

Poverty Alleviation Effort in Bangladesh: Involvement of Selected Banks and NGOs

Munim Kumar Barai*
Md. Liakat Hossain Moral*

Abstract

Reduction of poverty has remained the most important national goal since the independence of Bangladesh. Though it was initially the sole responsibility of the government, banks, FIs and NGOs got themselves involved in the effort beginning from the late 1970s. Now their role has emerged as to be vital in the entire pursuit of poverty alleviation. Available statistics suggest a gradual reduction of poverty in Bangladesh over the years. Evidently, the participation of NGOs in health care, education, micro finance and other welfare activities has generated a kind of dynamism particularly in rural Bangladesh. But we follow a pattern of rise in inequality in the society in the 1980s and in the first part of 1990s. During the period, growth in urban inequality is more prominent than that of the rural area. Two factors might have played an important role in this regard. Along with the poverty alleviation activities of these institutions, an increasing use of modern farming methods may have led to an overall improvement of poverty position in the rural sector. On the other hand, negative fallouts of the globalisation measures might have affected the urban poverty.

INTRODUCTION

Poverty has remained the most vital source of discomfort for the nation. A significant portion of the population in Bangladesh still lives under poverty. A provisional estimate for 2000 indicates that national index of poverty has come down to 44.3 percent out of which 20 percent of the population was hard core poor.

* The authors are Assistant Professor, Leading University, Sylhet and Assistant General Manager, Computer Cell, Bangladesh Krishi Bank, Head Office, Dhaka respectively. They present the paper in their private capacity.

The government efforts to reduce poverty were mostly executed through various ministries and other organs. It involved various banks and development financial institutions (DFIs) under its ownership to fight poverty through providing credit since the 1970s. Credit or more precisely micro-credit is considered to be the first generation financial tool adopted by the banks and financial institutions (FIs) to aid government's effort of poverty alleviation. The institutions that were instrumental to implement government's poverty alleviation programs included Sonali Bank, a nationalized commercial bank (NCB), and Bangladesh Krishi Bank, a DFI, in the public sector.

The acceptance of micro credit as a financial tool to fight poverty was promoted by the success of a model project run by the now famous Grameen Bank. The project was started as a "Grameen Bank Project" at village Jobra in the district of Chittagong in August 1976, though GB itself became operational as an independent financial institution in 1983. Since then, GB has emerged as the leading micro-finance institution (MFI) in the country and has adopted the motto slogan that the "poor are bankable" for its micro credit operations.

The micro-credit concept popularised by Grameen Bank has got wider acceptability and nearly almost all NGOs have their own micro-credit programs in Bangladesh. The Credit Development Forum (CDF) which is a national network of microfinance NGOs gives an estimate that there are about 1200 MF-NGOs operating micro-finance programs along with other development activities in the country. The *CDF Statistics 2001* gives the estimate that upto June 2001, the total active members of the reported 601 NGOs were about 11.06 million. They had total net savings of Tk. 9590.70 million and their cumulative credit disbursement stood at Tk. 143,938.25 million. These were substantial amounts.

Now the question comes – how far has the effort of the various organs of the government and NGOs been able to reduce poverty in the country? Dealing with the BBS data we find that from 1983-84 to 1998-99, national level poverty level declined from 62.6 percent to 44.7 percent. In aggregate terms, people under the poverty line decreased to 55.3 million in 1995-96 from a total of 58.4 million in 1983-84. Based on the direct calorie intake method ((DCI) of poverty measurement, the latest available estimated figures for poverty show that in 2000, 44.3 percent of the total population was below poverty line while 20 percent of them was hard core poor. Other estimates based on cost of basic needs method (CBN) and per capital consumption method also give a reducing trend of poverty in Bangladesh, though the reduction was low and slow. The role of different banks, FIs and NGOs in this regard can not be overlooked.

Meanwhile, the reduction of poverty has been followed by the creation of social inequality in terms of an increase in income of the people. The generation of inequality was more in urban than rural areas. It is to be mentioned that operations of micro credit and other poverty alleviation programs have a rural bias.

The authors of the paper have chosen one NCB viz-Sonali Bank, one financial institutions, viz. Bangladesh Krishi Bank and the Grameen Bank and an NGO, viz. BRAC for the purpose of the study. Individually these four institutions represent four categories of financial bodies. While Sonali bank is the largest nationalized commercial bank, BKB is the largest DFI in the country. GB is, on the other hand, the largest micro-finance institution (MFI), while BRAC is the largest NGO operating in the field of micro finance. Combined they are playing a significant role in helping the poor to fight poverty. The paper concentrates on their involvement in that effort. The authors agree that the data base presented in the paper is spreading over a small period of time.

The study has been divided into five sections including the introductory part. Section two of the study has been devoted to explain the poverty situation in Bangladesh. In this part, poverty related developments in the 1990s have been highlighted. Different banks, FIs and NGOs are involved in the process of poverty alleviation and together they are channelling a huge sum of money in the effort to alleviate poverty through various programs. Some of the recent programs of the banks, FIs and NGOs have been discussed in section three. Section four of the study makes a brief analysis of the development in the rural and urban areas in the context of flow of micro credit. Section five concludes the study.

