

Exploring Prospects of Micro Enterprise

by Ali Ahmed Ziauddin

MICRO enterprise is comparatively a new approach in development circles in Bangladesh. Hitherto, it was an exclusive domain of commercial banks and government sponsored Development Financial Institutions (DFIs) such as Bangladesh Small Industries Corporation (BSIC). In recent years, it is increasingly coming into focus as an appropriate vehicle to promote small-scale enterprises, usually in non-traditional sectors with emphasis in agriculture and related avenues in rural area.

Different schools and institutions define the size of micro enterprise differently. World Bank informally considers any commercial undertaking beyond Tk 50,000 and not above Tk 500,000 as a micro enterprise. Many academic circles and NGOs would perhaps limit this between Tk. 30,000 and Tk. 300,000. The government is also not yet clear what type and size of investment will fall within the purview of micro enterprise. Whatever the debate concerning the size and scope of micro enterprise, it may not be wrong to identify a micro enterprise by the following broad characteristics:

1. Generally, a small-scale family based commercial venture.

2. In most cases the entrepreneurs, are gifted with drive and provide labour and managerial service themselves.

3. On average, equity participation ranges between 20 and 30 per cent.

4. In most cases, capitalisation of fixed asset like land/building is not done.

5. Effective rate of interest for credit is rarely below 20.

6. Usual target is home market of primary products.

7. Risk factor in agro related enterprise is comparatively high.

8. Mainly due to much less overhead expenses, profit is comparatively high.

Though development partners of Bangladesh are still keen to promote micro credit, they are simultaneously exploring the prospects of micro enterprise specially in view of increasing awareness of micro credit's limited role in supplementing industrialisation. Moreover, a growing number of micro credit beneficiaries who have already demonstrated their credit worthiness and entrepreneurial drive need assistance for bigger credit and other support services.

Micro Credit Experience

Micro credit programme is in operation for more than two decades here. Bangladesh played a pioneering role in introducing micro credit as a development paradigm. Its success has been appreciated in development circles all over the world and is being replicated in many developing countries. What has not yet come into focus is the further impact of micro credit programme in Bangladesh, both positive and negative. Presumably, two decades is enough time to evaluate how it has affected the beneficiaries and the country's economy as a whole. This of course demands a lengthy investigation into different dimensions of micro credit. Since that's not the purpose of this write-up a brief cursory look may help understand even if only the outlines of micro credit's hitherto dynamic role and its future prospects.

Target beneficiaries of micro credit were and still are the rural poor who are mostly full or part-time farm workers and marginal farmers. A portion of them are also involved in off-farm occupations such as rickshaw, van, boat, and head load trades handicrafts etc. However, there is one common feature, manual labour is their only asset besides ancestral homesteads and little cultivable land. In nearly 20 to 30 per cent cases they don't even have the latter.

During most of the colonial era, Bangladesh like rest of the Indian sub-continent had a subsistence rural economy. Even after fifty years since the British left, this basic scenario has not altered. In fact the situation has worsened further. The percentage of the land-less or near-land-less has shot up from only 10 per cent in 1947 to nearly 60 per cent now. They are the bulk of Bangladesh's population. Since there is very little industrialisation, excess labour absorption, which is perhaps highest in the world, is the central social and economic concern of Bangladesh or at least it ought to be. Micro credit was designed to address this market. It was assumed that small amount of credit would increase self-employment capacity of the target population. If a big portion of the population could be self-employed, it certainly will contribute to the national economy.

Over the past two decades, the NGOs initiated micro credit programme. They were and still are the main implementing agency. Under their supervision a big chunk of the rural poor have kept themselves occupied in various trades with timely collateral-less credit. This has helped them survive even if just keeping afloat. Starting from traditional self-employment schemes like dairy, poultry and other small-scale agricultural activities, the programme covers a wide range of off-farm activities. It has indeed created self-employment, but the cost is quite high. Average effective rate of interest ranges between 30 and 40 per cent.

