

## The Effectiveness of Microfinance in Reducing Poverty of the Beneficiary Households: A Micro Level Study

MD. ALAMGIR HOSSAIN BHUIYA<sup>1</sup>

### Abstract

*The study attempts to evaluate the influence of the microfinance programme of BRAC on poverty status of the beneficiary households. Although both primary and secondary data have been utilized for the study, emphasis has been given on primary data collected through field investigation covering 205 beneficiary and 100 non-beneficiary households in four programme villages of Phultala thana under Khulna district of Bangladesh. Primary data has been used mainly to show and examine the influence of the programme on poverty status of the beneficiary households. Secondary data has been utilized for necessary comparison and comments. The impact of the intervention has been shown mainly at household levels comparing the poverty status of Eligible Programme Member (EG-PM) households along with that of Eligible Non-programme Member (ENPM) households in terms of identified indicators. Although various indicators are utilized to show the impact on poverty status, we have consciously selected some crucial indicators, such as: estimation of poverty lines (upper and lower); calculation of incidence of poverty, poverty gap, and severity of poverty based on field data - using Foster Greer Thorbecke (F.G.T) poverty index. Our findings show evidence of positive impact of the intervention in reducing poverty of the beneficiary households, but the result is not statistically highly significant.*

---

1. Professor, Department of Economics, Islamic University, Kushtia

## 1. Introduction

Probably among the most critical issues confronting economics and economists today is 'poverty', which has come to acquire an increasing rural face. Over the years, diverse policies have been used to reduce poverty especially in the South Asian region particularly after the Beijing Conference of 1995. Among them the most prominent is the innovative strategy of microfinance, focusing on poverty reduction integrating the most dis-advantaged rural poor especially women. Utilizing micro-credit as a vehicle, efforts are being made to strengthen the status of the rural poor not just economically but socially as well.

The growth of micro-credit based organizations over the last two decades has attracted the attention of bilateral and multilateral donor organizations, the commercial banking sector, national governments, and the media. This 'small peer-group' model of financing system is eulogized by the global development community as the panacea that impacts positively on both poverty and dis-empowerment of the poor, in particular, women. Microfinance programmes have achieved worldwide recognition of reaching especially the dis-advantaged in remote rural areas. "To reach credit assistance to 100 million of the world's poorest families by 2005, especially the women of these families, to enable them to set up income-generating enterprises"- is the consensus at the Micro-credit Summit held in Washington. This is the ultimate recognition of 'micro-credit' as the panacea for the structural issues of poverty and underemployment (Micro-credit Summit Declaration, 1997, <http://www.microcreditsummit.org>).

The origin of the 'Micro-credit' model was initiated in Bangladesh, which has historically created some of the world's largest, oldest and best-known anti-poverty programmes. The scale of micro finance institutions (MFIs) and the magnitude of their outreach has been quite remarkable, the growth of the NGO-financed micro-credit movement today being so massive that it has overtaken the formal financial sector. It is estimated that the NGO-financed micro-credit sector provides 17 billion taka in micro-credit in Bangladesh, while agricultural banks and nationalized commercial banks provide 11 billion taka (Kalpona, 2004, p.2).

Bangladesh is one of the poorest countries in the world, with a high level of underutilized and unutilized natural resources, combined with an environment, which has a high natural calamity risk. It has a high population density and an untrained and illiterate workforce. It is predominantly rural where about 76 percent of the population live in the rural areas and about 44 per cent being below the poverty line (HIES 2000, p.38). Poverty alleviation is one of the most urgent

and important challenges faced by the policy makers at present in Bangladesh. About half of the labour force of Bangladesh are women and majority of them live in the underdeveloped and undeveloped rural areas. However, they are deprived even more than man in getting economic opportunities due to the lack of proper education, training and employment opportunities. Increasing participation of women in the economic activities is indispensable for the proper expansion and development of the country.

