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The Role of Palli Karma-Sahayak Foundation in Poverty Alleviation and Development

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Abstract

Extension of microcredit has been proved as an effective mechanism for alleviation of poverty of the landless and assetless people in Bangladesh. The uniqueness of Palli Karma-Sahayak Foundation (PKSF) in the distribution of mocrocredit as a government funded organisation (G.O.) lies in the fact that it came as a benediction to those small NGOs at a time when their activities either shrank or about to be stopped because of lack of sufficient fund. This paper examines the effectiveness of microcredit intervention and shows the extent of its efficacy at the micro-level in bringing about the qualitative as well as quantitative changes in the life of vast rural population. While it is too early to make any conclusive remark as to its comprehensive success, it can be said with considerable degree of confidence that PKSF has attained sustained success in augmenting the financial base of the small NGOs in dire need, which distribute the fund amongst the poor in the form of microcredit.

CHAPTER 1

Introduction

Faaland and Parkinson (1976) described Bangladesh as a catalogue of woe, embodying chronic food crises, endemic deprivation, persistent malnutrition, recurrent famine, corruption, malfunctioning of economy and a dismal administration. Other developing countries are not immune from similar crises. Despite being one of the richest agricultural bases in the world, Bangladesh has "some of the world's hungriest people" (Hartmann and Boyce 1981: 176). Bangladesh, a South Asian riparian delta, achieved independence twice. In 1947 it formed the eastern wing of Pakistan after two centuries of external colonialism, and then emerged as an independent state in 1971 after a period of internal colonisation which lasted another 24 years. Naturally independence stimulated the desire of the rural masses to escape their endemic poverty. Politicians in the post-independent Bangladesh offered a dream for a socialist economy and an egalitarian social order, while the rural poor swayed between endemic hunger and a promised radical agrarian reform, experiencing further deterioration in their economic life. The below the poverty line population in the post-independent Bangladesh expanded fast and persistent hunger and under-nutrition in the countryside remained a major concern. The country plunged into famine in 1974 and came close to famine like situation several times in the following years. The development interventions particularly of the public sector during the last four decades since 1950 could not bring about any significant change in the poverty profile in rural areas. It has been suggested that due to lack of sufficient growth in agriculture, lack of fair access to growth, inability of agriculture to absorb the growing labour force,

inadequate growth of the non-farm sector and restricted access to rural credit development has continued to bypass the rural majority (ADB 1977).

In spite of living with various negative images e.g. *the international basket case* or *the international laboratory for poverty studies* (Wood 1992) both the GNP-based economic indices and human development indices suggest that there has been improvement over the past few years. During the last four decades per capita Gross National Production has trebled, aggregate production of food doubled, life expectancy at birth increased remarkably, the rate of infant mortality rate declined, and the size of annual development budgets rose enormously (BBS 1994, 1995 World Bank 1975, 1995). Although World Bank's GNP-based ranking in the early 1990s placed Bangladesh at 12th from the bottom, UNDP's HDI (Human Development Indicators)-based ranking placed her at 35th from the bottom (UNDP 1996). By any standard these are significant achievements. On the gloomier side of development, the number of landless, unemployed and below-the-poverty level sector of the population in rural areas have more than doubled. The country is still far from achieving food security. Aid dependence for the annual development programmes has increased from 58 per cent in 1981 to 94 per cent in 1991 (Task Force 1991). During 1974-95 the size of the population increased from 76 million to 120 million. The impact of this growth throughout the agrarian structure remains pervasive- fragmenting holdings, dispossessing marginal peasants, reducing available area for sharecropping, depressing rural wages and stimulating the increasing trend of rural poverty. The popular argument is that the phenomenal growth of population has offset the benefit of development. Khan (1991) suggests that the increasing landlessness and poverty has to be viewed as the direct result of demographic pressure on limited and non-expanding land base in absence of any redistributive institutional structure. Griffin and Khan (1978), however, advance the argument that poverty is not an outcome of the alleged population explosion, its basic causes lie in unequal distribution of land and other productive resources, hostile allocative mechanism, modes of capital formation and technical innovation. Although predominantly an agrarian economy, agriculture's performance in Bangladesh in the recent years has recorded a decline in terms of its contribution to GDP, employment and export. The sustainability of growth achieved under the Green Revolution has also been questioned.

The total contribution of Bangladesh agriculture to GDP has decreased from 60 per cent in the mid 1960s to 32 per cent in 1997, and the percentage of economically active population in agriculture has declined from 78.1 in 1975 to 67.9 in 1991 (FAO 1991). Yet this sector is the biggest employer and export earner. The rate of growth in the yield of crops has recorded a gradual decline, from 7.9 per cent during 1973-76, to 2.6 during 1977-81 and 2.0 during 1982-87. Index of per capita agricultural production in Bangladesh has declined from 100.7 in 1980 to 94.6 in 1991, while during this period China's index rose from 94.6 to 141.0 (FAO 1991). Rapid growth in the 1970s has been attributed to expansion of irrigation facilities, and the adoption of fertiliser responsive high yielding varieties, while the subsequent slowing in the rate of growth was caused by slowing of the diffusion of modern technology, primarily because of withdrawal of subsidy from irrigation and fertiliser, and nutrient deficiency in soil, and non-availability of agricultural credit. Decline in agriculture's contribution to GDP is welcome when an economy is urbanising and industrialising, but the industrial sector in Bangladesh is yet to achieve its promise. The World Bank (1987) suggests that even a sustained GDP growth rate of 5 per cent would be insufficient to employ the new entrants to the labour market. It is estimated that more than one third of the 1.3 million annual increment in the labour force would continue to swell the size of very poor population. Although the global growth orientation professed a trickle-down of riches and welfare, the expected spread effect either did not occur or hardly attacked poverty. Griffin and Khan (1978) contend that economic structure has more relation to increasing poverty than the rate of growth. The Green Revolution, on the one hand contributed to impressive growth in the production of cereals and accentuated relegation of small and marginal farmers to the category of landless on the other. Growth did not stand by the poor in many developing countries (Griffin 1976). The First Five Year Plan (1973-78) and the subsequent comprehensive plans of Bangladesh aimed at increasing income and productive employment, and reducing rural poverty and income inequality through agricultural efforts. Behind the polemics of immediate and long term objectives, the developing countries had targeted the higher growth and applied the tool of trickle-down for distribution. It was, however, suggested lately that the problems of poverty and landlessness should not be safely left to the "process of growth and automatic operation of trickle-down process" (Ahluwalia 1990: 111).

Since 1950 all regimes in Bangladesh have undertaken various poverty alleviation programmes and even attempted land reform but they hardly achieved any success. Distorted application of such measures during has rather declined tenure, increased landlessness, and contributed to the process of manipulation of the existing institutions in favour of the ruling elite (Wood 1994). It has been evidenced that land reform benefited the non-cultivating refugees in the 1950s, soldiers in the 1960s and political elites in the 1970s, while the landless gained little from the state-sponsored programmes. Landlessness has emerged as the single largest agrarian problem in developing countries (FAO 1987). Although land reform is generally accepted as an effective tool to combat poverty and landlessness Jannuzi and Peach (1990), Ravallion (1989), and Taslim (1993) discard the efficacy of land distribution. Hossain (1989) emphasises that land reform is neither necessary nor sufficient for economic development of Bangladesh, and would result in widespread distribution of poverty. Land reform has been replaced by the micro-credit intervention. Over a decade, Bangladesh has continued to draw the global attention for achieving considerable success in administering micro-enterprise development by means of extending credit among the poor. Micro-credit has been playing a significant role in poverty alleviation and economic growth. The rural poor are the main target of the micro-enterprise lending agencies. The success of the Grameen Bank type of credit operation and a wide replication of the Grameen system around the world call for viewing credit as an effective tool in combating rural poverty. Many smaller NGOs in Bangladesh have been operating a similar credit programme in rural areas with commendable success. But the problem of these small NGOs is their limited access to operational capital. it has also been observed that some of the operating NGOs in the rural sector faced the challenge of discontinuation of the promised fund from the donors. In this backdrop Palli Karma-Sahayak Foundation (PKSF) was established in 1990 to provide financial support to similar NGOs and government programmes which undertook the responsibility of providing collateral free credit to their poor clients to generate self-employment and income. Palli Karma-Sahayak Foundation has extended its lending coverage to 9229 villages in 51 districts through 126 Partner Organizations till December 1996. It primarily aims at providing assistance to Non-government, Semi-government and Government organizations, voluntary agencies and societies, local government bodies, institutions and group of individuals who would in turn provide assistance for generating income and/or employment opportunities for the landless and assetless for alleviating poverty. It has been claimed the success of the PKSF has invited the attention of major donor agencies including the World Bank, USAID and Asian Development Bank who wanted participation in the expansion of the PKSF coverage in rural Bangladesh.

Aims and Objectives of the Study

Bangladesh is a unique case of extreme poverty, scarcity of land and high density of population. In the existing socio-economic and political context it does not appear that Bangladesh can seek from her land sector sufficient relief to provide for a considerable section of her 9 million landless families, who have no certainty of food, shelter and employment (Islam 1992) an importantly no control over the policy regime. Among productive resources land may come first to provide for equity and productivity. With unequal distribution of land and other productive resources, equity in Bangladesh became elusive (Blair 1974) and productivity achievement only nominal. Agrarian structure remains at the core of agrarian stagnation and rural poverty. Poverty and landlessness are closely inter-woven in South Asia. Singh (1988) shows that poverty and unemployment concentration are acute in landless rural households, and the incidence is higher for Bangladesh. During the food shortage of the mid-1970s in Bangladesh the death rate among the landless was three times higher than that of people owning small holdings. In place of land reform access to credit is now being envisaged as an effective gateway to income. Conventional literature invites government intervention in the imperfect credit market to impose low ceilings on interest rates and allocate a massive amount of credit to yield rural development and improve income distribution. But the experience of rural Asia suggests that the benefits of state intervention and subsidised credit have been largely monopolised by the wealthy landholders, while the small and marginal farmers were squeezed out of the formal credit market, which generated undesirable inequities and worsened income distribution. The Bangladesh experience suggests that the measures which seemingly discounted the interests of the ruling elites were soon diluted by counter-legislation or were applied in a way which contributed to consolidate their resources and power. The most significant intervention in contemporary agriculture, the Green Revolution has had the effect of marginalising the peasants in Bangladesh and many other agrarian economies.

It has, however, been claimed in the 1980s that Bangladesh has succeeded in arresting the growing trend of poverty in rural areas within the same agrarian setting (BBS 1988) and some micro-level studies substantiate the claim. But the reduction in the percentage of rural population below the poverty line has hardly affected the trend of increasing landlessness (Haque and Rahman 1988). The success of the Grameen Bank type of credit programme among the traditionally believed to be the unbankable section of the rural population was also widely acclaimed as an effective attack on rural poverty. In the severe land-scarcity situation like Bangladesh it now appears to be a viable answer to the problems of poverty. It is claimed that the image of an international basket-case has started fading in recent years (Fazl 1995). Thomas (1995) suggests that the world is harbouring an outdated image of Bangladesh.

