victim as Harjit Luther.

It emerged during the investigation that Baljit Rai had entered Britain in a truck in 1993. Rai, a hockey player, said in court that he came to Britain after the killing of three men he was involved with in Punjab. He sought political asylum. But the Home Office found holes in his story. When it emerged that his asylum application was not likely to succeed, Rai married Manjit who lived with him for some time before returning to live with Luther, her former lover. Luther was murdered when Rai went to see his wife in Ilford in east London on April 10, 1996. Rai entered the house with a set of spare keys. Luther, who was in bed with Manjit, was beaten to death with a hockey stick by Rai, according to Manjit's testimony in court. Blood was splattered over the walls, the carpet, the furniture and the ceiling. She said moments after the murder Rai forced her to have sex with him. Rai then apparently packed Luther's body in the boot of his Vauxhall car and drove it 120 miles to a field in Southampton where he had worked as an illegal farm labourer after arriving in Britain. He buried the body there near heaps of gravel and returned to live with Manjit. The two reportedly lived together nine months after that. The police had also charged Manjit with murder as she had witnessed the killing but did not inform the police. Justice Cresswell at the Winchester Crown Court let her off saying that as an Indian woman she had become the "property" of her husband after marriage and had understandably failed to act out of fear of him. Rai has been given a life sentence that lasts usually for 20 years. Following that the Judge ordered him deported to India. "This country has no need for criminals of other nationalities," he said. The judge said while convicting Rai: "You were party to

an arranged marriage to further his immigration prospects when your application for political asylum ran into difficulties. Following your marriage your wife returned to Harjit because of your infidelity. But you realised this would damage your marriage and your chances of staying here. You decided to kill Harjit -- who you regarded with contempt because of his caste (goldsmith) -- to secure the return of your wife." Rai is a Jat. Manjit turned against Rai during the trial and gave crucial evidence against him. Rai's mistress Rehana Islam also gave evidence in court against him. Rai and Manjit were arrested in September 1996, released, and then re-arrested in March 1997. The extensive investigation into the case has gone into more than the murder: it has sought to investigate patterns of illegal immigration into Britain. One of the consequences of the investigation has been the launch of Operation Gangmaster, which seeks to investigate gang leaders who hire illegal immigrants for cheap farm labour. A Channel 4 documentary on gangmasters and the murder investigation has led to a country-wide investigation into illegal farm labour recruited by gangmasters. For the police that is one way to trace illegal immigrants. The police has also sought to tie up with Punjab Police to investigate illegal immigration into Britain. Several incidents suggesting organised crime came up during Rai's trial. The judge had to take the unusual step of throwing out an Indian man in the public gallery who used to take notes busily and looked hard at witnesses and

jury members. The witnesses and the jury members all complained to the police that they felt intimidated by him. A group of members of an illegal immigration racket is believed to have been present to stop witnesses giving out information about the gang that brought Rai to Britain and tried to ensure his stay. A man known in the Punjab community simply as Uncle was arrested but let off. He was not charged. One of the men who faced complaints of intimidation is believed to have had close links with an officer of the Punjab Police. Paramjit Bahia, a former councillor from Southampton, told IANS: "It is well known that illegal migration is taking place in collusion with some officers of the Punjab Police." During the investigation, traces of blood found on the ceiling of the Ilford home were matched to the body of Luther and to bloodstains found in the boot of the car. A gold crown from one of Luther's teeth was examined and 187 dental companies were tracked down that used that particular alloy. The police were working on this when the break came through the BBC programme. A total of about 60 detectives worked on the case. The police inquiry so far has logged 5,012 names, 4,012 addresses, 4,508 telephone numbers and 15,000 events. Detectives have followed about 5,000 inquiries and taken nearly 2,000 statements. They have recorded more than 3,000 exhibits. The investigation into illegal immigration is expected to bring up results later. — India Abroad News Service

activity — including the 1991 assassination of Indian opposition leader Rajiv Gandhi, thought to be the work of Tamil militants seeking revenge for Indian peacekeeping intervention in Sri Lanka. Both Indian and Sri Lankan security forces are wary of the movement of militants, and often swoop on fishermen, who also claim they are harassed by the Liberation Tigers of Tamil Eelam (LTTE) guerrillas. In April 1997, a number of Indian fishermen were injured when the Tigers made an abortive attack on a naval base at Talaimannar, forcing Indian vessels to act as cover. A Rameswaram fisherman's representative said guerrillas had snatched at least 40 Indian fishing boats in recent years. One 31-year-old local, M Sahayam, from Vercode village, said: "Although we have been traditional fishermen for generations, we are being thought of as LTTE or their sympathisers. When LTTE activities or the authorities' actions against them increase, the shootings and killings of us also increase." Regarding the charges of fishermen straying across the maritime boundary, he asked: "What can you do when you can't see the border?" About the Author: Mukul Sharma is a Journalist with Times of India group.