Credit is one of the most important resources to which the landless poor do not have easy access. Lack of access to credit is the major constraint for the disadvantaged rural poor from participating in economic activities. Collateral requirement, complex procedure, poor communication and inadequate banking networks have restricted the availability of credit in the rural areas. Against this background, various government and non-government agencies, intellectuals, researchers and policy makers have realized that true development can never be achieved unless and until the disadvantaged rural poor are mobilized and participate in the development process. For that, along with various government interventions, a large number of Non-Government Organizations (NGOs) registered with the Ministry of Women Affairs and NGO Affairs Bureau (NAB) are working in remote rural areas for reducing poverty of the rural poor. Among them, the most important are Bangladesh Rural Advancement Committee (BRAC), Grameen Bank (GB), Association for Social Advancement (ASA), and Proshika Manobik Unnayan Kendra (PK).

Although a large number of organizations are working for reducing poverty of the rural poor, we have consciously selected the most well-known and largest micro-credit programme of BRAC in order to assess its economic impact on the poverty status of the beneficiary households. Although BRAC implements a variety of programmes for the economic and extra-economic well-being of the poor, its core function is alleviation of rural poverty through micro-credit. BRAC is now recognized as a model for rural development because of its Micro-Credit (MC) scheme. Hence this study attempts to evaluate the impact of MC intervention rather than evaluation of BRAC in its entirety.

The main reasons behind the selection of BRAC's programme for detailed investigation are: First, BRAC is broadly representative of the micro financial market in Bangladesh aiming to reduce poverty in remote rural areas. Second, BRAC has a commitment to deliver most of its finance to hard core rural poor and also to create employment opportunities for those unemployed. This is not true for any of the other rural credit programmes of Bangladesh. Third, this programme

has been in operation since 1990 covering all the 64 districts of Bangladesh, with the objective of bringing about a positive change in the welfare of the rural poor through especially home-based income generating activities; and finally, besides micro-credit, BRAC has additionally implemented the Human Rights and Legal Education Programme (HRLEP) for its beneficiaries in order to increase their knowledge about human rights, legal issues and social awareness. No other institution has taken up such types of initiatives.

Our focus is to evaluate whether BRAC's micro-credit programme plays any role in reducing poverty of the beneficiary household. This evaluation is based on the estimation of identified indicators, such as: i) poverty line — both upper and lower, ii) incidence of poverty, iii) poverty gap, and iv) severity of poverty — using Foster Greer Thorbecke (F.G.T.) class of poverty index.

For clear representation, this paper has been organized as follows: section 1.2 deals with the objectives of the study; section 1.3 briefs the methodology of the study; section 1.4 presents the detail findings of the study; and finally, section 1.5 provide conclusions and policy recommendations.

## **1.2 Objectives of the Study**

The main objective of this study is to show the impact of the microfinance programme of BRAC on poverty status of the beneficiary households. For that the specific objectives are:

- to calculate the 'poverty line(s)' ? both upper and lower based on field data;
- to calculate the incidence of poverty - both absolute and hard core;
- to measure the 'depth of poverty' and 'severity of poverty' - using Foster Greer Thorbecke (F.G.T) class of poverty index; and finally-
- to examine the impact of the scheme on poverty status of the borrower's households.

## **1.3 Methodology**

The study is based mainly on primary data collected through household investigation. Secondary data have also been sometimes used for necessary comparison and comments. Based on household expenditure data, the cost of basic needs (CBN) food bundle approach and Foster Greer Thorebecke (F.G.T) poverty index have been used to estimate the selected poverty indicators of the sample households. The survey was conducted during October 2008 and December 2008.

### 1.3.1 Study Area Selection and Choice of Villages for Primary Field Survey

The location of our study area ‘Phultala Thana’ is under Khulna district of Bangladesh. The Thana consists of 4 unions and 25 villages having a total population of about 86,000 persons (Community Series of Bangladesh Population Census, Khulna, 2001, pp. 4-7). Although no data is available regarding poverty status at Phultala thana level, Khulna division and national level data suggest that both absolute and hard core poverty are slightly higher in Khulna as compared to their national level counterparts (Table 1.3.1-B), but the difference is not significant. In considering the indicators mentioned in tables 1.3.1-A and 1.3.1-B, the Phultala figures suggest that the thana is close to being ‘average’ status, except higher population density as well as larger household size as compared to the district, division and national averages.