2. POVERTY SITUATION IN BANGLADESH

Three methods have been employed to describe the prevailing poverty position in Bangladesh. These are – direct calorie intake method (DCI), cost of basic needs method (CBN) and per capital consumption method. All these methods indicate that poverty has decreased significantly in the 1990s.

From table A1 in the Appendix, we find that by head count ratio of poverty, poverty has decreased both in absolute and hardcore measures over the period of 1983-84 to 1999-00. We are aware that poverty line 1 has been drawn to measure the number and percent of population below the absolute poverty line. The line has been drawn based on direct calorie intake (DCI) of per person per day basis. For the measurement, 2122 calorie has been taken for the rural folks while an intake of 2112 calorie for the urban people. On that count, during 1983-84 to

1998-99, national level poverty declined from 62.6 percent to 44.7 percent. In aggregate term, people under the poverty line decreased to 55.3 million in 1995-96 from a total of 58.4 million in 1983-84. Though aggregate figures are not available for 1998-99, the percentage of 44.7 itself is an indicator that the number has declined further. A provisional estimate for 2000 indicates that national index of poverty has come down to 44.3 percent out of which 20 percent of the population were hard core poor (Economic Survey, 2002, p.117). Interestingly, poverty position in rural areas has been declining all the time, but since 1991-92 to 2000 it has increased from 46.7 percent to 52.5 percent in urban areas (See Appendix Table A1). This is a significant rise.

If we consider the hard-core poverty position or poverty line II, we also find that both urban and rural areas made progress in reducing poverty. In the Household Expenditure Survey of 1995-96, a sudden rise of poverty is seen in both lines of measurements, though subsequently the aggregate and percentage figures of poverty declined significantly.

Using a separate method based on cost of basic needs (CBN), the World Bank study also concludes that the incidence of poverty in Bangladesh has declined. Under this method, the costs of a food-bundle providing 2,122 kcal per day per person plus the costs of basic non-food needs are taken into consideration. The method draws the lower and upper lines of poverty keeping lower and upper limit of non-food allowances.

The WB study indicates that the drop in poverty in recent years was larger in urban than rural areas and rural poverty remained much higher than urban poverty as measured with both the lower and upper poverty lines (Appendix Table A2). The finding contradicts the findings of the BBS poverty figures based on the Income and Expenditure Survey, 2000.

Two significant differences - one in poverty trend in the 1990s and other in the comparison of rural-urban poverty position could be observed in the results driven by DCI and CBN methods. (For detail please see WB; 1998, pp.5-7). But the incidences of poverty derived by both methods of measurement have declined.

In the measure of consumption, per capita availability food grains during the period of 1990-91 to 1998-99 could be used to assess movements in the incidence of poverty. As table A3 in the Appendix shows that both per capita private consumption and availability of food grains have increased during the period. The private per capita consumption has consistently increased in real terms during 1991-1999. This indicates a favourable impact on poverty.

3. Involvement of Financial Institutions under Various Poverty Alleviation Programs

Since the 1970s, Banks, DFIs and NGOs under the direction of the government or on their own got involved in the various programs aimed at alleviating poverty. Providing credit has remained at the core of most of the programs. But newer and innovative items have been added to create borrowers sustainability. The additions are supposed to be increasing the effectiveness of the credit schemes. These items are delivered to the poor through their existing network mostly developed for channeling micro-credit and borrowers sustainability.

Thus over the years micro-credit operations of various formal, quasi-formal and informal institutions have evolved into three distinguished patterns. These are:

Credit Alone. This is the first generation approach where micro-credit is the core and critical element for graduating the poor from the poverty level. Most of the government Banking and financial institutions have remained confined to this stage and are offering only credit services to the poor.

Credit Plus. This approach evolved with the understanding that micro-credit alone is narrow in base and fails to address the wider financial needs of the poor (namely, voluntary deposits and other services in addition to credit and compulsory savings). This new form of micro-credit is popularly known as “micro-finance services.” This view encourages the MFIs to transform from foreign grants dependent organizations to large profitable providers of banking services to the poor. This is based on the belief that there remains an enormous demand for micro-credit by a huge number of poor which can only be met on commercial basis (Sarif, 1998). Most of the practitioners of micro-credit in the semi-formal sector started their micro-finance operation with the credit alone approach and soon turned into credit-plus. Grameen Bank, BRAC, ASA, Proshika and all other important NGOs now claim to follow credit plus approach of micro-credit.