Whatever the cost, even mere survival of a great number of human beings for nearly two decades is certainly a remarkable achievement. It also contributes directly and indirectly to the national economy and the society as a whole. Credit gives instant purchasing power. It infuses capital in rural economy. This helps increase transaction of goods and services in whatever capacity. With more transaction of goods and services the economy as a whole benefits and keeps going. Commodity price becomes competitive, a number of snowball effect on the economy. Saving compulsion by the beneficiaries adds to national saving. A large number of previously asset-less people have procured or saved some kind of capital asset over the years. In addition, whatever little the endeavours under micro credit programme these have helped increase national productivity.

It also has so many social benefits. Whatever little progress of women in rural Bangladesh is visible today, it is largely the contribution of

micro credit programme. Despite severe obstacles from the traditional social male leadership women are taking part out of sheer necessity in the male dominated economic activities in increasing numbers. Apart from additional family income, this give them dignity. Ready societies and to some extent also in the NICs. Same class of people in Bangladesh even now can do likewise despite natural and man made impediments. To get the engine going they need and deserve all the necessary back up support. Unfortunately, timely and

essential backup support for them is hardly available. Instead, with dwindling subsidy from the government they are exposed to the competition from highly subsidised imported (legally or illegally) agro products. Whereas there is a growing export market for primary and processed agro products free of agro chemicals world-wide. Moreover, there is also a growing internal market for certain traditional agro products which are becoming more popular and profitable such as onion, potato and new variety of high yielding vegetables. Potato growing is now a booming industry in Munshiganj district. Onion and new types of vegetable growing is becoming popular in Manikganj. Fish farms are sprouting all over the country. Dairy and poultry products have a slow but expanding market. What these initiatives need is timely necessary support services.

Government's role is vital in arranging these services for higher productivity. Adopting positive policies at macro level and implementing them at micro level through well-organised co-ordinated effort are two different things. Government's intervention at the field level is quite inadequate. NGOs intervention is also very limited. Except for storing and marketing private sectors involvement is nearly absent. Wholesalers and dealers virtually control prices of all agro products. Producers are simply at their mercy. Planned and concerted effort for better management from production to retailing can open a wide market for varieties of agro products even within the country. There is ample scope for NGOs to operate in these sectors with their efficient organising capacity on actual need assessment basis.

Among several other necessary back-up support services timely credit without too much hassle is very important for

small and middle farmers to produce surplus. Surplus agro production is essential for the growth of national economy. Peasant proprietors of Europe played the key role in producing surplus, which accumulated and created seed for industrial capital. It was repeated to a lesser extent in the countries of East Asia, though under firm control of the respective governments. Very few farmers in Bangladesh besides the large ones can supply their own working capital. Small and middle farmers could be the focus on priority basis for organising credit and other support services as a package. A question might arise who are the small and middle farmers in Bangladesh?

A base level survey was conducted by a leading NGO — PRISM Bangladesh — in Manikganj district in 1997 among 500 rural households for the purpose of assessing credit and other agro extension service requirement. During the survey it appeared misleading to define social classes taking land as the only indicator. Rather considering yearly income from land and other sources if any of all the family members gave more or less an accurate economic status of the family concerned. Though the survey cannot claim to portray whole of Bangladesh, in given parameters it certainly gives an indication of any average district in the flood prone regions. This survey also correspond with some of the findings of "pre-feasibility study of duckweed based wastewater treatment and integrated aquaculture projects" conducted recently in six districts, commissioned by the World Bank. Result of the survey summary is as follows:

Ser	Gross yearly income in 000. Tk.	Gross yearly expense in 000. Tk.	Economic status	Population per cent	Average yearly deficit	Average yearly surplus
1	Between 1 to 12000	Between 6 to 18000	Poorest of the poor	05	6000	
2	Between 12 to 25000	Between 25 to 30000	Poor	20	5000	
3	Between 25 to 50000	Between 35 to 60000	Marginal	33	10000	
4	Between 50 to 75000	Between 50 to 75000	Small	25		
5	Between 75 to 100000	Between 65 to 90000	Lower middle	10		10000
6	Between 100 to 150000	Between 80 to 130000	Middle	05		20000
7	Between 150 to 200000 or more	Between 120 to 170000 or more	Large	02		30000 & above

Amid a wide range of information that can be used for various purposes from the above survey summary following findings might be relevant here:

1. Groups 1 to 3 are always in debt. They constantly struggle to make ends meet. It is extremely difficult for them to even think of creating surplus. Day to day survival is their only concern. Micro credit programme has greatly helped them in this effort. Unless and until new job opportunities are created and the economy kicks off to a much higher growth rate than present, it seems out of necessity this programme will continue to operate despite all odds. The necessity arises from the sheer compulsion of survival.