**Table 1.3.1-A: Annual Growth Rate of Population, Density and Average Household Size for Phultala Thana, Khulna District, Division and National Levels of Bangladesh.**

Sl. No	Indicators	Phultala Thana	Khulna District	Khulna Division	Country
1	Annual growth rate of population (%)	1.60	1.28	1.32*	1.48
2	Density of population (per sq. km)	1195	712	682	843
3	Average household size	5.2	4.6	4.7	4.8

Sources: 1) Bangladesh Population Census 2001, pp. 4 –7, 16-18

2) Population Census 2001, Community Series, Khulna District, pp. x –xv.

**Table 1.3.1-B: Poverty Status of Phultala Thana, Khulna Division and National Levels of Bangladesh (% of population below poverty line)**

Sl. No	Indicators	Phultala Thana	Khulna Division	National Level
1	Absolute Poverty (using upper poverty line ( <2112 K.Cal/person/day)	--	51.4	49.8
3	Hard Core Poverty (using lower poverty line ( <1805 K. Cal/person/day)	--	35.4	33.7

Sources: i) Report of the Household Income and Expenditure survey 2000, pp. 43

### **1.3.2 Sampling Techniques & Collection of Data**

In identifying the sample, we adopted the two-stage cluster sampling design. In the first stage, we divided the total geographical area of the Upazila into four different clusters, each of them having one Union. In the second stage, we randomly selected one village from each of the four clusters, and finally our sample villages became 4. We selected only four villages in considering expenditure and time limitation. After selecting four villages, we decided to collect data from all the beneficiary households of the villages and finally we interviewed a total of 205 beneficiary women. Along with BRAC beneficiaries from the four villages, we additionally selected 25 non-beneficiary households of similar attributes from each village having a total of 100 non-beneficiary households. Non-beneficiary households or comparison group included those households, which have similar socio-economic condition but were not associated with BRAC or any other poverty alleviation programmes. Finally, our total sample size is thus 305 households, that is, 205 beneficiary and 100 non-beneficiary households.

After selecting the sample households a detailed survey was carried out using a structured questionnaire covering all the sample households. As we decided to calculate the poverty line based on cost of basic needs approach, we emphasized data collection mainly on various aspects relating to expenditure. The survey covered both food and non-food items using different reference periods. A very important focus in the survey was on the household level impact of BRAC's credit as measured through per-capita expenditure. Data on household expenditure have been analysed to explain the poverty status of the sample households.

### **1.3.4 Techniques of Data Processing and Analysis**

For analyzing data, respondents are divided primarily into two groups according to their socio-economic status and affiliation with the programme. These are: Beneficiary Group or Programme Members (PMs) and Eligible Non-beneficiary Group or Eligible Non-Programme Members (ENPMs). Programme Member households have been further divided into two sub-groups according to BRAC's official eligibility criterion: Eligible Group (EG) and Non-eligible Group (NEG). The total sample households are thus categorized into three sub-groups:

- i. Eligible Programme Member (EG-PM)
- ii. Non-Eligible Programme Member (NEG-PM), and
- iii. Eligible Non-Programme Member (ENPM)

After dividing the total sample households into the above three sub-groups, comparisons have been made between eligible Programme Member households (EG-PM) along with Eligible Non-Programme Member (ENPM) households in order to show and compare the programme impact on poverty status of the beneficiary households in terms of selected indicators.

Length of programme membership is considered in this study as a proxy to show the impact over time. For that, all sampled programme members are divided into three categories by measuring length of membership in months. The categories are: new members with membership length up to two years (1-24 months group), those with membership length of more than two years to six years (25-72 months group), and the oldest group with membership length of more than six years (72+ months group). Inter-group comparison will show if there exists any bias during member selection, which may affect their performance. Further, it will show whether there exists any positive or negative association between the length of membership and changes in poverty status of the beneficiary households in terms of the identified indicators. Various statistical tools and methods have been used for the study. Computer software mainly MS-Excel has been applied to analyze the data.

#### **1.4 Findings of the Study**

For analyzing the impact of micro-credit intervention on poverty status of the beneficiary households, the amount of credit, training and other logistic supports are considered as input variables, which may influence the poverty status of the participating households. The present study attempts to investigate whether the microfinance intervention has had any influence in reducing poverty of the beneficiary households. Though a number of indicators directly or indirectly are related in poverty measurement, we have consciously chosen here only some crucial indicators (poverty lines, incidence of poverty, poverty gap and severity of poverty) for estimation in order to show the programme impact on poverty status of the beneficiary households.