Credit with Social Development. But the realization that credit plus might not create borrowers’ sustainability has been contributing to the emergence of a newer approach of micro-credit with associated social development programs. This is a third generation approach yet evolving and will take some time to get a theoretical and operational foundation. This approach blends income generating micro-credit with a host of other programs that contribute to the borrowers’ skill development, health care, basic education, and add awareness creation on various social and human rights issues. The combination of financial support with social development assistance to the

beneficiaries is also supposed to create synergy in addressing poverty. All important micro-credit NGOs and MFIs are diversifying their programs to amalgamate credit support with matching social development agenda. This could be seen from the diversification of their programs and schemes.

Under the operational arrangement of micro-credit, groups are needed to be formed by the bottom-line people to get credit from the MFIs. A single group can have five to ten members or as stipulated by the credit giving NGOs. Each member of the group borrows individually. There is a minimum and maximum limit of the amount of credit that a member can borrow at a time. The credits are free of any collateral but the group's guarantee is required. A credit-group works as the micro-unit in the functioning of micro-credit system of the participatory financial institutions. The group mechanism proved not only an effective model of screening the good from the bad borrowers; it also helped to devise risk-insurance schemes against unanticipated shocks and uncertainties (CPD, 1997, p.175).

The group members can borrow for a wide range of activities that are supposed to help alleviate poverty of the beneficiaries. But diversion of fund is a common practice. The group is jointly held responsible for any lapse of repayment of credit and peer pressure plays a vital role in the operations of micro-credit.

A glimpse on the records makes it evident that during 1970s and 1980s, the government used to implement micro-credit programs through public FIs as a part of its development strategy to address poverty. But the utilization of subsidized funds in the credit programs mostly met failures. However, the 1990s saw an increase in involvement of commercial banks and DFIs in micro-credit programs.

The increased level of involvement of FIs was coincided with the substantial increase of NGOs participation in credit programs all over the country. The CDF Statistics 2001 gives the estimate that as of June 2001 the total active members of the reported 601 NGOs were about 11.06 million. They had total net savings of Tk. 9590.70 million, cumulative credit disbursement of Tk. 143,983.25 million. They had total outstanding borrowers of 8,931,158 and outstanding loan amount was Tk. 23,983.23 million. Average recovery rate has been worked out to be 95.40 percent (unweighted). The rate of service charge on credit has been found varying from 2.50 percent to 20 percent in the float method (CDF, 2001, pp. XIII- XIV).

Table 1.1 also shows that out of the total members of the reported NGOs, about 85 percent of members were female. Interestingly, of the total cumulative disbursement 91.5 percent was disbursed in the rural areas. So in the functioning of micro-credit of NGOs two biases are apparent – their members are mostly women and they are heavily engaged in the rural areas.

Table 1.1 : Micro Finance Program of the NGOs

As of	No of reported NGOs	Active Members ('000)			Net Savings (Tk. in million)	Cumulative Credit Disbursement (Tk. in million)		
		Male	Female	Total		Rural	Urban	Total
June 1996	234	-	-	4989	1808.3			21949.3
June 1997	363	1313	5275	6588	2842.8			35278.6
June 1998	369	1195	5971	7166	4287.8	50954.8	2633.9	53588.8
June 1999	524	1326	7377	8703	5950.9	73078.3	4273.8	77352.1
June 2000	572	1591	8628	10129	8088.4	101559.9	7560.2	109120.1
June 2001	601	1775	9830	11605	9590.7	131781.8	12201.4	143983.2

Source : CDF Statistics, Vol.12, 2001, pp.6.

3.1 Disbursement of Micro-credit by SB, BKB, GB and BRAC

As has been pointed out earlier, most of the poverty alleviation related activities of the public FIs and NGOs were revolving around the micro-credit, the first generation financial tool for attaining the objective. The following discussion give some ideas of the involvement of the selected banks and NGOs in providing micro-credit to the poor.

Table 1.2 shows the amount of micro-credit disbursed by SB, BKB, GB and BRAC during past four years from 1997-98 to 2000-01. Together they disbursed Tk. 34061 million among 6.86 million beneficiaries in FY 2000-01. On an average, as the calculation brings out, each beneficiary received Tk. 4969 in that year. The figures for the previous year stood at Tk. 28067.5 million as disbursed among 6.04 million beneficiaries and Tk. 4648 as average per head credit receipt.

Among the government banks that provide micro-credit, Sonali Bank topped the list. During the FY 2000-01, it disbursed Tk. 3304 million among 0.49 million people in the country. On the other hand, BKB had a disbursement of Tk. 1204 million during that time.

Grameen Bank has been the leading MFI in the country. In 2000-01, GB disbursed about Tk. 16008 million among 2.49 million members all over the country. Among the NGOs, BRAC disbursed Tk. 13546 million among 3.86 million members during the same period.

An analysis of the trend in the disbursement of credit for GB shows that the aggregate amount declined from Tk. 19079 million in 1997-98 to Tk. 14316 in

1999-00 and then rose to Tk. 16008 million in 200-01. The decline was sharp in 1999-00. For BRAC, we see an upward trend in the disbursement during the last three years of our review.