About 99 million people of Bangladesh live in the rural areas and 80 per cent of them depend directly on agriculture. Against this backdrop one can hardly underestimate the significance of the rural land sector. According to an official estimate per capita availability of net cropped area during 1990-91 was 0.07 hectare (calculated from BBS 1993). Given a projected population of 170 million in 2,025 and the continuation of the present declining trend in net cropped area (0.23 per cent per annum), per capita cropping land is projected to fall to only 0.04 hectare after three decades, seriously affecting the rural masses. Despite various development interventions undertaken during the last four decades the incapacity and dysfunction of the traditional institutions failed the efforts to derive adequate benefits from the land sector and make proper distribution of the benefits. In this context the study sets the following objectives:

- To examine the efforts of rural development.
- To examine the efficacy of micro credit in the Grameen way.
- To examine the emergence of PKSF and its role in addressing rural poverty.

Too much egalitarian rhetoric in the post-independent Bangladesh has resulted in a further polarisation of property relations. Despite global changes in the economy and polity around the socialist world, the intelligentsia of Bangladesh took a long time come out of its socialist hangover. The collapse of the socialist states and return of individual farming in Russia, the process of restoration of land to the former owners in the Central and Eastern Europe, and shift from 'high collectivism' to 'contractual collectivism' in China (Blecher 1987) have shifted the global attention from land reform to other measures, particularly credit intervention. Apart from land reform, public sector intervention in the Bangladesh rural sector has a long history of five decades of operation. With the global shift in the concept of development, public sector development projects responded to the changes without restructuring the age-old institutions. World Bank (1989) admits that the Bank-sponsored rural development programmes concentrated on those with productive assets while the poorest of the poor being labourers and landless without productive assets reaped only incidental benefits. It is essential to formulate a set of working hypotheses to guide the research in the specific direction as discussed above. The study has been organised to test the validity of the following hypotheses:

- Access to small amount of credit serves the poor effectively.
- PKSF is a an effective intermediate lending agency to reach the targeted rural poor through NGOs, known as their Partner Organisations (PO).

Rationale of the Study

In order to show the importance and immense necessity of the micro-credit and lending agencies, researchers have shown the pervasiveness of poverty in Bangladesh where a sizeable number of people live below the poverty line and about 30% of the population in rural areas live in hard-core poverty. Large number of government and non-government agencies are working in rural areas in giving small credits to the poor but their activities are not sufficient enough to alleviate poverty. The extension of micro-credit activities is mostly aimed at the doubly exploited poor women who are the poorest of the poor. Evaluation of the activities of NGOs like BRAC, Grameen and other similar lending agencies show that although these are doing commendable jobs yet there is scope to render more efforts in widening the coverage of poor people under their programmes for poverty reduction and rural development.

The study of poverty and development has, for the last few decades, been an interesting and thought-provoking area of discussion, deliberation and analysis among the development economists and social analysts. A number of micro-enterprize lending agencies are working in Bangladesh over a decade which lend credit to help the poor, the destitute and the disadvantaged. A very few studies have so far been made to assess the efficiency, effectiveness of credit to the poor who need it most credit as well as the sustainability of the present system in future. Empirical evidence shows that percentage contribution of agriculture towards natural economy is declining day by day (although still agriculture occupies an important position) and that there is a significant shift towards proliferation of non-farm activities including service and the informal sector. Decreasing share of agriculture in the national economy and the fact that about 60% of the people in the rural area are landless and near landless, have necessitated to explore the avenues for multifarious non-farm economic activities including micro-enterprize. This phenomenon has made this research to undertake a study on Palli Karma-Sahayak Foundation which is basically a bank for the small NGOs working with the poor..

Scopes and Limitations of the Study

One of the core problems of development studies and policies is to improve the quality of life of people, in third world countries in particular, a vast majority of whom live in abject poverty and deprivation. Effective poverty alleviation through various programmes can lead to qualitative as well as quantitative improvement of poor peoples living condition. How to achieve this objective? The poor have limited or no access to productive assets. To compensate this lacuna is to provide them with some fund to engage themselves in income generation activities to make self-reliant. We shall examine whether the group lending technique has been successful, if so, to what extent the income and living standard of the poor people have increased. In short, the scope of this study is to understand the impact of the services of micro-enterprize lending agencies and an assessment of the role of PKSF in promoting micro-credit with the broader objectives of poverty alleviation and development.

There are large number of such agencies government and non-government, big and small in size in Bangladesh. Most of them are NGOs such as BRAC, PROSHIKA, CARITAS, CCDB, Grameen Bank (although it is often termed as a quasi-NGO). Most of the relevant literature that has been consulted do not contain sufficient data regarding intensive and extensive effect of financing the small rural enterprises in various forms. Data constraint deter us to examine in broad spectrum and comment on the economic viability including cost of operation of these organisations as credit institutions as well as their sustainability. Because of the extensiveness of micro-credit programmes and their success in quantitative and qualitative terms our analysis mainly will revolve round various rural development interventions in poverty alleviation, Grameen operation PKSF's role as an intermediate lender.

Methodology

Conducting research of this nature within a short time and limited resources is challenging when there are data constraints and limited information. This research has not been conceived as a technology of data collection alone, but it encompasses the total process of problem formulation It entwines the socio-political and economic dimensions of the stated problems using both library research and empirical investigation. Despite the relative abundance of data generated particularly by the government agencies in Bangladesh, it is often difficult to integrate and compare them due to definitional differences. There is a need to be aware of the shortcomings of the official data and treat them cautiously. In ascertaining the tenure structure, the extent of landlessness and economic impact on rural development interventions there has been great dependence on the primary data obtained from the field. The study, having its roots in history, used many published and unpublished documents, which have described, analysed and examined the man-land-state relation from different perspectives. In course of its development the study sought access to various interdisciplinary publications, research reports and official documents, and has not been anchored to a singular discipline. In order to situate the stated problems in a broader perspective the study draws from various comparative studies. The field research deployed structured and unstructured techniques. The methods used to obtain data were those that best suited the objectives of the study and the prevailing field level situation. The participant field research was both overt and covert. When it was found that the overt participant observation failed to draw quality information the covert method was adopted. This study relied on quantitative method to determine the prevalence of phenomenon and compute proportionate responses of the interviewees, while qualitative method helped identify the intimate detail of their responses and reveal complexities. In this study quantitative and qualitative methods complemented each other. The respondents included a cross-section of landless people, beneficiaries of micro credit, PKSF officials at the field level and headquarters.

Organisation of the Study

This study is organised in 5 Chapters

Chapter 1 is the introduction. It spells out the nature and significance of the study establishes objectives, develops the hypotheses and explains the methodology.

Chapter 2 contains the theoretical underpinning of the study.

Chapter 3 analyses the development efforts which have bypassed the rural poor.

Chapter 4 elaborates the emergence of the PKSF and analyses the impact of this intervention in rural areas.

Chapter 5 draws the conclusions. It specifies the findings, constructs a set of recommendations and identifies the grey areas.

CHAPTER 2

Understanding Poverty and the Context of Credit Intervention

Because of all pervasiveness of poverty, the role of small credit has become extremely important in poverty reduction through creation of self employment and income-generation in Bangladesh. An understanding of the nature, intensity and dimension of poverty in Bangladesh is essential because a comprehension of poverty situation will help understand the magnitude of the necessity of micro-credit extension programme. In Bangladesh as in most third world countries, poverty is the resultant combination of two main factors : inequality of opportunity created by the socio-political structure as well as the inequality of the capability to avail that opportunity. Declining real wages also contribute to increasing poverty situation. In Bangladesh, real wages for agricultural labour has gone down by 33% from 1964 to 1984. There was considerable decrease in real wages in 1960s, some reversal in 1970s, and again decline in 1980s broadly speaking, real wages have been decreasing during the last 35 years. Who are the poor in Bangladesh context? Who are the absolute poor and who are the extremely poor? The estimated FAO requirements for calories for population of Bangladesh (based on height, weight, age, sex and environmental temperature) is about 2150 calories per person per day (Khan 1977). Among various norms of measurement of poverty, the nutritional norm is widely in use, and food needs are placed at the top of the basic needs agenda developed by ILO. Poverty defined in relation to nutritional needs appears insufficient, as it discounts other basic needs like shelter, health, education and security. Also the accumulated data fail to show the intra-household variation in actual intake of calories, imposing a set of arbitrary figures in establishing the level of poverty.

It is argued that poverty is not an unidimensional problem and cannot be viewed as an isolated issue of nutritional or income deprivation (Jahan 1991). The income criteria has been criticised as a blunt indicator of the actual living condition, and an "animalistic description of human being" (New Internationalist 1992: 8).

Although land reform was once accepted as the very foundation of rural development and political stability, its significance has eroded both as a "policy issue and in development thinking" (El Ghonemy 1990: 1). The great enthusiasm for poverty alleviation through land reform in the 1950s and 1960s have withered away. The socialist perspective still dominates the literature in South Asia (Singh 1988), and it seems that there remains a general consensus among the dominant section of intelligentsia that the socialist transformation of land and agriculture is still the best choice for countries like Bangladesh. The post-independent Bangladesh was under a socialist spell for a few years, with a radical land reform seen as an essential step towards the socialist goal. But the step was not taken, as the state in Bangladesh was not compatible with radical change (Umar 1980). Bilateral and multilateral development agencies, who have devoted a good share of their resources to rapid agricultural growth in developing countries, put a strong emphasis on land reform and rural credit systems. These agencies argue that land reform reverses the trend of rural landlessness, disperses demographic pressure, employs surplus agrarian labour force, raises rural wage rates and induces new technology in agriculture. Rural development with poverty alleviation at the core has been classified into three broader categories: technocratic, reformist, and radical, identified respectively with capitalist, nationalist and socialist ideological perspectives. The technocratic approach relies on technological packages, supported by market incentives.

TABLE Style of Rural Development

Strategy	Objectives	Beneficiaries	Tenurial form	Ideology
Technocratic	Increase output	Landed elite	Large holding and co-operative farm	Capitalist
Reformist	Redistribution of income and output	Middle peasant	Family farm/ Co-operatives	Nationalist
Radical	Redistribution of power and output	Landless and small peasant	Collective/ Commune/ State farm	Socialist

Griffin (1979: 204)

Rural development is defined as a strategy designed to improve the socio-economic life of the rural poor, composed of small-scale farmers, tenants and landless (World Bank 1975). It is a process which stimulates a "continuous rise in the capacity of the rural people to control their environment, accompanied by a wider distribution of benefit resulting from such control" (ibid.: 10). Various explanations of rural development have a common focus on the overall development of the rural areas and improvement of life of the rural poor. It intends to promote higher productivity per unit of land and labour, expand employment opportunity, distribute equity and promote access to resources. The strategies for rural development, according to Griffin (1979), fall into three broader categories:

- *Technocratic,* leading to increased production through application of high level of technology without being concerned about the distribution aspects.
- *Reformative,* aiming at distribution of resources and income without intervening in basic socio-political structure.
- *Radical,* affecting social structure and forcing egalitarian distribution of resources.

Griffin (1979) proposes three models of rural development based on similar interventions:

- *Low intervention productivity model* focusing on the increase of production without affecting the existing social order.
- *Medium intervention solidarity model* emphasising the strength of institutionalisation of community solidarity in the question of raising productivity.
- *High intervention equality model* suggesting a change through radical style.