##### **1.4.1 Estimated Results and Discussions**

The minimum energy requirements for the average Bangladesh population as recommended by various institutions vary significantly. Several studies on rural poverty in Bangladesh used a consumption bundle providing an intake of 2112 k. calories for upper poverty line (absolute poverty) and 1805 k. calories for lower poverty line (hard core poverty), which by and large conforms to the minimum

diet recommended by the Food and Agriculture Organization (FAO) of the United Nations (Cited in Muqtada, 'Poverty and Inequality', 1998, p.59).

The cost of basic needs (CBN) food bundle approach has been used to compute the poverty line based on the household expenditure survey data. Table 1.4.1-A illustrates the goods used, the price used to cost the various items (the prices were derived from the independent price survey carried out in Khulna between June and September 2003) and the poverty line expenditure per head. As Ravellion et. al. (1994) pointed out, whilst there is considerable controversy with regards to whether to use the 'Cost of Basic Needs' (CBN) or Food Energy Method (FEM), there is little disagreement in Bangladesh with the composition of the 'typical' bundle of goods and their individual weights within the food bundle. The expenditure required on food bundle to cross the absolute poverty line on a calorific threshold of 2112 calories per person per day has been calculated taka 28.20 and the Ultra poverty line (hard core poverty) based on threshold of 1805 calories is 24.10 taka.

**Table 1.4.1-A: Cost of Basic Needs Food-bundle used to derive the Poverty Line in Phultala, Khulna, 2008**

Sl. No.	Items in Minimum Consumption-bundle	Per Capita Normative Daily Requirement		Price	
		Calories	Grams	Taka/ kg	Cost of required amount
1	Rice (course)	1386	397	26	10.32
2	Wheat	139	40	20	.80
3	Pulse (khesri)	153	40	46	1.84
4	Milk (cow)	39	58	30	1.74
5	Oil (soabin)	180	20	75	1.50
6	Meat (beef)	14	12	180	2.16
7	Fish (fresh water)	51	48	120	5.76
8	Potato	26	27	15	0.40
9	Other vegetables (leafy & non-leafy)	36	150	16	2.40
10	Sugar/Guur	82	20	36	0.72
11	Fruits (banana)	6	20	28	0.56
<b>12</b>	<b>Total</b>	<b>2112</b>	<b>832</b>	<b>–</b>	<b>28.20</b>



Absolute poverty line expenditure on food (2112 k.cal) is calculated taka.28.20/ person/ day and hard-core poverty line expenditure (1805 k.cal) is taka.24.10/ person/ day.

After determining poverty line(s) expenditure (upper poverty line expenditure Tk.28.20 per day, per person and lower poverty line expenditure Tk.24.10 per day, per person), we have classified the sample households around this line according to the extent, depth and severity of poverty. The Foster Greer Thorbecke (FGT) poverty indicators have been used for the measurement of poverty in terms of incidence of poverty, poverty gap and severity of poverty of both the beneficiary and non-beneficiary group in order to show the programme impact in reducing poverty. Algebraically F.G.T poverty index can be expressed as follows:

$$P_{\alpha} = \frac{1}{n} \sum_{i=1}^q \left\{ \left[ \frac{z - y_i}{z} \right] \right\}^{\alpha} \quad \dots \dots \text{(i)}$$

Where,  $z$  is the poverty line

$q$  is the number of person/households living below the poverty line

$y_i$  is the expenditure of  $i$ th individuals/ households

$n$  is the size of the survey population and

$\alpha$  is 0, 1, 2 (respectively indicates incidence, poverty gap and severity of poverty)

- If  $\alpha$  is 0, then  $P_0 = \frac{q}{n} = \dots \dots \dots$  (ii)

The  $P_0$  measure tells us about the ‘incidence of poverty’ or the ‘headcount ratio’— which indicates the number of people/household below the poverty line as a proportion of the total population. A limitation of this measure is that it does not take into account the average income shortfall from the poverty line (i.e. poverty gap). However, this limitation can easily be overcome using the following equation.