A quick look on the figures of institution-wise average credit disbursed per head shows that BKB maintained the highest amount of per head average disbursement

Table 1.2 : Micro-Credit Disbursed by Selected Banks and NGOs

(Tk. In million)

Banks/NGO	1997-98	1998-99	1999-00	2000-01
Sonali Bank				
Amount Disbursed	2949.3	2554.8	1674.5	3304.3
No. of Beneficiaries	730,000	500,000	186,457	490,815
Average Benefit Per Head	(Tk. 4040)	(Tk. 5110)	(Tk. 8,980)	(Tk. 6,732)
Krishi Bank				
Amount Disbursed	981.0	1444.3	1233.8	1203.6
Beneficiaries	136834	376638	134,556	120,882
Average Benefit Per Head	(Tk.7169)	(Tk. 3834)	(Tk. 9,169)	(Tk. 9,957)
Grameen Bank				
Amount Disbursed	19079.1	18553.5	14316.2	16007.9
Beneficiaries		2,369,458*		2,378,601**
Average Benefit Per Head		(Tk. 6,042)	(Tk. 6,730)	
BRAC				
Amount Disbursed	8451.0	10843.0	13546.0	
Beneficiaries		3348646	3864778	
Average Benefit Per Head		(Tk.3238)	(Tk. 3505)	
Total				
Amount Disbursed			28067.5	34061.8
Beneficiaries			6039117	6855076
Average Benefit Per Head			(Tk. 4648)	(Tk. 4969)

Source: *Economic Survey of Bangladesh, 2002*

Note:

- * Cumulative figure up to Dec. 1999.
- ** Cumulative figure up to Dec. 2001.
- * Average per head benefit has been calculated by the following method

$$\text{APHB} = \frac{\text{Amount Disbursed}}{\text{No of Beneficiaries}}$$

followed by Sonali Bank, Grameen Bank and BRAC. Though BRAC had the highest amount of credit disbursement, but its average per head disbursement was about half of that for GB because of the higher number of beneficiaries.

What could not be projected in the table is the high emphasis of the women members in the NGO credit programs of GB and BRAC. Women are considered to be more economically vulnerable in the society and giving them more importance by the NGOs in their programs has an objective to empower them in the society.

3.2 Programs of the Selected Banks and NGOs

Each of the institutions we have chosen has its own programs and schemes related to poverty alleviation. In this part we will try to look some of the important programs initiated by the selected organizations. We are more focussed to the programs they were/are undertaking with a view to alleviating poverty. We are constrained to assess the actual impact of those programs or how far they have been able to reduce or alleviate poverty.

Programs of Sonali Bank

Table 1.3 below and tables A4 and A5 in the Appendix show the various micro-credit programs undertaken by Sonali Bank in various upazilas during 1999-00 and 2000-01. Sonali Bank implemented its credit programs in two ways – (i) linkage with Bangladesh Rural Development Board (BRDB), some NGOs and partner organizations for some programs and (ii) Own Programs directly implemented by the bank.

We can have a further look on the programs of Sonali Bank.

- * Most of its linkage programs with BRDB was related to the implementation of rural development programs for which it received the fund support from International Development Association (IDA) and IFAD, Italy. In FY 1999-00 and 2000-01, it disbursed Tk. 970.56 million and Tk. 1048 million respectively among 386852 people under different programs through BRDB.
- * SB had linkage programs with NGOs like Grameen Krishi Foundation, Shakti Foundation, Proshika, VARD, Buro Tangail, and BRAC through which it channelled a total of Tk. 148.9 million in FY 2000-01 in implementing programs in selected areas. A cumulative 46,258 people received benefits under those programs.

Table 1.3 : Linkage and Own Programs of Sonali Bank At A Glance

SL #	Name of the Program	Amount (Tk. Mn)		Beneficiaries (Cumulative)
		1999-00	2000-01	
1	Linkage Programs with the BRDB	970.56	1048.90	386852
2	Linkage Programs with NGO	82.40	148.90	46258
3	Linkage with other Partner Organisations	45.76	72.00	23608
4	Own Programs	2523.01	2336.30	271526
	Total	3621.73	3606.10	728,244

Source: Sonali Bank, Micro Credit Division

- * SB worked as a partner with some organizations, mostly NGOs, to implement credit among the asset less and poor women. Important among them were the BARD Comilla, RDA Roar, Swanirvar Bangladesh, Matrikendra Mohila Rindan Karmsuchi etc. Under the partnership arrangement it disbursed Tk 45.76 million and Tk. 72.00 million in FY 1999-00 and 2000-01 respectively among 23608 people.
- * SB directly implemented some programs like Marginal and Small Farm System for Crop Intensification Program, Credit for Urban Women Enterprise Development, credit for Agro based Small and Medium Enterprises, crop lending etc. It also provided micro-finance directly to the poor farmers through its village based outlets which are known as Krishi Shakha. A total of Tk. 2336.3 million was disbursed among 271526 people under these direct programs in 2000-01.