2. Group 4 has the potential to increase their productivity if all the mentioned backup support services especially short-term credit between Tk 20 and 30 thousand is made available on time without many hassles. They have the expertise and the drive besides land, labour and few other farm tools. However, taking this group's vulnerability, since they are always on the edge, and all other conceivable risk factors into consideration, it might be difficult to imagine an increase in gross income more than 15 to 20 per cent. But this increase among one fourth of rural households will benefit the family, create new job opportunities and contribute considerably in annual national growth.

3. Though there is wide gap in income between the groups 5 and 7 since they all have surplus whatever the amount, they can perhaps be considered in one category while trying to identify probable engines of high growth. All three groups already produce surplus with or without very little backup support service from government, NGOs or private sector. Like group 4 they also have the expertise, the drive and resources. In addition they have educated manpower in the family apart from potential of physical labour and more resources. This group, consists 17 per cent of the rural population who have all the potentials to be the growth dynamo of rural Bangladesh. Even 15 to 20 per cent increases in their gross income will add a great deal in national growth rate apart from creating new jobs. They would be the prime beneficiaries of micro enterprise programme. Moreover, government will be able to almost quadruple its present tax base.

Next: Enticing Success of Micro Enterprise

Liberation and Beyond

by J N Dixit

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1973: Beginnings of Disillusion

THE signing of the Shimla Agreement in July 1972 freed Bangladesh in a manner from the constraints of appreciation and gratitude towards India which was affecting its freedom of options relating to different dimensions of its foreign policy. Now that India had commenced the process of normalisation with Pakistan and had taken decisive steps to put aside issues which could create long-term tensions, Bangladesh also started the process of normalisation with Pakistan, other Islamic countries and important powers like the USA which had been opposed to the creation of Bangladesh.

Bangladesh initiated the process of establishing contact with different countries and of joining the international community both in bilateral terms and by participating in multi-lateral fora. The second category of issues which engaged Sheikh Mujibur Rahman's attention was the structuring of institutions of governance and managing the centrifugal tendencies in Bangladesh's party politics. The third category of issues he had to deal with was the management of relations with India in the dichotomous context of his own complex perception of the implications of the liberation war and his views regarding Bangladesh's position in the South Asian and South-East Asian regional context.

Mujibur Rahman had an excessively self-assured and paternalistic approach towards governance of Bangladesh. He was the conceptualiser of Bangladesh as an independent and free country for nearly two decades (of course, a gradual and evolutionary process). He had led the struggle up to the stage where he declared independence for Bangladesh as the objective of his political mission. His mission was fulfilled by his lieutenants drawing political and ideological inspiration from him though he himself was physically absent from the liberation war and its culmination. By 1972-73, he had emerged as the unquestioned leader of the Bangladesh national movement. Other East Pakistani leaders like Maulana Bhashani and Aaur Rehman had been pushed to the background. He was acknowledged as the founding father of Bangladesh ("Jair Pita") and acclaimed as "Bangabandhu" (the Wise Friend and benefactor of the people of Bangladesh).

I have stressed these points as they help to explain his approach towards the task of structuring governmental institutions in the immediate aftermath of liberation. Mujib was convinced that he was the final repository of all political power



Indian High Commissioner Subimal Dutta with Bangladesh Foreign Minister, Abdus Samad Azad at the Indian Reception, August 15, 1972.

in Bangladesh in whatever governmental capacity he worked. He was also convinced that in the initial period of Bangladesh's existence his political party, the Awami League, should rule a limited role for the opposition parties in the functioning of his State. He was clear that dissent crossing the thresholds of his tolerance or contradicting the main thrust of his politics should be firmly put down in the long-term interests of the nation. He wanted a parliamentary system of government with himself as Prime Minister. He wanted continuity at the lower geographical units of administration on the pattern of the pre-partition British Indian government in the sub-continent, with one modification. With his negative memories of the Pakistani civil servants he wished the permanent civil service of Bangladesh to be subject to party and political control down to the district level. Below the district level and sub-divisional, circle and divisional levels he wished party functionaries to become active instruments of his administration.