- If  $\alpha$  is 1, then  $P_1 = \sum_{i=1}^q \left[ \frac{z - y_i}{z} \right] \dots \dots \dots$  (iii)

$P_1$  indicates the ‘**depth of poverty**’ or ‘**poverty gap**’, which tells us the average shortfall in expenditure per head of a poor household from the poverty line.  $P_1$  is also useful in that it can be used to calculate the minimum cost requirement, per head of population in order to eliminate poverty. If an anti-poverty scheme ‘filled’ each household’s gap exactly to the point where all poor households reach the poverty line, then this would constitute the minimum cost of eradicating poverty (Ravallion 1995). However  $P_1$  does not capture income inequalities, which the (severity of poverty) measure does.

• If  $n$  is 2, then  $P_2 = \frac{1}{n} \sum_{i=1}^q \left[ \frac{Z - y_i}{Z} \right]^2 \dots\dots\dots (iv)$

$P_2$  indicates the ‘severity of poverty’ or ‘poverty intensity.  $P_2$  measure allows for an expenditure improvement of a person/household for below the poverty line to be valued more than the same gain for a person just short of the poverty line. Hence  $P_2$  is an indicator of the ‘severity’ of poverty and help us to capture income inequalities.

Depending on the poverty line expenditure (both upper and lower) and using the Foster Greer Thorbecke poverty index, the estimated results of poverty incidence (both absolute and hard core poverty), poverty gap ( $P_2$ ) and severity of poverty ( $P_2$ ), are presented in Tables 1.4.1-B and 1.4.1-C, according to eligibility and length of membership status.

Before analyzing the estimated results presented in Tables 1.4.1-B and 1.4.1-C, it ought to be mentioned here that the estimated poverty incidence (both absolute and hard core poverty) are higher among sample (beneficiary) households as compared to their Khulna division and national level counterparts (Table 1.3.1-B). It is because both Khulna division and national level poverty incidence have been calculated considering all households, instead of any category of the society, but in our study we have considered only programme beneficiary and eligible non-beneficiary households — those normally are the marginal, dis-advantaged and the poorest class of households of the society. According to BRAC’s official eligibility criterion, a household is eligible to become its member if it owns less than or equal to 50 decimals of land and the main bread winner has to sell 100 days of labour per year for their survival. So, it is quite reasonable that the incidence of poverty among programme member households is higher, compared to that of division and national levels. Therefore, instead of comparing the estimated poverty indicators of our sample beneficiary households along with that of division and national level, we have compared it to the eligible non-programme member (ENPM) households (the households that are eligible to participate in the BRAC’s poverty alleviation programme according to its official eligibility criterion but did not participate yet- are termed as ENPM households) in the programme area and logically hope that it would be able to represent much more accurate and clear-cut evidence to show whether the programme has any impact in reducing poverty of the beneficiary households.

Table 1.4.1-B shows the proportion of households living under the absolute poverty line is 79 per cent for ENPM households, but 65.8 percent for PM households at aggregate level, and 73.3 per cent for EG-PM households. Those

living under extreme poverty line have been estimated at 44.4 per cent for PM members as a whole and 52.6 per cent for EG-PM households, compared to 61 per cent for ENPM households. The proportion of households living under absolute poverty and hard-core poverty lines of EG-PM households are respectively 6 per cent and 9 percent less than those of their counterpart of ENPM households.

Among PM households, the proportion below the ultra poverty line, poverty depth and severity figures suggest that EG-PM households who are poor are more likely to be ‘ultra poor’ as compared to NEG-PM group. For instance, the typical poor PM (EG-PM) members’ shortfall is 19 per cent from the poverty line consumption, which is significantly greater than 5 per cent shortfall of the NEG-PM group (Table 1.4.1-B).

The relative share of absolute poor and ultra poor are higher for ENPM group as compared to EG-PM households. Similarly, depth of poverty ( $P_2$ ) and severity of poverty ( $P_2$ ) figures are also higher for ENPM group as compared to their respective counterpart of EG-PM households (Table 1.4.1-B).