Bangladesh Krishi Bank

Table 1.4 bellow shows that BKB has some programs tagged with of poverty alleviation. BKB has 49 operational regions in the country. As RAKUB has been curbed out of BKB, its programs do not operate in the RAKUB region.

As could be seen from the table, most of the programs were targeted to the bottom-line people of the society including poor women, landless labourer, landless and marginal farmers, and small farmers. Among the programs, Landless and Marginal Farmers' Credit Program had the highest amount of disbursement and the number of beneficiaries was also the highest under the program.

BKB has recently undertaken some other micro-credit programs, like, Ghare Phera, Goat Rearing Program, Nursery Loan Program, Credit Program for the Development of Handicapped and Palli Progati Prakalpa etc.

It is to be noted that BKB's 60% annual allocation is earmarked for crop lending. The Credit Program covers all the seasonal crops produced in the country. Both the land owners and sharecroppers are normally the target groups for this loan. Farmers under 2.5 acres of land holding can approach the bank for loans for any crop. We are of the view that crop-loans to the small farmers play an important role in reducing the level of poverty.

Table 1.4 : Poverty Alleviation Programs of BKB

SL #	Name of the Program	Amount (Tk. mn)		Beneficiaries	
		1999-00	2000-01	1999-00	2000-01
1	Rural Women Employment Creation Project	167.71	150.94	18567	15656
2	Landless and Marginal Farmers' Credit Program	695.86	671.17	75602	66007
3	Beef Fattening Program	135.58	112.86	5600	4772
4	South Asia Poverty Alleviation Program	58.11	49.15	7014	5049
5	Swanirvar Credit Program	91.07	119.10	14743	18066
6	United Nations Capital Development Fund (UNCDF)	8.28	5.70	1252	155
7	Small Farmers and Landless Labourers Development Project (SFDP)	18.28	34.64	1831	5292
8	BKB-NGO Micro Credit Program	31.89	30.44	4343	2864
9	Crop Loan	8479.4	9956.0	1,627,050	1,787,600
	Total	9686.18	11130.00	1,756,001	1,905,461

Source: BKB.

Grameen Bank

A survey of the heads of loans of GB shows that it offers loans to its members under 496 loan heads. These loan heads cover most of the items for which the rural and urban poor may need finance. However, all the poor people do not qualify to be member of GB and get finance. People possessing below 50 decimal of land can form group and approach GB for credit.

Table 1.5 gives us an overview on the heads of credit offered by the Grameen Bank. Loans in the broad head Livestock and Fisheries topped in terms of amount disbursed among the members, closely followed by Agriculture and Forestry.

Table 1.5 : Broad Categories of Loans (All Types)

Sl #	Categories of Activities	Loan Disbursed (Tk. in million)		Number of Beneficiaries *	
		1999	2000	1999	2000
1	Processing and Manufacturing	2418.89	2496.11	441662	522510
2	Agriculture and Forestry	4117.04	3001.15	880616	689362
3	Livestock and Fisheries	4546.76	4578.62	840506	820437
4	Services	310.66	305.40	61075	60943
5	Trading	3050.22	2339.40	502444	405417
6	Peddling	105.41	118.62	21199	23080
7	Shop Keeping	1148.90	1121.94	199155	194535
Sub-Total		15697.88	13691.33	2,946,657	2,716,284
8	House Loans	222.71	73.26	20517	21458
10	Education Loan**	2.13	1.59	39	29

Source: Grameen Bank Annual Reports 1999 and 2000.

Note: * Number of Loans has been treated as number of beneficiaries.

** Calculated from Grameen Bank Annual Reports 1998, 1999 and 2000.

It could be seen from the table that house loan registered a sharp decline in 2000 but the number of beneficiaries jumped up. It was because of lowering of the upper ceiling of house loans to the members. GB introduced education loan in 1997 and a total of 68 students received loans under the head during 1999 and 2000.

Tables A 6 to A7 in the Appendix give a broader overview on the items and areas where GB is providing credit to its members.

BRAC

BRAC has three basic programs through which it is targeting poverty alleviation for the people living below the poverty line. The programs are:

BRAC Development Program (BDP). This program focuses on enterprise development through credit facilities and capacity building of the rural poor with an emphasis on women. BDP actually comprises of a host of programs, viz. poultry, livestock, vegetable cultivation, sericulture, fish culture, agriculture, plantation, small trade, Essential Health Care and Human Rights, Legal Education and Services. Table 1.6 briefly shows the effort of BRAC on enterprise development through micro-finance.

Health, Nutrition and Population Program. The components of the program are – Reproductive Health and Disease Control Program, Health and Family Planning Facilitation, Project of Rural Service Delivery Partnership, National Integrated Population and Health Program, Nutrition Facilitation Program and so on. As of December 2000, BRAC had 90 Health Centres and 6002 Community Nutrition Centres which covered 31 million people with the services.