The World Bank (1975) underlines the following organisational prerequisites for meaningful rural development:

- A national plan of action for rural development supported by national and regional policies and adequate centre-local financial arrangement.
- A strong national organisation to co-ordinate the vertically organised central government and sectoral departments to implement rural development plans.
- Greater decentralisation with effective mercenaries at regional and local levels.
- Participation of the rural poor in planning and implementation of the projects in order to direct benefits to them.

There was no dearth of efforts in Bangladesh in launching rural development programmes according to donors' prescription and their consultants' direction. Except for achieving the agricultural productivity object the programmes failed to reach the rural poor. Dams and Timm (quoted in Meliczek 1985: 85) identify the following limits of rural development:

- Rural development stabilises the existing socio-economic and political order and it does not stimulate structural change.
- It neglects the economic need for capital formation and employment generation.
- It neglects the "crucial dependencies of developing countries on world market" and ignores "the structural links between centres and peripheries" in the economy.
- It remains "wishful thinking" as a "complex development process can not be planned and guided through programmes and projects".

- Its project components suffer from high overhead costs, depend and rely on alien project authorities and as such becomes unmanageable.

Meliczek (1985) argues that rural development only tackles the symptoms but cannot strike at the root causes of rural poverty namely inequitable distribution of social and economic power. In the 1950s and 1960s rural development in Bangladesh followed the global growth-oriented development model, expecting that the expanded modern sector would gradually absorb the traditional sector and reduce the rich-poor gap through the spread effects of growth. Bangladesh and many other developing countries achieved impressive agricultural growth through technological interventions, but failed to improve the economy of the rural poor households. The 1970s observed a conceptual restructuring of development which entailed equity with growth. The agenda of social development came from "the periphery to the forefront" (Blair 1986: 31). Human development became the major focus of the 1980s, but poverty and landlessness had increased and development programmes in rural areas continued to benefit the rich. Unequal rural social structure and usual bureaucratic bias to the landed class failed the equity objective of rural development programmes.

Credit for the Landless Poor

The rural poor peoples' chances to bring about changes in their lives are constrained by several factors, namely a) lack of access to resources, b) lack of their own organisations, c) dominance of local money-lenders and traders, and d) dependent and marginalised nature of their lives (Oakley and Marsden 1990). Subsidised rural credit has long been envisaged as an effective attack on low productivity and rural poverty. Because of serious imperfections in the rural credit market, government intervention was considered necessary to regulate it to benefit the perennially deprived poor and small holders. Braverman and Guasch (1986) suggest the following characteristics of the rural financial market:

Basic flaws

Weakness of competitive forces and weak legal enforcement of contracts.

Corruption and lack of accountability of the institutions.

Imperfect information.

Lack of appropriate collateral.

Lack of coherent saving mobilisation programmes.

Higher opportunity cost of capital in other sectors.

Incapability of institutions to monitor the use of credit.

Persistent problems

Flow of credit to the wealthy farmers and the small farmers are rationed out.

Diversion of agricultural loan to non-agricultural use.

Consumption-oriented credit policy.

Significant distortion in optimal allocation of resources across markets.

Extensive use of interlinking credit contracts with labour and land contracts.

The agrarian structure of the country, and dominance of the landed class in the credit market restrict poor peoples' access to the institutional credit. Banks demand land as collateral, excluding the landless from the start. Even small and marginal farmers owning small areas of land do not approach the bank because, they have learned throughout the years that a bank lends to the rich alone, so their choice is the usurious credit market. The past four decades' experience in the developing countries of Asia suggests that the establishment of institutional alternatives (rural banks and credit co-operatives) did not drive usurers out of the market (Hoff and Stiglitz 1993). The bank officials are in favour of big loans rather than numerous small ones, and they have "deeply entrenched attitudinal bias" towards bigger landholders (Ahluwalia 1990: 113). In some Asian regións, sharecroppers borrowing from the banks, have to produce certificates of cultivation rights from their respective landlords, who are often usurers, and for obvious reasons cannot procure such certificates. Illiterate farmers cannot pass through the cumbersome procedures of loan, and access to credit is made more difficult by corrupt practices of the bank officials. When a loan is disbursed much of it is eaten up by the rural gentry who are the vital intermediaries between the banks and ultimate borrowers. The conventional wisdom, which has developed around poverty and credit, contains a bias against the poor, and assumes that the poor are not credit worthy. Yunus (1986) found a range of attitude to credit for the poor:

- Credit is useless unless it is delivered in a package containing training, marketing, technology and education.
- Credit is used to meet most immediate needs and thus it becomes counter-productive when the poor cannot repay the loan with interest.
- Chronic poverty with its crippling effect on mind and aspiration does not allow the poor to venture into economic activities.
- The rural power-structure blocks credit programmes for the poor.
- The poor are bribed to accept through credit the existing iniquitous social order.
- Credit helps the poor to gang up against the rich and shake the social structure.
- Credit withdraws wage labour from the market, and thus may increase the wage rate, and cost of production, consequently reducing the aggregate production.
- Women's access to credit affects the stability of family relations.
- Credit is a weak instrument to restructure production relations.
- Credit for the poor has only a marginal impact on national income.

Yunus (1993) envisages credit as a powerful weapon to create entitlement to resources, and believes that credit without discipline becomes charity, ultimately destroying the ability of the poor. He is critical of the global credit operation based on collateral which excludes the poor from the financial institutions. He notes, "if collateral alone can provide the basis for the banking business, the society should, without any hesitation, mark out the banks as the harmful engines for creating economic, social and political inequality by making the rich richer and poor poorer"

(Yunus 1993: 11). Several empirical studies (Hossain 1979, Rahman 1993) have advanced arguments in support of channelling institutional credit to the poor:

- In the absence of working capital, a reasonably conditional credit can increase their income and free them from the rural money-lenders.
- Small credits promote petty trading, and offer incentives to manufacture.
- Access to credit allows wage labourers to search for alternative employment, and lifts wage rate, which benefits the poor wage labourers.
- Credit increases the sharecroppers' negotiating strength.
- It empowers the poor, and provides a basis for participation in decision-making.
- It increases non-farm activities and thus absorbs the pressure which otherwise would fall on the scarce land resources.
- Material collateral is not essential in credit relations if social collateral replaces it.

Ideological Perspectives

The post-World War II development theories do not see micro-credit as an indispensable tool for change in developing countries, but that it becomes only incidental. Structuralism focuses on the exploitative nature of international free trade, which subjects the peripheral states to "deteriorating terms of trade and a chronic slowdown in domestic capital accumulation" (Dorner 1990: 15), and import-substitution to redress the declining terms of trade. In the domestic market it identifies the poor performance of agriculture with inefficient tenure, and holds that land resources are grossly under-utilised, with unequal distribution of land discouraging the landholders from making intensive use of land (Lehmann 1978). The Dependency school, which originates at confluence of two intellectual trends, the first one Marxist and the other having its roots in the Economic Commission for Latin America (Hettne 1990) views development and under-development as a partial and interdependent structure within a single system (Kay 1989). Two distinct branches stem out of the dependency school, one neostructuralist, and the other based on the Marxist foundation. They explain poverty, unemployment, inequality and regional imbalance as a consequence of "two interdependent structures that underlie the historical development of global capitalism" (Dorner 1992: 17). The internal dependency syndrome victimised mostly the poor, landless and near-landless population. Since land and other productive resources provide the strength of domination and exploitation under "internal colonialism", the dependency school seeks a remedy in dismantling the structure for internal colonialism. The dependency school calls for restructuring ownership structure through distribution, but suspects that the equation between the land-owning class and industrial class would destroy the prospect of any attempt to distributive justice. The neostructural school views the world economy as a "structured whole" whose constituent parts display "various forms and degrees of dependency" (Hettne 1990: 133). These approaches suffer from excessive structuralism and economic reductionism.

Institutionalism attacks the unidirectional growth-oriented development, and emphasises that equity and growth could, and should, occur together (Dorner 1992). The institutionalists are critical of the inefficiency of the agrarian sector and overall maldistribution of growth. They maintain that the inverse relation thesis of farm size and productivity provides a rationale for creating small family farms through distribution of land. They think that access to land simultaneously creates high income elasticity demand and sets the vital agro-industrial linkage. The strength of this approach lies in its emphasis on increased agricultural production, and by not displacing labour prematurely from agriculture (Dorner and Kenel 1971). But there is not much emphasis on small credit as a tool for slow restructuring of the property relations.

The neoclassical school which focuses on static, microeconomic relations and relies on market mechanism for "optimal distribution of resources in a given society" (Hettne 1988: 12). This economic approach has a focus on the economic rationale of tenurial arrangements, seeking government intervention to restructure land ownership and tenancy relations to reduce/eliminate inefficiency and promote equity and growth (Dorner 1972). It assumes rational decision making by producer, consumer and even by government and suggests that market failures can be encountered by the self-correcting mechanism within the price system (Ingham 1995). It has been criticised for not being capable of adequately addressing the market behaviour. Being too economistic it ignores socio-economic and political values and forces existing in a given society. Along with the tools of tax reform, public investment and income distribution structuralists rely on land reform favouring the population who are directly involved with agricultural production, usually at the cost of the large and often absentee landlords (Ingham 1995). However micro credit being a contemporary phenomenon is yet to have strong theoretical footing.

The Context of Poverty Alleviation

The war of independence left the country in a state of ruin. The post-independence socialist euphoria influenced the economic policies significantly. Khandker (1986) argues that the Awami League's commitment to socialism was not planned, rather the nationalisation of abandoned commercial enterprises forced it to set the national goal of socialism. After independence the drive for growth, was, at least theoretically, redesigned, adding with it the dimension of distribution. The state's share of industry increased from 34 per cent in 1969-70 to 92 per cent in 1972 (Sobhan and Ahmed 1980), but the land ownership pattern, however, remained unaffected. Umar (1980) does not consider the government's nationalisation programme as an attack on capital, rather a mechanism for the transfer of private property to the ruling elites. Further decline in the economy with increased political unrest eroded the socialist fervour.

In the following years the instability of the government, inconsistency in economic policy and lack of security of investment distanced the entrepreneurs in committing their assets and efforts to productive investment in Bangladesh (Khan and Hossain 1989). Maddison (1989) divides the 20th century global development in four stages:

i) Liberal World Order 1900-1913,

ii) Conflict and Autarchy 1913-50,

iii) Golden Age 1950-1973, and

iv) Growth Deceleration and Accelerated Inflation 1973-1987.

It appears from his analysis that even in the 'Golden Age' of development Bangladesh registered a negative growth. The following Table shows per capita real GDP growth during 1900-87 in selected Asian countries.

TABLE Percentage Per Capita Real GDP Growth 1900-87 in Selected Asian Countries.

Countries	1900-1913	1913-1950	1950-1973	1973-1987
Bangladesh	0.5	-0.3	-0.7	2.1
India	0.5	-0.3	1.6	1.8
Indonesia	0.5	-0.2	2.1	3.1
Japan	1.2	0.9	8.0	2.8
Pakistan	0.5	-0.3	1.7	3.1
South Korea	0.8	-0.2	5.2	6.2
Taiwan	0.3	0.4	6.2	6.0

Source: Maddison (1989: 35)

Bangladesh has fallen behind her South Asian neighbours in terms of overall economic growth, who themselves are slower than their South East Asian neighbours, who are again slower than the East Asian countries. The Table below shows income disparities in selected Asian countries. It suggests that the gap slightly narrowed during 1985-93 between Bangladesh and her sub-continental neighbours, but widened with others.