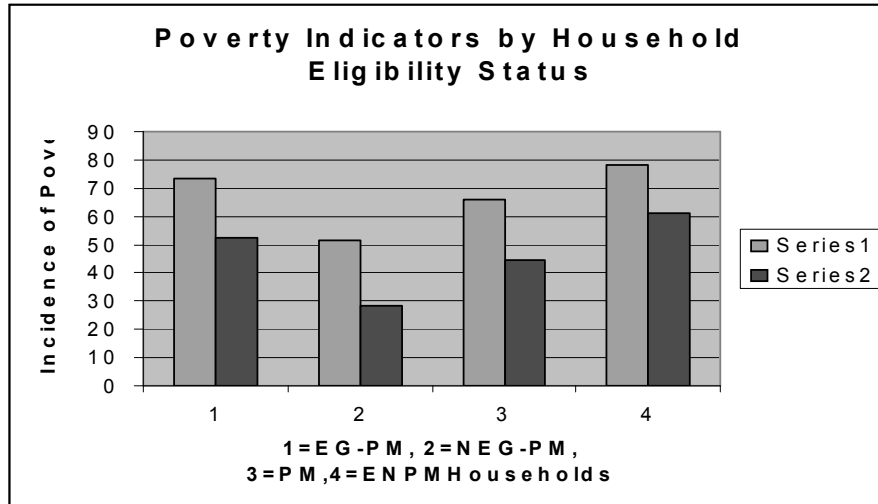
Further, though the incidence of poverty does not show any specific trend along with the length of membership, which might be the results of incorporating a higher proportion of non-eligible households in BRAC’s credit scheme in recent times. But in case of poverty gap () and severity of poverty (), the figures have been found lowest for the oldest (above 72 months category) membership length group (Table 1.4.1-C). These findings suggest that, to some extent, BRAC’s micro-credit intervention has been able to lift a proportion of its members out of poverty due to their association with the programme. Further, it also reveals that the programme has helped to reduce the poverty gap, and the severity of poverty of the member households.

**Table 1.4.1-B: Poverty Indicators by Household Eligibility Status**

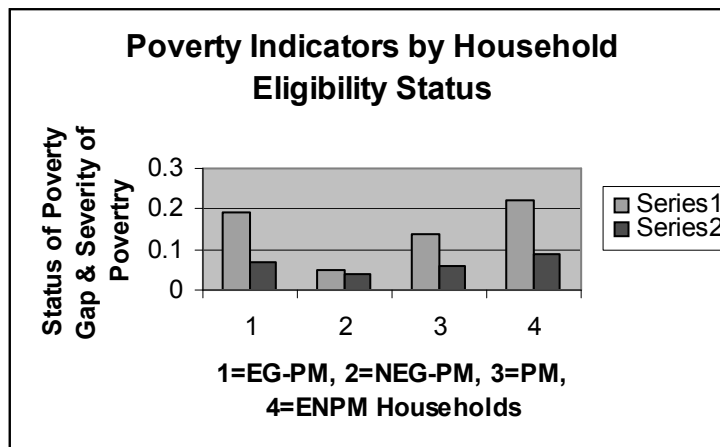
Sl. No	Poverty Indicators	PM Households			ENPM Households N=100
		EG-PM N=135	NEG-PM N=70	Total N=205	
	% below absolute poverty line				
1	( $P_o$ )	73.3	51.4	65.8	79
	% below hard core poverty line				
2	( $P_o^*$ )	52.6	28.6	44.4	62
3	Poverty depth ( $P_1$ )	0.19	0.05	0.14	0.22
4	Poverty Severity ( $P_2$ )	0.07	0.04	0.06	0.09

Source: Household expenditure survey. Poverty lines (absolute and hard core) are calculated based on cost of basic needs approach. Incidence of poverty, depth of poverty, and severity of poverty indicators, have been estimated using Foster Greer Thorebecke class of poverty index.

**Fig-A: Incidence of Poverty (absolute & hardcore) by Household Eligibility Status**



**Fig-A: Poverty Gap and Severity of Poverty by Household Eligibility Status**



**1.5 Conclusions and recommendations**

The findings of this study show that BRAC inputs have a positive impact on poverty status of the participants as well as their households but the results are not highly significant. In summarized form we can draw the following conclusions.