Table 1.6 : Micro Finance Program of BRAC

Particulars	1999	2000	2001
District Covered	64	64	64
Upazila Covered	400	460	460
Disbursement (in Tk. mn.)	10,843	13,547	15099
No. of Beneficiaries (in mn.)	3.33	3.74	4.14

Source: BRAC, Various BRAC At A Glance.

BRAC Education Program. BRAC has a host of formal and informal education programs for the children of poor families. It had 31082 schools that imparted non-formal primary education and by Dec. 2000 those schools graduated 1.7 million students, 90 percent of whom moved to formal schools in higher classes. There is an estimate that BRAC incurred a cost of \$18 per child per year in the non-formal primary education program. BRAC has established 45 Schools for Ex-garment Workers.

4. Analysis of Some of the Issues

From our earlier discussion we have seen that incidence of poverty in Bangladesh subsided in the 1980s and 1990s. Interestingly, people in the rural areas have performed better in terms of improving their economic lot and reducing poverty. The authors strongly feel that the credit and other programs of the banks, FIs and NGOs might have played an important role in this regard. As discussed earlier, most of the poverty alleviation related programs of these organizations have rural bias and most of the beneficiaries are from the rural areas. Importantly, the significant portion of the rural beneficiaries is women.

A recent survey on 297 people of Harirampur in the district of Manikganj by a group of researchers of the Centre for Alternatives found that about 45 percent of

the respondents¹ income increased, after taking loan from the banks, FIs and NGOs, 33 percent's property and savings increased and 26 percent's livestock increased (see table A10 in the Appendix). Some respondents also identified the followings as benefits generated out of credits they took from banks and NGOs:

- * Giving dowry for marriages of their daughters.
- * Used the borrowed money for higher education of the children.
- * Used the borrowed money for sending family members abroad with jobs.
- * Some lent the money to others with higher interest. (This is possible in case of loan taken from the govt. FIs as their interest rate is considered to be lower than that charged by the NGOs or Grameen Bank).
- * One replied that he used bank loan for the local election and got elected as a member in the Union Council

Though most of the respondents found little difficulty in dealing with the credits of the banks, FIs and NGOs, many of them identified higher rate of interest, misbehaviour of the office employees, pressure of the officers before and after a loan amount is due as major problems in dealing with NGO loans. The respondents termed the number of members required to form a credit-group, number of witnesses for getting loan as complex.

But another important issue is creeping up. The benefits of the reduction of poverty might have been negated partially by the rising inequality in rural and urban areas. Tables A8 and A9 in the Appendix show the percentage distribution of income accruing to households in rural and urban groups along with Gini coefficients. During 1983-84 to 1995-96, the distribution of urban and rural income household groups followed a similar trends but the margin of decline is more prominent in case of urban area. This could be interpreted as that inequality in income has generated at a faster rate in the urban area than in the rural area. The lowest 5 percent of the households in urban area have lost their share in income from 1.18 percent to 0.74 percent, while it fell from 1.19 percent to 1.00 for the same group in the rural area during the period.

It is interesting to observe that in case of rural areas, income groups under deciles 8, 9 and 10 have benefited while for the urban side it is only deciles 10 or more particularly highest 5 percent of the households gained during the period.

Has the creation of disparity anything to do with the rapid globalization of the economy? Leaving inequality position for rural area 1997-98 aside, in Bangladesh we follow a pattern of rise of inequality in the 1980s and in the first half of the 1990s. During the period, growth in urban inequality is more prominent than that

of the rural part of the economy. So we need to have a deeper look for the reasons of such inequality generation.

Two factors might have played an important role in this regard. An increasing use of modern farming methods has led to an overall improvement of agriculture in Bangladesh. This along with the massive participation of non-government organizations (NGOs) in health care, education, microfinance and other welfare activities have generated a kind of dynamism in rural Bangladesh, These have positively affected the rural sector's poverty reduction.

On the other hand, negative fallouts of the globalisation measures quickly affect the urban areas and the urban poor becomes the immediate sufferers. As the concentration of micro-credit programs of banks and NGOs are in the rural area, the urban poor derive little benefits of those programs. A study by the BIDS researchers found that poverty in the micro credit research area declined by about 2 percent every year during 1991-92 to 1998-99 period (The Daily Star, 2000; 7).

5. Conclusions

Reduction of poverty has remained the prominent national goal. Involvement of the banks and NGOs in that pursuit is thought to be important in many regards. Over the years they have developed a wide network of operations through which they can deliver a wider range of financial services to people who need the service more. Their involvement can enhance the quality and effectiveness of the services as well.

The bottom line people of the society will require finance for cultivation of their lands, purchasing livestock, for starting small new business or cottage industries or for expanding the business one has. One may need credit to educate his children or for other thousand of reasons that of course help to reduce their poverty. Many will go to banks and NGOs for meeting their demand. Thus the banks and NGOs have to evolve some easier and simpler methods to deliver the services to the poorer section so that they do not feel harassed or uncomfortable in dealing with the much needed financial recourse for bettering their future.