TABLE Per Capita Income in Selected Asian Countries as Percentage of Per Capita Income in Bangladesh 1985-93

	1958	1985	1990	1993
Bangladesh	1.00	1.00	1.00	1.00
India	1.27	1.80	1.67	1.36
Pakistan	1.36	2.53	1.81	1.95
Thailand	1.53	5.33	6.76	9.60
Indonesia	1.33	3.53	2.71	3.36
South Korea	2.00	14.33	25.71	34.82
Japan	6.16	75.33	121.09	143.14

Source: Khan and Hossain (1989), and calculated from World Bank (1992, 1995a)

Although per capita GNP in Bangladesh trebled during 1973-93, per capita domestic investment has remained unchanged. The following Table shows GNP per capita and domestic investment per capita in selected South Asian countries during 1973-93:

TABLE Per Capita GNP and Gross Domestic Investment 1973-93

Countries	1973		1983		1993	
	GNP	Investment	GNP	Investment	GNP	Investment
Bangladesh	80	20	140	20	220	20
India	130	60	270	60	330	90
Pakistan	130	40	360	50	430	70
Sri Lanka	230	20	320	80	600	100

Source: World Bank (1995: 14)

World Bank (1995) suggests that Bangladesh has reached the average population growth rate level for the low-income economies, while considering the slow growth rate it appears that she has to go a long way to reach the average GNP per capita growth rate level for the low-income economies. [Except for Maldives, all South Asian countries fall in the category of low-income economies with an average per capita GNP of US $380 in 1993. Bangladesh is predominantly rural, the country's industrial base is poor and lacks mineral resources. The share of agriculture in the

GDP has declined considerably, while industry could not make any significant headway. Under the New Industrial Policy adopted in 1982, 538 industrial concerns and a few commercial banks were privatised. Thereafter privatization continued although at a slower rate. Major industrial outputs of the country include jute textile, cotton, textile, fertiliser, cement, paper and newsprint, sugar and steel products. Although both export and import increased significantly over the years, the estimated overall erosion in the terms of trade was about 40 per cent by the mid 1980s (Ahmed 1988). Unequal distribution of income is prominent in Bangladesh: the bottom 40 per cent households in rural areas shared 23.2 per cent of rural income, while the bottom 40 per cent urban households shared 21.5 per cent income in 1983-84 (Khan and Hossain 1989). The growth-orientation since the 1960s failed to address the problems of income inequalities.

TABLE Percentage Share of Income in Rural and Urban Bangladesh

Rural	1973/74	1981/82	1983/84
Bottom 40%	22.9	23.5	23.2
Top 10%	25.4	22.7	22.5
Top 5%	17.0	13.8	13.7
Urban	1973/74	1981/82	1983/84
Bottom 40%	22.2	19.3	21.5
Top 10%	24.8	25.3	21.5
Top 5%	15.9	16.3	13.1

Source: Khan and Hossain (1989)

Poverty is acute and pervasive in Bangladesh. More than sixty million people live below the poverty line. Recent studies, however, suggest a moderate reduction in the trend of poverty during the 1980s. All the four Five Year Plans stressed the need for growth with reasonable distribution in the rural sector, but the demographic and institutional factors have continued to impede growth and redistributive aspects of development. By the early 1990s it has, however, been claimed that the economy of the country was at the threshold of faster growth with increasing joint investment in the manufacturing sector under a liberal economic policy of protecting foreign investment against nationalisation and expropriation and generous tax holidays. The promise of agriculture has declined over time. A declining share of agriculture in the GDP, employment and exports is normal for an economy in transition. In South Korea, for example, agriculture's share in the GDP fell from 37 per cent in 1960 to 9 per cent in 1989, agricultural employment fell form 66 per cent to 19.5 per cent, while the industrial sector's contribution to GDP increased by 226 per cent and employment expanded by 306 per cent (Choudhury and Islam 1993). Small and marginal farmers are often unable to support themselves by farming. Non-agricultural rural jobs are the major source of income in South Asia. The extent and significance of non-farm employment have been under-represented or suppressed. In 0-0.4 hectare farm size group in Bangladesh about 81 per cent of income comes from non-agricultural occupation. Bangladesh is an economy in transition: the economy is more urbanised, monetized and mechanised (UNDP 1989) than it was in the 1970s. But the industrial sector has expanded only marginally. With the abundance of cheap labour Bangladesh has the potential to attract foreign investment in the manufacturing sector, but political instability and insecurity of investment distance the possibility of massive expansion of the non-agrarian enterprises. During periods of higher growth, the poorest in developing countries have become worse off in absolute terms, and Bangladesh is no exception. The agrarian structure of Bangladesh may briefly be characterised by the following features:

- Land ownership pattern is uneven in rural areas, with average land holding small even by the South Asian standards.
- Land holding is highly fragmented and uneconomic
- About 55 per cent of the rural households are functionally landless.
- More than 50 per cent of the cultivable land is owned by less than 10 per cent of the rural households.
- Sharecropping is a dominant form of tenancy.

- Landed elites control land, water, rural institutions and the overall rural economy.
- Women have virtually no access to, or control over land.
- Peasants have no organisations. A few organisations developed under political patronage failed to address landlessness, rather they were used as a political tool in order to legitimise different regimes.
- Informal credit sources outshine the institutional credit. About 90 per cent of the rural poor depend upon usurious lending.

The Poverty Context

Overpopulation, lack of employment and sustainable agriculture in the developing countries have increased food shortage, malnutrition and famine. Chronic rural poverty, increasing unemployment and landlessness in Bangladesh have been analysed as a consequence of overpopulation (ILO 1977). Explaining the population growth in Asia, Khan (1991: 159) concludes that Bangladesh experience "clearly represents the archetypal case: demographic expansion successively leading to a reduction in the land-person ratio, a reduced access to land, increased proletarianization of the peasantry, and an increased incidence of poverty". With acute poverty, agricultural stagnation and the problems of over-population Bangladesh remains one of the most difficult cases of underdevelopment (Ahmed 1984). One third of the population suffer from moderate to severe starvation during much of the years and another one third have to remain contended with inadequate intake of food (Khan 1990). Increasing population and growing landlessness in Bangladesh would be a cause of little concern if there were employment opportunities in the non-agricultural sector adequate to absorb the growing labour force emerging from demographic pressure and withdrawal of labour forces from agriculture. It has been observed that at low levels of economic development countries experience high level of fertility and mortality. With the process of development these countries pass through a stage of low mortality and high fertility to low mortality and low fertility. This process, theorised as the demographic transition, has been increasingly attacked for not being adequately supported by the historical evidence of population growth around the world. Demographic data in the development experience of the South Asian countries substantiate the theory. At a very low level of development Bangladesh has crossed the high birth rate and high death rate stage of demographic transition. Waugh (1987), however, brackets Bangladesh with Ethiopia in the first phase of demographic transition. The spread of education, control of infectious diseases, and other public health activities continue to reduce the rate of mortality, but poverty-related problems make fertility raising factors stronger than fertility depressing factors. Population growth in the 18th and 19th centuries was only nominal. . Population pressure has absorbed agricultural production and had several other knock-on effects (Ahmed 1984):

- Population grew rapidly in spite of a declining trend in per capita output.
- The ability of a land-poor country like Bangladesh to counteract over population and the stagnation of income was limited under steady population growth.
- Although population pressure induced peasants to overcome technological and physical constraints, it simultaneously intensified the forces responsible for stimulating institutional constraints.
- It adversely affected the rural land and credit market.

Density of population per square kilometre grew from 205 in 1901, to 293 in 1951, and 760 in 1991 (calculated from BBS 1992). World Bank's projection of Bangladesh population suggests that the number will soar up to 170 million in 2025, which will raise the density to 1,181 persons per sq. km. Net cropped area in 1971-72 was 8.2 million hectares allowing 0.11 hectare of land per person for cultivation. The possibility of expansion of net cropped area is minimal. During 1974-91 the cropped area of the country reduced by 0.32 million hectares, causing an annual decline by 0.23 per cent of total cropped area. Per capita cropped area stands at 0.07 hectare in 1990-91. Given a per annum decline by 0.23 per cent of the net cropped area, it is estimated that by 2025 the net cropped area of land would be reduced to 7.5 million hectares. With the projected population of 170 million, per capita availability of cropping land would be no more than 0.04 hectare which may severely affect the survival pattern of the rural agricultural population. Over the last 50 years, intervention in the natural reserve has reduced 60 per cent of the forest cover, and barely 10 per cent of the area of the country is presently covered under forest. The population growth during 1965-80 was higher than the agricultural growth, during 1980-90 agricultural growth marginally surpassed the growth of population. In a situation like Bangladesh the growing population is both a cause and consequence of poverty. However, the scenario is not all gloomy. Rural people have adjusted demographically through out-migration, wider participation in economic activities and acceptance of contraceptive devices.

Khan (1976) examined the incidence of rural poverty during 1963/64 to 1975. He considered an intake of up to 1,935 kcal (90 per cent of the recommended 2,150 kcal) to describe absolute poverty, and 1,740 kcal (80 per cent) as the threshold of extreme poverty. His findings are shown in the following Table:

TABLE Percentage Incidence of Rural Poverty in Bangladesh 1963/64 to 1975

Year	Absolute Poverty		Extreme Poverty	
	Households	Population	Households	Population
1963-64	51.7	40.2	9.8	5.2
1968-69	84.1	76.0	34.6	25.1
1975	70.3	61.8	50.5	41.0

Source: Khan (1976: 15)

Poverty line is a condition of life characterised by malnutrition, illiteracy and disease, which drags down life beneath any "reasonable definition of human decency" (World Bank 1980: 32). In Osmani (1990) the thresholds of moderate and extreme poverty for rural Bangladesh are 2,122 and 1,800 kcal respectively. Osmani suggests a decline in moderate poverty, and rise in extreme poverty. The Households Expenditure Surveys conducted by Bangladesh Bureau of Statistics (BBS) show a rise in rural poverty during 1973-82 and decline thereafter. Based on

2122 calories intake per day per person BBS shows the following account of population bellow the poverty line

Bangladesh : Population Below Poverty Line 1973-89(Below 2122 Calories Per Day)

	1973-74	1981-82	1983-84	1985-86	1988-89
Per cent of Population					
Rural	83	74	57	51	44
urban	81	66	66	56	44
National	82	73	58	52	47
Number of People (in million)					
Rural	57.4	60.9	47.0	44.2	40.5
Urban	5.6	6.4	7.1	7	10.8
National	63.0	67.3	54.1	51.1	51.3

Source : Bangladesh Bureau of Statistics. Report of the Bangladesh Household Expenditure Survey of 1981-82, 1983-84, 1988-89.

Bangladesh Bureau of Statistics (BBS) has estimated of the percentage of people who cannot afford even 1805 calories per capita per day and termed them as belonging to "Hard-core Poverty"

TABLE Hard-core Poor
Poor as per centage of total population

	Rural	Urban
1973-74	44.3	28.6
1981-82	52.2	30.7
1983-84	38.0	35.0
1985-86	22.0	19.0
1988-89	29.5	20.5

Source: ibid.