The Indian civil service officers debuted to Bangladesh in the immediate aftermath of liberation returned by the late sum-

mer/rainy season of 1972. Mujibur Rahman proceeded to deploy Bangladeshi officers belonging to the former Pakistan civil service (who had returned to Bangladesh) for administrative purposes in the secretariat of the Central Government as well as in the specialised departments and at the district level. Since there was a shortage of trained and experienced manpower he also deployed some middle level party workers and ex-army and police officers in these capacities. It is interesting to note in this context that Mujibur Rahman was firmly opposed to the armed forces having any role in the current government of Bangladesh. His experience of the recurrent military dictatorships of Pakistan had crystallised this view.

By early 1973, these decisions were implemented fairly successfully. The Provincial Assembly of East Pakistan elected in 1970 and Members from East Pakistan elected to the National Assembly were converted into the new Bangladesh Parliament in 1972. This parliament drafted and passed a new constitution which in general terms was a mixture of the provisions of the Government of India Act, 1935 and elements of the first Constitution of Pakistan which operated for a few years immediately after partition. Mujibur Rahman called for fresh general elections in March 3, 1973 for the Parliament of Bangladesh. Sheikh Mujibur Rahman and the Awami League won 282 of the 289 contested seats of the Parliament, with 70 per cent of the voters supporting his party. The new Parliament of Bangladesh therefore had all seven members in the opposition. The Jatiya Samajtantrik Dal which polled the highest percentage of votes (6 per cent) after the Awami League secured only one seat. The other opposition members were representatives of the Hindu minority, women and the Communist Party of Bangladesh (Mori Singh faction). The overwhelming majority for Mujib's party in the first elected Parliament inevitably led to the marginalisation of Parliament's role in the country's governance. The miniscule opposition could not challenge the Government, or question its policies effectively, nor could it offer alternatives for domestic or foreign policy management. Except for proforma exercises needed to ensure Governmental accountability during debates, the Parliament became a rubber stamp institution totally dominated by Sheikh Mujibur Rahman and his government. The consequence was the accretion of unchecked power in the executive. As it happens in such situations this power was challenged through non-institutional agencies and methods of violent protest, causing gradual increase in dissension within the ruling party itself. Even within the Cabinet, senior members like Tajuddin Ahmed, Nazrul Islam, and Kumarruzaman who were capable and willing to give sane advice to Sheikh Mujibur Rahman remained marginalised. Mujib preferred members who were pliant and supported his views without question.

Mujib's animus against cabinet colleagues who were members of the Mujibnagar Government manifested itself in his shuffling of portfolios. Some time around mid-1973 his threat to investigate the secret assets which these cabinet members might have accumulated in India during the liberation war and its immediate aftermath also showed his prejudice against them. I remember Tajuddin Ahmed and Kumarruzaman confiding in me that such pronouncements and decisions by Mujibur Rahman were a tragic irony which they never thought they would have to face. They even mentioned to me that Mujibur Rahman had issued an internal order that no member of his cabinet should proceed to India even for private visits without his (Mujib's) approval.

These trends impacted on Bangladesh's polity. The country had a parliamentary system on the Westminster model but was, in effect, functioning as a presidential form of government. The paternalistic authoritarianism of Mujibur Rahman (though benign and based on undoubted personal popularity at that point of time) was generating violent opposition and insurgencies in different parts of Bangladesh. There was also a rise in factionalism within the ruling Awami League. Mujib's absorption of pro-Pakistan elements in the civil service and armed forces caused by his emotional perception that with Bangladesh's emergence as a free nation all its people would be automatically loyal to him began to give rise to internal contradictions in the administration of the country.