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APPENDIX

Table A1 : Incidence of Poverty (Head-Count Ratio)
(Aggregate and Percent of Population Below Poverty Line Indicator)

Survey year	Urban		Rural		National	
	Million	%	Million	%	Million	%
Poverty Line 1: Absolute Poverty 2122 kcal/p.person/p.day						
1983-84	73	67.7	51.1	61.9	58.4	62.6
1985-86	7.9	62.6	47.4	54.7	55.3	55.7
1988-89	6.3	47.6	43.4	47.8	49.7	47.8
1991-92	6.8	46.7	44.8	47.6	51.6	47.5
1995-96	9.6	49.7	45.7	47.1	55.3	47.5
1996-97	-	43.4	-	46.8	-	46.0
1997-98	-	44.3	-	47.6	-	46.7
1998-99	-	43.3	-	44.9	-	44.7
		52.		42		4.3
1999-00	-	52.5	-	42.3	-	44.3
Poverty Line 2 Hard-core Poverty 1805 kcal/p.person/p.day						
1983-84	4.8	37.4	30.2	36.7	34.3	36.8
1985-86	3.9	30.7	22.8	26.3	26.7	26.9
1988-89	3.5	26.4	26.0	28.6	29.5	28.4
1991-92	3.8	26.3	26.6	28.3	30.4	28.0
1995-96	5.2	27.3	23.9	24.6	29.1	25.1
1999-00	-	25.0	-	18.7	-	20.0

Source: BBS, *Statistical Yearbook, 1998*.

Note: Figures of Absolute Poverty for 1996-97 to 1998 - 99 have been taken from MOF and MOP (2000), *Memorandum for Bangladesh Development Forum 2000-2001*, p.53.

Figures for 2000 have been taken from the Economic Survey of 2003.

Table A2 : Head Count Indices of Poverty
(Based on Cost of Basic Needs Method)

(Percent of population below poverty line)

Survey Year	Urban	Rural	National
A. VerA. Poor (Lower Poverty Line)			
1983-84	28.03	42.62	40.91
1985-86	19.90	36.01	33.77
1988-89	21.99	44.30	41.32
1991-92	23.29	45.95	42.69
1995-96	14.32	39.76	35.55
B. Poor (Upper Poverty Line)			
1983-84	50.15	59.61	58.50
1985-86	42.92	53.14	51.73
1988-89	43.88	59.18	57.13
1991-92	44.87	61.19	58.84
1995-96	35.04	56.65	53.08

Source: WB (1998), *Bangladesh - From Counting the Poor to Making the Poor Count*, p.6.

Table A3: Trends in Per Capita Private Consumption, Food grains
(Availability and real rice price, 1991-1999)

Year	Consumption (Tk) 1984/85 prices	Foodgrains availability (oz/day)	Real retail price of coarse rice (Tk/kg)
1990/91	3,854	16.16	7.92
1991/92	3,804	16.00	7.87
1992/93	3,825	15.77	7.13
1993/94	3,882	15.51	6.83
1994/95	3,968	15.09	7.36
1995/96	4,148	15.47	7.17
1996/97	4,288	15.18	6.01
1997/98	4,337	16.04	6.51
1998/99	4,596	18.19	6.59

Note: Current consumption figures have been adjusted by the GDP deflator. Foodgrains include rice and wheat only. the price of coarse rice refers to average annual retail price in the country deflated by rural cost of living index.

Source: FPMU, Ministry of Food Database on Food Situation Bangladesh 1999 and BBS.

Table A4 : Poverty Alleviation Programs of Sonali Bank

SL #	Name of the Program	Amount (Tk. Mn)	
		1999-00	2000-01
Linkage Programs (with the BRDB)			
1	Rural Livelihood Project (ADB Supported)	517.20	619.10
2	RDP-9 (EEC Supported)	0	0
3	RD-2RPP (CIDA Supported)	-	-
4	SWRDP (IFAD Supported)	-	-
5	NWRDP (ADB Supported)	-	-
6	SIRDP (ADB Supported)	-	-
7	IRWDP (100% SB Finance)	223.20	144.50
8	Crop Lending (100% SB Finance)	205.60	247.50
9	TCCA Shrimp (100% SB Finance)	24.56	37.80
	Total	970.56	1048.90
Linkage Programs with NGO			
1	Grameen Krishi Foundation	8.50	20.00
2	Shakti Foundation	4.00	14.80
3	Proshika	19.90	5.10
4	VARD		4.00
5	BURO Tangail		5.00
6	BRAC	50.00	100.00
	Total	82.40	148.90
Linkage with other Partner Organisations			
1	Swanirvar Credit (with Swanirvar Bangladesh)	29.34	68.40
2	Credit for Assetless (with BMET)	11.21	-
3	RDA-SB Credit Program (with RDA Boar)	2.23	1.90
4	BARD-SB Credit Program (with BARD Comilla)	2.98	1.70
5	Matrikendra Mahila Rindan Karmasuchi	-	-
6	Brittimulak Mahila Rindan Karmasuchi	-	-
	Total	45.76	72.00

Source: Supplied by the Credit Division of SB.