The above table indicates that the hard-core rural poor as percentage of total population is always more than the urban poor for all the period from 1973-74 to1988-89. The number of rural hard-core poor increases to 52.2% in 1981-82 from

44.3% from 1973-74 and again decreased to 38% in 1983-84, declined further to 22% in 1985-86 in the rural areas. The above scenario is indicative of the severity of the poverty situation in Bangladesh that has prompted government as well as large number of NGOs to adopt steps and programmes aiming at the alleviation of poverty, it is unclear as to the extent of credit to be shared by NGOs and government because of paucity of intensive study and research in this regard in Bangladesh.

The BBS calculation of absolute poverty (below 2,200 kcal) and hard-core poverty (below 1,800 kcal) shows that percentage of population in absolute poverty reduced from 74 in 1981-82 to 48 in 1988-89. and hard-core poverty declined from 47 per cent to 29 per cent. Investigations of rural poverty in the late 1980s (Rahman et al 1988), however, overturn the BBS's claim of massive reduction in rural poverty, while agreeing on a moderate decline in rural poverty with a slow but steady rise in the rural income. Increase in poverty situation during recent years may also be substantiated by the increase in per capita food intake in rural areas. Chowdhury (1995) shows that per capita food intake in rural areas increased from 764.5 gm/person/day in 1981-82 to 810.7 gm/person/day in 1990-1991. FAO (1991) also suggests that per capita per day food intake has increased from 1963 kcal in 1969-71 to 2037 kcal in 1988-90. The rise in income levels in rural areas has been attributed to the growth of non-farm sector and a significant increase in the number of wage earning and self-employed women. Despite positive changes in the poverty profile, contemporary researches have not yet evidenced that it has improved the tenure situation. A poverty survey in 62 villages in the late 1980s conducted by the BIDS shows that 78.3 per cent of landless families, constituting 44 per cent of the total rural poor were in absolute poverty (Hossain and Sen 1992). Since the 1950s, various efforts, including attempted land reform, were made to reduce the margin of inequality and poverty, but failed to reverse the trend of growing poverty, income inequality, unemployment and landlessness. The ILO's analysis (1977), based on the findings of the Master Survey of Agriculture of 1968 shows that landless labourers consume 22 per cent less calories than the large land holders, although their requirement should be at least 40 per cent higher than this non-labouring class. The intensity of rural poverty and degree of inequality should be much higher than it is suggested in several micro-level studies, as most of them are based on the analysis of exchange income (Alauddin and Tisdell 1991). Exchange income is primarily the monetized wage income conditioned by the existing market forces, while non-exchange income is obtained in the form of fruit, fodder, vegetables, firewood, game birds, building materials and several other essentials from natural environment. The powerful rural elites control the natural assets reserve, and restrict poor peoples' access to non-exchange income (ibid.).

Contrary to the Malthusian proposition a paradigm has evolved suggesting that population growth and expansion of the labour force provide positive stimuli to economic growth. The positive impacts of a growing labour force include:

- Extension of cultivated area.
- Intensification of cropping.
- Further application of labour input per unit of land.
- Increasing acceptance of technology.

It is suggested that the larger labour force contributes significantly to increasing demand and capital formation. These assumptions do not properly fit the Bangladesh situation, where the sluggish growth in the economy did not create an environment to absorb and gainfully employ the surplus labour forces in productive activities (Ahmed 1985).

The concept of under-employment addresses a number of concepts like labour force, manpower, working force, activity rate, rate of participation and others. The ILO suggests that an adequate level of employment must be defined in terms of its capacity to provide minimum living standards to the population (Dandekar and Rath 1971). The measurement of employed labour force differ due to conceptual variation and application of different measurement criteria, namely surplus labour approach, productivity approach, recognition approach, income approach, income-time combination approach and others. These approaches suffer from various inadequacies as they do not take the structure of the labour market into account (Rahman 1978). The following is an attempt to suggest the magnitude of rural unemployment, drawing data from different studies for the period 1960-74. In the 1950s Agricultural unemployment in East Pakistan (Bangladesh) was 31.3 per cent, which constituted 93.2 per cent of total unemployment in 1950. In 1960 unemployment in agriculture rose to 39.5 per cent or 97.1 per cent of total unemployment, falling to 32.4 per cent in agriculture (96.9 per cent of total unemployment) in 1970 (BBS 1975).

The United Nations (1976) maintain that high rates of population growth far exceeding the economic growth in developing countries has resulted in increased rural unemployment, and the accompanying unsuitable agrarian and institutional structures have aggravated the problems. Whether the rapidly growing population in a labour surplus economy would be a positive or a negative stimulant depends upon the ability of the economic system to absorb or productively employ the added work-force (Todaro 1994) Since the 1950s increases in the rural labour force far outpaced the growth of employment opportunities. The agricultural sector failed to provide productive employment to the increasing labour force, while the industrial sector absorbed only an insignificant portion of the surplus labour.

It is estimated that during 1973-85 the labour force increased at an average rate of 2.7 per cent per year, slightly faster than the population growth. The Labour Force Surveys conducted by BBS during 1984/85-89 show that the civilian labour force has increased from 29.5 million in 1984-85, to 30.9 million in 1985-86 and 50.7 million in 1989. The rapid rise in the size of the labour force during 1986/86-1989 has been attributed to a conceptual change in the definition of economic activities, with household activities (like poultry rearing, kitchen gardening, paddy threshing, food processing and others) overwhelmingly performed by the women recognised and included in the survey (BBS 1992). However, the extent of unemployment is such that the public sector interventions through works programmes and other rural employment schemes could not absorb more than 3 per cent of the rural work-force (Ghayur 1990). Agricultural labour has declined from 78 per cent in 1974 to 57 per cent in 1986. The real wage in agriculture has also declined. The low rate of agricultural real wage is an important correlate of rural poverty (Islam and Taslim 1996) and agricultural labourers in Bangladesh tend to have high incidence of poverty compared with others in rural poverty (Ravallion 1994). The interventions of the NGOs particularly with small credit have however begun to change the rural poverty profile in Bangladesh.

CHAPTER 3

Development Intervention in Rural Areas

This Chapter illustrates and examines the public sector intervention as well as the credit intervention of the Grameen Bank in attacking rural poverty. It has been observed that four decades of development intervention in Bangladesh did not care for the needs of the rural poor. Although the Five Year Plans contained the rhetoric of poverty alleviation the rural socio-economic structure remains the same. The government sponsored rural development programmes in Bangladesh may be characterised by the following:

- Depended upon the external supply of fund.
- Aimed at legitimising non-democratic governments by distributing undue benefit.
- Operational mechanism excluded the landless from the benefit distribution network.
- Stimulated agricultural growth but retarded equity.
- At the early stages funds were diverted to urban infrastructure development.
- Succeeded as pilot project but failed on replication.
- Failed to mobilise local resources and organise the beneficiaries.
- Failed to expand employment opportunities significantly.
- Succumbed to the control-oriented central bureaucracy.

In the early 1950s, Bangladesh had adopted the community development strategy aiming at regional development, particularly of the rural areas. The programme components included construction of physical infrastructure like roads and buildings, schools and hospitals, and improvement of sanitation and health care facilities. Except for construction of a few bridges and culverts, the bulk share of the development resources was diverted to urban development activities. Although raising productivity was at the top of the agenda, there was minimal emphasis on the agrarian sector and the complex administrative structure was not accessible to the rural people. The programme was expanded in haste without any organisational preparation. The Village-Aid programme, advocated by the United Nations and funded by the United States, sought to promote rural output, raise income, expand employment base and social infrastructure, and develop cooperative spirit among the villagers, but failed to provide the projected solution to the problems of rural poverty and low productivity and was finally abandoned in 1959.

The Comilla Model was an acclaimed rural development model in the sixties. Born and nurtured under the leadership of Akhter Hamid Khan, it assumed that the basic need for agricultural development is the synchronisation of improvement of infrastructure and the introduction of technology-based farming, setting the following goals:

- Peasants, rural workers and artisans should be organised into cooperative working groups to plan and implement productive schemes.
- The process of planning of a development scheme should start at the village level.
- Flow of information, knowledge and skill to be facilitated to the villagers.
- Transparency of financial transactions and services to be ensured.
- Activities of the co-operatives to be integrated with the local administration.

The model had a focus on institution building demanding government commitment and policy regarding rural areas. This pilot programme was initially limited to Kotwali in Comilla, and provided a success story in terms of the increased agricultural yields. The average yield of crops per hectare in the Comilla project area doubled within a decade. Annual growth rate in the project area during this period was 8 per cent, over double the national average. Stevens (1976) suggests that the co-operative members under the programme also increased agricultural yield by 98 per cent while non-members outside the project area promoted yield by 10 per cent only and the co-operative credit component of the programme decreased credit burden of the members. Family planning in rural areas and the expansion of rural education made headway through this approach. It was, however, found that 20 per cent of the rural landpoor families owning less than 0.4 hectare of land, and another 19 per cent representing the landless wage labourers, did not get access to this programme. Despite its success in raising productivity, it contributed little to the landless and the marginal farmers. As for the rural landless and assetless people the Green Revolution technology did not provide any comfort. By the 1980s the real income of the rural poor declined significantly. An important focus of the project was to demonstrate the ability of co-operatives organisations in the rural areas. The Comilla experiment shows that none of these causes was programmed and directed by the ordinary members but by the elite. Akhter Hamid Khan, the architect of the Comilla approach, perceived that the large proprietors, (about 10 per cent of the households in the programme area) were too powerful to be excluded from the co-operatives. In the first decade of operation it was estimated that 85 per cent of the below 0.4 hectare farm households were outside the co-operative network. The co-operatives were soon taken over by the large and middle farmers who exerted control over all the rural institutions and allocated a large share of credit to themselves and finally defaulted. Blair (1974) suggests that there was some combination of take over and subversion at the local level by the village elite, while sabotage at the national level by the elite-bureaucrats failed the programme. An increase in agricultural productivity and a decline in agricultural real wages occurred simultaneously, increasing inequality, concentrating income and stimulating landlessness. Large farmers received credit at a subsidised rate, and lent it again to the relatively poor co-operative members and non-members on usurious terms. It is rightly assumed that all of the co-operatives and local councils were captured by locally dominant classes who controlled irrigation, enjoyed easy access to credit and inputs, and invested credit in re-lending.. Khan (1988) draws a lesson from the Comilla experience that once the large landholders are allowed to enter into the co-operatives, it would be impossible to prevent them from dominating the institutions. The failures of the approach in its structural weakness, limiting mass participation and inviting counter-productive forces which grew out of the tenancy relationship.

The First Five Year Plan (1973-78) underlined growth, based on HYV, expansion of rural works programme, increase productive employment and gradual withdrawal of subsidies, but there was no programme except the IRDP at the field level for the rural agricultural class. The Comilla type of cooperatives expanded all over the country during the 1970s under the IRDP, which sought to provide administrative support and physical facilities so that the two-tier cooperatives could become self-managed, self-financed and autonomous institutions. With two principal objectives, namely liberating the small farmers from the exploitation of the large landholders and money-lenders, and increasing production Agricultural Co-operative Societies were projected as the right organisation for the small farmers to gain access to institutionalised credit, inputs and technology. These societies, federated at the sub-districts with the Thana Central Co-operative Association, but found the affluent section of rural population controlling the co-operatives. Their dominance resulted in the repetition of the Comilla experience i.e. the exclusion of marginal farmers from the organisational decision making, uneven distribution of credit and inputs, and greater control over the small and marginal peasants.