It was the second set of issues about revival of Bangladesh's shattered economy which were posing major problems. Mujibur Rahman was prompt in making institutional arrangements for the management of domestic economy. He established a central banking system, created a planning commission, made arrangements for the return of the Bangladeshi refugees from India and created a public sector to take over industries and manufacturing units abandoned by their Pakistani owners. He put in place a public distribution system for food and other essential commodities and established contacts with multilateral institutions to obtain the necessary inputs for Bangladesh's economy. Mujibur Rahman also set in motion, particularly with Indian assistance, projects to restore the infrastructural foundations of Bangladesh's economy in the sectors of transport and communications.

(Continued)

When the Sky Turns Sour

Acid rain has already been reported in some parts of India, and the situation is likely to get worse.

INDIA is facing an increasing threat from acid rain, earlier believed to be the scourge of the West. The large-scale industrial growth and reliance on the use of coal and crude oil distillates like diesel have led to acidification of the atmosphere.

The burning of fossil fuels is mainly responsible for creation of sulphur dioxide (SO₂) and oxides of nitrogen (NO_x) which lead to the formation of acid rain. Automobile exhaust fumes are partly to blame, but the worst culprits are coal-burning thermal power plants and the steel industry. Already, a low pH has been observed at Chembur, Maharashtra and Delhi. This is the conclusion of a study conducted by Manju Mohan and Sanjay Kumar of the Centre for Atmospheric Sciences, Indian Institute of Technology (IIT), New Delhi.

In the case of acid rain, water vapour reaches the atmosphere, condenses, and reacts with atmospheric gases like SO₂ and NO_x. When it rains, these atmospheric pollutants are deposited on the soil, vegetation, surface water or reservoirs. The deposition ultimately results in damage because of the acidity of the pollutants.

The problem is very real in the sub-continent. India enjoys the dubious distinction of releasing the maximum pollutants in the atmosphere after China. After analysing data from 10 Indian Background Air

Pollution Monitoring Stations (BAPMONS), scientists have confirmed that rain in and around these cities is getting increasingly acidic in nature.

The BAPMONS data collected during 1974-1984 shows that a few areas are already under stress conditions. During the 35-year-old study, while studying the quality of air in and around his home town Manchester, England, found local rainfall to be unusually acidic. The UK's early awareness of pollution was related to its early industrialisation. But even in less industrialised parts of Europe, observers were beginning to worry about the effects of smoke from coal. In 1881, Norwegian scientists observed polluted snowfall and attributed it to a large town or industrial district in England. Just before World War I, mass deaths began to occur among fish in the rivers of southern Norway. Lakes, too, began losing their fish populations. But it was only in the 1950s that the link with acid rain was established.

Acid rain has been the bone of contention between many western countries because winds carry the pollutants across international boundaries. Sulphur and nitrogen compounds emitted by burning fossil fuels can be blown thousands of kilometres to cause acid rain in countries far from the points of origin. Certain amounts of acid

rain can be buffered by the ecosystem without suffering any serious problems. However, the buffering capacity of ecosystems is finite and varies from one system to another.

The photosynthesis process, which produces food and releases oxygen in the atmosphere, can be hindered. This takes place when the protective layer of wax on leaves or needles is corroded by the acidic deposition.

Besides, the ability of the plant to resist pest attacks can be impeded. Acid rain quickly erodes the top-soil, ridding the earth of nutrients needed by plants.

Algae communities in freshwater lakes undergo a change in their composition (below pH6) as the species of green algae are eliminated by the increasing acidity. This reduces competition and allows more tolerant and previously less common acid-tolerant species to build up their populations.

Among birds, the process of eggshell formation is disturbed. In the 1970s, when defective eggshells were first noticed, it was assumed that the birds were absorbing too much aluminium. Acidic rainwater liberates mercury from the soil which can hinder brain development during the foetal stage. Fish-eating birds and humans acquire mercury by eating fish with high levels of the metal in them.

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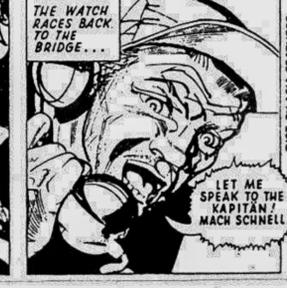
By Hanna-Barbera



James Bond



THE WATCH RACES BACK TO THE BRIDGE...



IT IS THE WATCH, CALLING FROM THE BRIDGE. SOMETHING HAS HAPPENED TO NERR KREST.