Table A5 : Poverty Alleviation Programs of Sonali Bank

SL #	Name of the Program	Amount (Tk. Mn)	
		1999-00	2000-01
Own Programs			
1	MSFSCIP	0.61	2.30
2	CUMED	0.13	0.30
3	Agro-based small and Medium Enterprises	400.87	90.80
4	Crop Lending (Direct Outreach)	410.20	1308.40
5	Micro Finance through Village based Outlets (Krishi Shakha)	1711.20	934.50
	Total	2523.01	2336.30

Source: Supplied by the Credit Division of SB.

Table A6 : Broad Categories of Seasonal Loans of Grameen Bank

SI #	Categories of Activities	Loan Disbursed (Tk. in million)		Number of Beneficiaries	
		1999	2000	1999	2000
1	Processing and Manufacturing	493.28	222.39	95416	41205
2	Agriculture and Forestry	3373.28	1777.62	768367	473416
3	Livestock and Fisheries	427.78	37.52	94950	7819
4	Services	123.07	21.57	29525	4789
5	Trading	1055.00	610.70	193953	108959
6	Peddling	27.11	47.92	6583	8747
7	Shop Keeping	219.47	277.01	42729	49233
	Total	5718.96	2994.73	1231568	694168

Source: Grameen Bank Annual Reports 1999 and 2000.

Table A7 : Broad Categories of Leasing Loans of Grameen Bank

Sl #	Categories of Activities	Loan Disbursed (Tk. in million)		Number of Beneficiaries	
		1999	2000	1999	2000
1	Processing and Manufacturing	2.24	6.91	82	289
2	Agriculture and Forestry	0.04	-	3	-
3	Livestock and Fisheries	10.02	3.97	582	511
4	Services	24.56	22.40	1138	1161
5	Trading	2.41	0.25	135	12
6	Peddling	0.2	-	1	-
7	Shop Keeping	0.06	-	4	-
	Total	39.49	33.54	1954	1973

Source: Grameen Bank Annual Reports 1999 and 2000.

Table A8 : Percentage Distribution of Income Accruing to Households in Groups and Gini Coefficients

Household income group and Gini coefficient	1995-96	1991-92	1988-89	1985-86	1983-84
Total-Rural	100.00	100.00	100.00	100.00	100.00
Lowest 5%	1.00	1.07	1.10	1.23	1.19
Decile 1	2.56	2.67	2.74	2.92	2.95
Decile 2	3.93	4.07	4.13	4.30	4.37
Decile 3	4.97	5.10	5.10	5.30	5.46
Decile 4	5.97	6.05	6.05	6.20	6.46
Decile 5	6.98	7.21	7.21	7.16	7.53
Decile 6	8.16	8.57	8.25	8.20	8.67
Decile 7	9.75	10.28	9.69	9.55	10.11
Decile 8	11.87	12.30	11.74	11.30	11.75
Decile 9	15.58	15.71	15.10	14.07	14.81
Decile 10	30.23	28.04	30.08	31.00	27.89
Top 5%	19.73	17.80	19.81	21.36	18.14
Gini Coefficient	0.384	0.364	0.368	0.360	0.350

Source: Household Expenditure Survey, 1995-96, BBS.

**Table A9 : Percentage Distribution of Income Accruing to Households
(Groups and Gini Coefficients)**

Household income group and Gini coefficient	1995-96	1991-92	1988-89	1985-86	1983-84
Total-Urban	100.00	100.00	100.00	100.00	100.00
Lowest 5%	0.74	1.09	1.12	1.20	1.18
Decile 1	1.92	2.64	2.76	2.84	2.82
Decile 2	3.20	4.06	4.05	4.08	4.10
Decile 3	4.06	5.01	4.91	5.09	5.02
Decile 4	4.98	5.88	5.80	5.99	5.93
Decile 5	6.97	6.80	6.84	7.04	7.00
Decile 6	7.20	8.11	7.91	8.29	8.34
Decile 7	8.98	9.66	9.42	10.30	10.09
Decile 8	11.35	11.77	11.57	12.24	12.48
Decile 9	16.29	15.64	15.56	15.73	16.39
Decile 10	36.05	30.43	31.19	28.41	27.83
Top 5%	24.30	19.42	20.02	18.04	16.93
Gini Coefficient	0.444	0.398	0.381	0.370	0.370

Source: Household Expenditure Survey, 1995-96, BBS.

**Table A10 : Benefits Derived After Being Recipients
of Loans/Credits from Bank/NGOs.**

Yes (Benefits)	Response	Total	Percentage
Rise in income	133	297	44.6
Property/capital increase	98	297	33.0
Livestock increased	79	297	26.6
Savings increased	98	297	33.0
Others	45	297	15.2

Source: Unpublished Research Report on Poverty Monitor by Centre for Alternatives