The Rural Public Works Programme, a basic component of the Comilla experiment, continued under the IRDP and later emerged as an independent programme. In the 1970s the Food for Works Programme was joined to the food-aided rural works programme. The PL 480 generated employment for about one million persons per year in the 1960s, but the subsequent reduction in the flow of aid reduced employment opportunities. Rural Works Programme provided the Basic Democracy (a local government and electoral college innovated by the military ruler Ayub) a development-oriented institutional character. The replication of the Comilla Model through the IRDP did not produce a success story due to increased bureaucratic control and dependence on the traditional method of cultivation. General Zia assumed the presidency in the mid 1970s after a series of coups and counter-coups. He introduced the *Swanirvar Gram Sarkar* (SGS), the Self Reliant Village Government, with the goal of extending his power base to the countryside. 68,000 SGSs were designed by the end of 1980 for the villages of Bangladesh, with one *Gram Prodhan* and eleven members representing people of different functional and interest groups. The SGS was projected as a replica of the national government and the members were given the coveted title of ministers for sectoral departments. The Second Five Year Plan (SYFP) launched in July 1980 envisaged SGS as the linchpin of hopes at the local level, but did not attempt to establish effective institutional linkages between SGS and other administrative hierarchies in the government. A study of the SGS in three districts, found that participation in the new organisation was lowest among the landless and landpoor groups, and wider among the medium and large landholders. Among the *Gram Prodhan* 60 per cent belonged to large land-holding category. It was also revealed that those who represented the landless were either engaged in service or trading or were sons of large landholders, who were yet to inherit properties. Although the SGS was a national programme and enjoyed the blessing of the government, it failed to attract the masses. Another study by Khuda (1988), covering 26 villages in Comilla, suggests that only a handful of persons identified with the dominant social groups, were controlling the SGSs. After Zia General Ershad floated a three-tier *Upazila Porishad* and promised the rule of a representative local government, but the elections were boycotted by major political parties. General Ershad, however, managed to build a political platform with the patronage of the officials at the sub-districts. *Upazila Porishads* were also empowered to mobilise its own resources by levying taxes, tolls and fees on services and economic activities within its area, while land revenue income was retained by the central government. On the face of a massive political upsurge the General was ousted from power. The next government, determined to wipe out the innovations of the previous regime, abolished *Upazila Porishad* and established bureaucratic control at the sub-district level.

Local government institutions under all regimes served to legitimise and extend the bureaucratic power and authority. The Basic Democracy, *SGS* and *Upazila Porishad* provided support base to three military regimes: General Ayub (1959-69), General Zia (1976-81) and General Ershad (1982-90). Several other programmes were undertaken during the last three decades which failed because of extreme dependence on the traditional institutions and over bureaucratisation. Another programme, the Self-reliant Movement, aimed at the optimum utilisation of resources, but its leadership was also taken over by the elites. A study in three so-called self-reliant villages found that the leaders possessed an average of 3.5 hectares of agricultural land in an agrarian situation where ownership of 3.0 hectares of land places one in the category of a large landholder.

With extreme land scarcity and limited scope for agricultural expansion, the equitable distribution of land among 9 million landless rural families does not seem practical. Serving the landless with alternatives would be a more pragmatic approach to address the problems of landlessness and rural poverty. The Grameen Bank is an approach that provides the landless poor with credit, and has been one of the most acclaimed success stories of the 1980s in attacking rural poverty. The study interprets Grameen as a model which serves the landless more effectively than the other programmes.

Professor Mohammad Yunus, while teaching his students economics in the post-independent Bangladesh at the University of Chittagong, came to realise that the brilliant theories of economics he was teaching were of no practical use in reducing the hunger and starvation of the masses. When the country plunged into famine in 1974, Yunus left the text book of economics and confronted the economy of real life, fraught with hunger, and poverty and indebtedness. He met a landless poor woman, who had the necessary survival skill and was a hard worker, yet could not earn more than 2 cents (US) a day in her desperate effort to survive together with the members of her family. Making bamboo stool could not raise her daily income above 2 cents, because she could not amass a modest working capital of 20 cents to buy raw materials. A village trader lent her a conditional capital, which never allowed her a take-home money of more than 2 cents a day. Yunus assembled 42 persons who had no material resources, no working capital, and were trapped in a vicious circle of debt. He wanted to free them from the money-lenders, and estimated that an initial working capital of US $30 would be required to support their economic activities. He lent that amount to 42 persons representing 42 rural landless families. The immediate solution to their problem was not very difficult, and did not demand rigorous exercise of economic theories, but it was not a sustainable solution to the problem. Yunus assured the borrowers that he was not going to immediately extract his loan from their income, but wanted his money back in time. He attempted to establish a link between a local bank and his clients, but failed on the very legitimate banking grounds that his clients were too poor to provide land or any other valuables as collateral against the monetary value of loan.

Yunus's assumption was that, with access to credit on reasonable terms and conditions, the rural poor would be able to generate income and employment. With himself standing as guarantor for any default of payment, finally, he made a bank agree to give him money to lend to the poor. Within months the assumption was found valid, and Yunus found that lending to the poor without collateral was no riskier than lending to the rich against collateral. While the bankers were yet to be convinced, he went on lending to the poor in greater numbers in larger areas and demonstrated that the system worked. The poor clients did not default, rather showed an excellent sense of banking discipline.

The central bank (Bangladesh Bank) was convinced that the poor might be bankable with Yunus as the manager. With loans from the central bank and other nationalised banks, Yunus spread out similar activities of lending to the poor in five districts. The success of credit recovery was not yet enough to convince the bank officials to open a till in their banks for the poor and assetless people. Finally, he decided to establish a bank absolutely for the poor. The Grameen Bank (literally *Grameen* stands for rural), an institution that lends money to the poor without any collateral was established in 1983. By 1996, the Grameen Bank extended its services to 2 million landless families.

Since the 1960s, although the size of institutional credit and area of operation has expanded significantly, it has continued to bypass the landless households. The Grameen envisages credit as a fundamental human right. Yunus advances the proposition that access to credit gives the poor a chance to improve their lives and creates self-employment for both men and women almost instantaneously. The creation of wage employment is not seen as a proven happy road towards the reduction of poverty. The Grameen approach to credit is to make it a weapon, to create entitlement to resources. When macro-economic policies have failed to attack poverty, the Grameen offers a micro-level solution in a credit market infested with the problems of asymmetric information and imperfect enforcement. Though default is a significant aspect of the institutional credit market, Grameen proposed that efficient management would eliminate the risk. Grameen sends the bank workers at the branch level with the duty of the formation of five-member groups of landless people of similar economic standing, who elect their chair and a secretary for one year. All the members become the chair and secretary by rotation as a part of process of learning through experience. After a month of observation under the watchful eyes of the bank workers, if the newly formed group is adjudged compatible to the Grameen discipline, the local branch of the bank advances small loans to two members of the group. The bank sanctions loans to the individuals, but holds the group responsible for any default amongst its members. When the first two members prove that they are creditworthy, two other members become qualified for the amount of the first loan. The chair is the last member to receive a loan after the second set of borrowers is proved credible and disciplined.

Five to eight groups in the neighbourhood arrange a weekly meeting in a place called 'centre', with an elected centre-chief and a deputy centre-chief from among the members. The local branch of the Grameen reaches the centre on the meeting day, realises repayable credit instalments and disburses the subsequent credits. The centre-chief ensures overall discipline according to the laws and by-laws of the Grameen, including attendance of members and repayment of weekly instalments. The credit is advanced without collateral, since the individual, group and bank workers create a collective social collateral which replaces the material collateral. The group fund is operated by members of the group, and the process essentially infuses in them the technique and spirit of collective management of finances. Transparency in credit transaction is a prominent feature of the Grameen operation and an instrument behind its success. All transactions are made in an open meeting at the centre. Everything from investment to marketing is discussed in the meeting, and all decisions are taken by consensus. The Grameen thrusts its ownership to the members. Each member has to purchase a share of Tk 100 which makes him feel that the Grameen is his own institution.

Conventional wisdom focuses on poor peoples' ignorance, vices, incapacity, apathy, lethargy and irrationality in the management of economic problems, which fill the notebooks of the rural development researchers. The Grameen discards such pessimistic wisdom and views the rural poor as the engine of growth. The Grameen loan helped poor rural women to break the gender barrier and thrust them into a market which absorbed their products and labour. Access to markets as producers as well as labourers gave them access to cash income, lessening their dependence on men, enhancing their economic values, increasing their bargaining power within and outside the households.

In three economic sectors, namely trade, cottage industry and livestock, women earned 37 per cent higher income than the male borrowers. Female clients spent more on education, housing and health than their male counterparts. They were more methodical and responsive to the banking discipline and demonstrated higher productivity per unit of loan, higher savings, and were prompter in reinvesting their surplus in productive activities. It is income of the women that brings them dignity, makes them aware of their needs and rights, enlarges their choices and frees them from the traditional male dominance. All the Grameen members, being landless were found to be desperate to find an alternative livelihood, enterprising, mobile, and receptive to new ideas and technology. They are free from the traditional life-style of the landowning peasants, who sustain a conservative and fatalistic attitude towards life. Access to resources initiates change in the socio-economic life of the poor and landless. But the intensity of mobilisation and the extent of change depend on the nature of the institution.

CHAPTER 4

PKSF and Partner Organisations

The success of Grameen Bank shows the way to and need for greater investment in the rural credit sector. It became evident that small NGOs needed financial support to continue or expand their credit based programmes. While talking to some NGO activists related to this study it became evident that a secure flow of fund was essential to keep many ongoing poverty programmes alive. Palli Karma-Sahayak Foundation (PKSF) was set up by the government in May 1990 as a non-profit organization for alleviation of poverty by undertaking nation-wide programmes, mainly through channelling collateral free credit to the potential NGO to carry out their micro-credit operations for the poor, landless and assetless people. The PKSF grew in a crucial time when external funding for many small NGOs either shrank or stopped. It was established for helping the poor, the landless and assetless in order to enable them to gain access to resources for undertaking self-employment and for enhancing the quality of their life. The PKSF objectives are as below:

⇒ Provide assistance for generating income and/or employment opportunities for the landless and the assetless for alleviating poverty.

⇒ Support, promote, develop and identify employment opportunities for the poor and to provide them with functional credit.

⇒ Help strengthen institutional capacity of the partner organizations (POs) for improving their efforts by providing access to resources for the poor.

⇒ Support, promote and sponsor innovative programmes and projects for creating awareness for the improvement in the quality of life of the poor.

⇒ Promote and stimulate innovative ideas and methods with particular emphasis on new technologies and ideas for employment creation and productive activities for poverty alleviation.

⇒ Initiate, undertake and promote research activities directed toward poverty alleviation and employment generation.

⇒ Set up an effective management information system (MIS) for regular and proper monitoring and evaluation of the poverty alleviation activities of the Partner Organizations supported by the Foundation.

⇒ Establish and maintain contact and collaboration with POs, other institutions, bodies and societies home and abroad.

⇒ Undertake, sponsor support educational, social, commercial, agricultural or industrial activities in line with the objectives of PKSF.

The PKSF General Body is formed with 15 members, 8 of them belonging to government agencies, voluntary organizations or private individuals renowned in the field of poverty alleviation activities. The remaining 7 members are persons representing the Partner Organisations (POs). The Governing Body, under the general control and supervision the General Body, pursues and carries out the objectives of the Foundation. The Governing Body is responsible for the management and administration of PKSF. It is an effective body in determining the direction and ascertaining the scope of the PKSF activities.

PKSF has three broad programmes, viz.,

- Credit programme
- Training and organizational development programme
- Research

Credit Programme : The credit programme of PKSF is run not directly by the Foundation but through the Partner Organizations at field level. The characteristic features of the loan programmes undertaken by POs are as follows:

- Those residing in rural areas and owning less than 50 decimal of arable land or whose total asset is not more than the value of one acre of land are considered to be landless.
- They are to be organized in groups of no less than five members.
- Group members needed to be the residents of the same village.
- Groups to be formed with like-minded people from the same economic standing

The special features of PKSF's Credit programme are :

- The Foundation charges service charge of 3% to 5% from POs (depending on the amount of loan taken) and POs charge interest rate from their beneficiaries depending on the field level realities of the POs.
- Loan received by the POs from PkSF are repayable within a period of 3 Years. The first six-month is a grace period, while loans are required to be repaid on quarterly instalments along with service charge within the rest 30 months.
- The repayment period to the POs is one year.

Foundation is presently disbursing credit through POs in rural off-farm activities, like rice husking, nursery, cane work, beef fattening, poultry, duck, milk cows various types of small trades, purchase of rickshaws, vans etc. PKSF funds 135 Partner Organisations (POs) which cover 53 districts out of total 64 districts of the country.

The Foundation extended credit support to 5,46,479 borrowers as of December 1996 and 90.76 per cent are female borrowers. The Table below shows the break-down of borrowers between male and female loanees.

Table : Number of borrowers of PKSF as of December 1996

Gender	Number	Percentage
Male	50,690	9.28%
Female	4,95,789	90.72%
Total	5,46,479	100%

Source: PKSF (1996)

There is huge potential of non-government initiatives for expanding rural credit programme. The strength of the local and small NGOs are as follows :

⇒ Local NGOs have already proved their capability in organizing target population at the grass-root level.

⇒ NGOs being based at the local areas and formed on local initiatives, they are found to be adaptive to local conditions.

⇒ Many NGOs have proved their capacity in handling rural credit programmes.

⇒ NGOs have capable manpower and organizational structure.

⇒ Small NGOs have relatively low administrative expenses.

⇒ These organizations can profitably operate at a lower interest rate.

⇒ They can quickly disburse loans to beneficiaries at their door steps.

⇒ Recovery rate of the disbursed credit is surprisingly high in some cases.

The Foundation through it learning by doing action found the following:

⇒ When properly organized, the rural poor can be transformed into active economic agents for creation of wealth.

⇒ Women members of the poor families are comparatively more concerned and are capable agents for raising family economy.

⇒ With guidance and required financial support local initiatives can be transformed into a major tool in attacking poverty. We have studied a few Partner Organizations of PKSF. Activities of some POs are elaborated below:

Thengamara Mohila Sabuj Sangha (TMSS)

Thengamara Mohila Sabuj Sangha (TMSS) was initially a male organisation. Since 1985 it has been working with women. TMSS aims at promoting socio-economic condition of the neglected rural women. The set objectives of TMSS include the following:

⇒ Create awareness among the rural women, and remove their illiteracy by imparting functional education and human development training.

⇒ Make rural disadvantaged women financially self-reliant.

⇒ Increase the equity between men and women.

⇒ Organise against oppression and exploitation of women.

⇒ Improve the health status of women providing them greater access to health services.

⇒ Utilise the unused local resource potentials.

⇒ Increase forest coverage by plantation.

⇒ Co-ordinate and take part in the government and Non-Government initiatives, and

⇒ Develop human resources by imparting skill development training.

Organization of TMSS

General Committee is the highest body of TMSS. The General Committee has a total of 1240 female members. TMSS has a 20 member Executive Committee elected by the General committee for a period of 3 years. It performs all responsibilities on behalf of the General Committee. The Executive Committee consists of the following members:

Chairman	(1)
Vice- Chairman	(1)
Secretary	(1)
Asst. Secretary	(1)
Treasurer	(1)
Member	(16)

TMSS has a good number of staff and volunteers. The project officials are responsible for the implementation of field activities of TMSS. It runs credit activities of different types from its very inception. When the TMSS personnel were not aware of the credit system, Palli Karma Sahayak Foundation, took up TMSS as a partner organization. Unskilled personnel of TMSS became skilled. TMSS has now learnt to run a huge credit programme. The credit comes from PKSF loan found, group savings and some other donors grant. It has special emphasis on empowerment of women. Women in TMSS have free access to any planning level meeting.

Poverty Alleviation: TMSS is working for poverty alleviation by providing the poor members' access to credit since 1987. It now involves total loan of 70 million Taka (about 1.75 million US dollars) disbursed to 36,000 clients. It plans to expand the programme to cover 72,000 clients, within the TMSS geographical area. It has Para groups to approve the credit amounts and the groups take responsibility for ensuring repayments. The credit programme is the core of TMSS's income generation activities. The training given by TMSS is to provide skills for income generation using credit. The weekly meetings for saving and repayments also serve as problem solving and awareness raising sessions. Credit can be given to women as representatives of their families, or to groups undertaking a co-operative venture, such as establishing a fish pond. A first loan is normally no more than Tk 500 and the maximum individual loan given is Tk 8000.

Over twenty thousand families have now accepted contraceptive advice and TMSS was awarded the Prime Minister's National Population Award in 1992. Other services include pre-and post-natal care, growth card monitoring, training in nutrition and sanitary practices and distribution of vitamin A capsules to prevent blindness. Prevention and cure of diarrhoea diseases is a major component of TMSS 's health programme, including preparation and distribution of oral re-hydration solution (ORS). When funds permit TMSS hopes to improve and extend these services and establish a clinic at Headquarters. Poor women get access to income by working for TMSS on the manufacture of concrete latrine slabs and rings in four production areas. The average number of rings required is five and a slab is sold to beneficiaries for Tk 425 (about 10 US dollars). Bamboo rather than iron is used for reinforcement in order to keep the cost down. TMSS has built 200 houses for homeless people, on land leased from the government. TMSS has always provided relief and rehabilitation services in emergencies, but they have now prepared a comprehensive disaster contingency plan, including standardized assessment procedures, pre-identification of staff, shelters and food distribution centres, and arrangement for mobile medical camps.

Organization for Rural Advancement (ORA), Kishoregong

Organization for Rural Advancement (ORA) emerged as a service oriented NGO in 1988 under the leadership of a local organizer named Mazharul Islam. It is registered with the department of social services since 1991 and with NGO affair Bureau since 1994. Like many other small NGOs, ORA aims at uplifting the socio-economic condition of the rural poor and destitute. ORA 's objectives include the following:

- Organize landless/asstless rural people and creation of group fund.
- Creation of additional income and employment through credit programmes.
- Reduction of social inequality.
- Improve environment and public health.
- Raise the dignity of women in society.

ORA activities include the following:

- Formation of group and develop funds on savings.
- Adult literacy programme
- Revolving loan fund programme
- Safe water and sanitation
- Training
- Democratisation and educating voters
- Afforestation

By 1996 total number of groups stand at 3119 of which 3104 are female group and their accumulated saving amounted to Tk. 9,72,020. ORA's credit programmes cover the following areas :

- Rearing livestock and cow fattening
- Husking

- Fishing
- Petty trading and handicrafts
- Vegetable gardening
- Rikshaw projects

ORA has received Taka 86.5 lack from Palli Karma Sahayak Foundation (PKSF) to conduct its rural credit program. According repayment schedule ORA has refunded Tk. 37.9 lakh as principal and Tk. 285975 as service charge. ORA-PKSF assistance enables operating a significant credit programme at Karimgonj thana of Kishorgonj district through three branch offices. Organisation information of ORA has given below :

TABLE: Organization Information of PKSF

Name of District	Name of Thana	Total Samities		Total members		Current Loanes	
		Male	Female	Male	Female	Male	Female
Kishorgonj	Karimgonj	3	176	35	2425	8	2345

Now the operational area is extended to over 75 villages in 15 unions. The eligible members for loan are primarily selected by the group members in weekly meetings by a resolution. The branch managers responsibility is to examine the accuracy of the loan proposal and effectiveness of the loan. This loan proposal is approved by the Executive Director. After 6 months of regular saving a member becomes eligible for loan. It was observed that credit operation of this NGO was not methodical but with PKSF intervention it has improved significantly. Bank transactions statement of ORA shows following :

TABLE Bank Transactions Statement (23.4.97)

To be deposited	Actual deposit	To be withdrawn	Actual withdrawal
1,04,59,697/-	1,05,00,150/-	1,05,23,711/-	1,05,64,164/-

Palli Pragati Sahayak Samity

Palli Progoti Sahayak Samity (PPSS) was formed in 1980 at the initiative of Akbar Kabir in three villages of Faridur to address the problems of rural poor. The initial funding of PPSS came from NOVIB while Palli Karma Sahayak Foundation recognized and came forward to its help lately. PPSS clients are the rural poor with inadequate food clothe and shelter having either no and or less than 0.50 acre of land. The specific objectives of PPSS are as follows :

- Group formation and increase awareness and initiate self employment.
- Provide sustainable support services to the group members in acquiring job skill
- Provide functional education for the adults.
- Ensure basic education for the children (6-14 years).
- Improve health and sanitation by providing tube-well, water sealed latrine and provide access to EPI facilities.
- Assist groups in receiving loans for income generating activities

Growth of member and societies during 1990- 1997 is shown below :

TABLE: Number of Members and Societies from 1990 to 1997.

Year	Numbers Members			Number of Societies		
	Male	Female	Total	Male	Female	Total
1990	3,394	3,462	6,856	112	124	236
1991	3,847	7,310	11,157	137	241	378
1995	9,2191	8111	10302	87	363	450
1996	1502	8311	9813	72	365	437
1997	1187	8990	10171	67	437	504

Basic School Programme

The PPSS started Basic School Programme for the children of group members in 1982. The main purpose of the Basic School Programme was to help the children of the poorest group to enrol in the primary education and thereby give them the opportunities to be educated and help them to be independent citizen. The schools were established specially for children of the group members but there is no bar for admission of the children from non-member families.

Income Generating Activities

A roof tile factory was set up in 1981 with a loan of Tk. 12,000 from Bangladesh Small and Cottage Industries Corporation (BSCIC). A group of potters who had skill in this trade was organised around this factory. Initially the tile factory had a good local market for its products and was profitable. From 1986 the demand for tiles started decreasing and in 1989 the factory was closed for the first time. Restarting in 1990 it was finally closed in 1993 due to lack of adequate number of buyers. A coil and nylon product scheme was set up with funds from NOVIB and training from BSCIC in 1986. After the first few years this also became unprofitable and has been abandoned in 1994. A mini garment factory has been set up in 1993. This is used mostly for training and it is yet to run on commercial basis. A fishery project started in 1993 in a 2 kilometre long water body leased for 5 years from the Government. PPSS is expecting high returns from it. A forestry project was undertaken in 1993 by purchasing 3.10 acres land in Gerda Union. Six thousand seedlings were planted in the project area. It is expected that after 10 to 15 years there will be a remarkable income from this activity.

PPSS initiated a credit programme in 1985 with an interest free loan of Taka 163,000 from an NGO. PPSS teamed up with Palli Karma Shahayak Foundation (PKSF) in the early nineties and received a loan of Taka 11200,000 in a number of instalments. By June 1997 the amount received from PKSF stood at Tk. 29700,000. PPSS is providing loan to its members from the PKSF fund at an interest rate of 15 per cent. Members are to repay this loan with interest in 50 equal instalments.

Transaction with PKSF as on June 1997

Received from PKSF	Tk.2,97,00,000/-
Repaid to PKSF	1,50,50,000/-
Service charge paid to PKSF	11,62,500/-
Loan disbursed to members	9,91,88,200/-
Loan recovered from members	8,10,92,680/-
Loan outstanding to members	1,80,95,520/-
Service charge received from members	1,20,75,517/-
Number of loans disbursed	2,17,118/-

Source: PPSS (1997)

PPSS borrows funds from PKSF at 3% and lends to its members at 15%. However, because of the method of calculating interest the effective rate is around 20%. No additional interest is recovered for late payments. Whether Grameen Bank and BRAC's credit programme is self sustaining is still a debated issue. Normally all micro credit programs show good results in the initial years. But on wider replication the result is not often the same.

Shomeshpur Landless Society: It is small society formed in 1989 under the leadership of Jalaluddin. There is a great prevalence of sharecropping in this area. The landless people has to rely on sharecropping and the produce share in favour of the sharecropper was never more than a half. In addition there were many other socio-economic exploitation. When the society was formed and landless sharecroppers organised they demanded two thirds of the produce and thus incurred displeasure and anger of the landowners, the sharecroppers also organised people outside their society. A violent confrontation with the landowners became imminent, on measuring the strength of the members of the society, the landowners became concerned. PPSS came forward to negotiate between the society and the landowners. Finally the they agreed to their demanded of two-thirds of the produce with the successful negotiation of PPSS a violent encounter could be avoided and higher share of benefit was established in favour of the landless.

Udayan Mahila Society: Gururani Mondol is a widow with four daughters and two sons. She had a scanty income too inadequate to subsist with al the members of the family. Two of the daughters were already marriageable. But her poverty on the one hand and growing demand for dower on the other proved to fatal enemies. Gururani took the job of a maidservant. Her two grown up daughters faced the trauma of being attacked by the local influential persons. The mother tackled this humiliation. Meanwhile the society was formed under the guidance and assistance of PPSS. Gururani joined the society and found it not only as a platform to reduce her poverty but also to fight the local touts and other vested interests. The small credit provided by PPSS generated some income to ensure a subsistence on the one hand and a small savings to invest on the other. She married off her eldest daughter with her small savings, but for the second daughter the society stood by her asking her not to yield to any demand of dower. The members of the society arranged for her daughter a bridegroom and shared expenses of the ceremony. Her second daughter Rekharani is also a member of the society. After becoming a member PPSS gave her the functional education essential for day to day business of the society. She has assumed the office of the treasurer of the society. PPSS provided her credit for purchasing a milch cow. She utilised the second loan in the business of fruits. She invested her third loan in purchasing another cow. Her homestead land is intensively utilized for vegetable cultivation. She has meanwhile purchased 0.50 acre of agricultural land. The society took care of the two other daughters of Guru Rani. Rekharani's husband appeared to be highly enterprising although initially he was unemployed. With the profits of his business he has recently purchased a shallow tubewell. Credit of PPSS has thus changed the economic profile of a destitute family.

Sagorika Samaj Unnyan Sangstha (SSUS)

SSUS was established in 1985 under the leadership of a local social worker, Fazlul Haque. After his premature death his younger brother has taken over the leadership to run this people centred organization. SSUS's operational area is spread over 31 mouzas (revenue administration unit) in 6 unions in coastal area of Noakhali. Its total member now stands at 2836 of which 2013 are supported by PKSF fund. About 60 per cent of its membership is extended to women. SSUS works in the following areas:

- Formation of group for the poor and destitute
- Develop their saving habit
- Promote their human capability
- Increase opportunities for income generation
- Contribute to the literacy programme
- Arrange for the supply of pure water and sanitary latrine
- Disaster preparedness and train to cope with disaster
- Social forestry
- Improve public health
- Help establish social justice and reduce male female inequality
- Help distribute government than land rehabilitate the landless

In the late eighties this 350 sq. miles of area was populated by 350000 people with about 95 per cent of them living below the poverty line. SSUS claims that it has contributed significantly to the reduction of people below the poverty line. Because of time and resource constraints study on the population in poverty could not be undertaken. PKSF joined PPUS in the 1990s. Thereafter PPUS was able to provide a sustainable supply of credit to the poor.

Hilful Fuzul Social Welfare Organization

Its a local NGO working in the district of Jhalakathi. The broader objectives of Hilful Fuzul Social Welfare Organisation include the following :

- Render services to the society based on the very basic Islamic teaching of trust, unity, discipline and honesty.
- Provide religion-based teaching and undertake general education programmes by establishing mosques, *maktabs* and *madrashas* and adult literacy centres.
- Assist the members in promoting their socio-economic status by motivating them for savings and investment; and assist the poor in accordance with financing methods as approved in the *shariah.*
- Help the poor with credit called Karje Hasana (credit without interest) provide them group credit as prescribed in the *shariah.*

It also aims at achieving the following:

- Provide house building materials to the homeless
- Establish libraries
- Establish night-schools and adult literacy centres
- Contribute to the reduction of unemployment problem
- Introduce free/low cost health services
- Rehabilitate the destitute and divorced women.

Poverty alleviation programmes of Hilful Fuzul have five components viz. Islamic Savings Projects, Co-operative Programmes, Education Programme, Self-reliance and Income generation and Health Services. We have studied a small sample of 20 families who were identified to be the beneficiaries of PKSF through local NGOs. We have attempted to put value to their assets in the pre-PKSF period and post-PKSF period (during the study in June-August 1997). It was found that all the families considered for the study were functionally landless, owning less than 0.50 acres of land. Actually the brief field research attempted to assess the impact of the PKSF in terms of increase/decrease of family assets. We have monetized their pre and post PKSF assets position at the current market price. The following Table gives a picture of changes in assets position of the studied families:

TABLE Value of Family Assets in the Pre and Post PKSF Period

Assets Value (Taka)	Pre-PKSF (No. of Families)	Post-PKSF (No. of Families)
1000-10,000	9	3
10,001-20,000	7	8
20,001-50,000	4	7
50,001 and above	0	2

Source: Field Study

It appears from the Table above that the number of below Tk 20,000 assets holding families declined from 16 to 11 (31.25 per cent), while the number of families in the above Tk 20,000 category raised from 4 to 9 (125 per cent). Two families stepped into 50,000 and above categories. Although the sample in the study is small it clearly shows that there was a noticeable flight of poor families from smaller assets group to the higher one. the study attributes this shift to the small credit advanced by the POs of PKSF. It also appeared that there was overall improvement in the socio-economic status of the credit recipient families.

CHAPTER 5

Conclusions

Bangladesh has just crossed the high birth rate and high death rate stage of demographic transition. Except for the city states Bangladesh is the most densely populated country in the world. The extremely scarce land resources, wide-spread poverty and growing number of population and uneven land ownership structure have created a counter-productive agrarian situation. Although there was an impressive rise in the aggregate production under the HYV regime during 1965-80, population growth during this period was higher than agricultural growth. In 1980-90 agricultural growth has marginally surpassed the population growth, but this is unlikely to continue with agriculture's contribution to GDP declining from 55 per cent in the 1980 to 32 per cent by 1997. Rural poverty remains the most unresolved problem for the nation. Studies to determine the nature and extent of poverty vary widely due to conceptual differences. In the 1970s more than 80 per cent of the population were said to be living below the poverty line. A slow but steady improvement in the absolute and hard-core poverty has been recorded in the recent years.

The conventional wisdom has been that the Bengal peasants were better off in pre-colonial 'Golden Bengal', a land of prosperity and abundance, but evidence does not substantiate the myth of a prosperous Bengal. Poverty in Bangladesh is an age old phenomenon. Development planners in Bangladesh have equated poverty alleviation and rural development with agricultural development and designed programmes in a way which benefited the land-owning class. The landholders in a country like Bangladesh manifest themselves in trinity (landowner, money-lender and trader), and employ their dominant socio-economic positions to obtain privileged access to inputs and services provided by the state. In practice the landless as a class has virtually no place within the institutional framework of rural development. The Comilla Model of the 1960s was envisaged as an effective rural development approach for the developing countries, but it proved to have had an in-built bias to large and middle land owners who were hostile to the interest of the landless, sharecroppers and marginal farmers. It has, however, succeeded in promoting agricultural growth to a certain degree by absorbing the Green Revolution inputs. The rural landed elites monopolised co-operatives formed under the Comilla model. The model was replicated under the IRDP, which created a nation-wide monopoly of the landed class in agriculture. Without overhauling the machinery, this programme was further expanded as the Bangladesh Rural Development Board, which again developed into a control-oriented huge and centralised and mechanised bureaucracy. Though the BRDB lately targeted assetless people, its administrative rigidity and structural allegiance to power-elites have denied the target population the projected benefit.

In the existing socio-economic and political environment pursuing the massive task of redistribution of assets particularly of land among the landless does not appear feasible. In this context it is logical to ignore the virtue of redistributive solutions, while the study understands that the landless can be better served by micro credit. The Grameen is a big shift from the conventional banking theory and practice. PKSF has come to address the need for fund for the local NGOs. It also aims at reducing the institution of money-lending, creating self-employment, and bringing the disadvantaged within some organisational framework. The empirical study shows that the PKSF beneficiaries were able to bring about noticeable change in economic life. The study maintains that PKSF emerged as saviour for small NGOs when the frequency and volume of external commitment of fund to NGOs were in the decline. Micro credit channelled from the PKSF fund contributed the economy of the target families. The loan utilisation framework and area is almost similar to those of the Grameen Bank. PKSF as a bank for the local NGOs is distinctively a new intervention in the poverty sector.

Policy Suggestions

The study maintains that due to the incapacity of the urban industrial bases to gainfully employ the rural surplus labour, the solution to the problems of rural poverty and unemployment has to be sought primarily within the rural sector. The following suggestions have been made to address the stated problems:

Credit-based suggestions:

- Continue to expand the coverage of PKSF to other rural villages not covered under or poorly covered by other NGOs.
- Avoid channelling fund to big NGOs like Proshika and BRAC.
- Strengthen the PKSF monitoring over the Partner Organizations.

Suggestions beyond credit:

- Disperse industrial bases around the countryside and make provisions to expand non-farm activities.
- Reduce public sector intervention in the rural sector and hand over the government controlled credit programmes to PKSF like institutions.

The study clearly suggests that PKSF was an essential intervention to support small NGOs. It may well be branded as an innovative financial institution serving the needs of local NGOs as well as the poor. The study shows that it has enhanced the value of family assets of the studied families. Yet it is suggested that more of extensive study would be required to measure the economic impact of PKSF intervention in the rural areas. Further study is also needed to examine the sustainability of the NGOs' programmes funded by Palli Karma Shahayak Foundation.

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