Findings in terms of identified poverty indicators have shown positive results. The incidence of poverty both in terms of ‘absolute’ and ‘hard core’ poverty has been found lower in EG-PM households as compared to their respective counterparts in the ENPM households.

**Table: 1.4.1-C Poverty Indicators by Length of Membership Status**

Sl. No	Poverty Indicators	PM Households			
		(Length of membership in months)			
		1-24 months N=37	25-72 N=102	Above 72 N=66	Total N=205
1	% below absolute poverty	62.2	69.6	62.1	65.8
2	% below hard core poverty	43.2	47.1	40.9	44.4
3	Poverty depth ( $P_1$ )	0.14	0.15	0.12	0.14
4	Poverty severity ( $P_2$ )	0.07	0.07	0.05	0.06

Source: Household expenditure survey. Incidence of poverty, poverty gap, and severity of poverty indicators, have been estimated using F. G. T. class of poverty index.

The proportion of households living under the ‘absolute’ poverty line has been found to be 79 per cent for ENPM households, but 73 per cent for EG-PM group, which is 6 per cent higher for ENPM households. Similarly, those living under the extreme poverty line have been estimated to be 10 percent higher for ENPM households. Similarly, depth of poverty ( $P_2$ ) and severity of poverty ( $P_2$ ) figures are higher for ENPM group.

The above findings suggest that BRAC’s micro-credit intervention has been able to lift a proportion of its members out of poverty during their decade long association with the programme. Our findings also reveal that the programme has helped to reduce the poverty gap, and the severity of poverty of the member households but the result is not highly significant.

**Recommendations :** The findings of this study have several significant implications and policy recommendations for BRAC.

#### **i) Eligibility Criterion**

According to BRAC’s official eligibility criterion, 66 per cent of our sample households belong to the eligible group (EG-PM), and 34 per cent to the non-eligible group (NEG-PM). Further, more than half (51%) of NEG-PM households who joined BRAC are below the absolute poverty line, with more than one-fourth (27%) of EG-PM households being above the poverty line (Table: 1.4.1-B). These findings reinforce Ravellion’s (1995) view that although land-based selection is a reasonably good indicator for identifying the poor, it is not perfect. Hence, we argue that a degree of discretion needs to be applied by programme officials when

granting membership. If a household has more than 50 decimals of land but is 'obviously poor', then BRAC officials ought to be encouraged to include them in its credit programme. This discussion implies that the present village organization membership selection criterion needs to be reassessed. Land ceiling seems to be an imperfect criterion for several reasons.

**Firstly**, the amount of land owned by a household may be small or large, but the effective land holding depends on several other things, which include quality and location of the land, and also on the household size. **Secondly**, the only source of livelihood of a significant number of households in the rural areas is not agriculture, rather petty trade, services and other non-farm activities. Consequently, the amount of land holding as a criterion for member selection may not be applicable to these households. **Similarly**, cut-off calorie intake or expenditure to determine who are poor might not be operationally feasible for member selection as these calculations are expensive, time consuming and require specialized technical know-how.

On the basis of our above findings based on the membership coverage and the limitations of the prevailing eligibility criterion for member selection, we recommend that new criterion should be developed to identify an eligible member more accurately. For that, along with the present criterion of land ownership, certain other criterion may have to be added to determine the real eligibility of BRAC membership, such as quality and quantity of land, earner's ratio, and wealth ranking status of households. This integrated technique may enable BRAC field-staff to make more realistic identification and incorporation of the poorest households as of village organization (VO) members for improving the coverage of the programme.

## ii) Weekly Loan Repayment Schedule

During field survey nearly one-third of the borrowers reported against the current weekly loan repayment schedule, especially those that are engaged in the long-term income earning activities which generate revenue at specific times of the year (mainly fishery, livestock, and cultivation of agricultural products like jute, paddy, banana, vegetables etc.). So, considering the revenue generation pattern of member's income earning activities, along with the current weekly installment system, BRAC should set up flexible (appropriate) repayment schedule i.e. monthly, quarterly, half yearly etc, in considering the revenue generation period of the activities where loans are invested. It will decrease the rate of dropout as well as ensure the graduation of the participants in the scheme. **In addition**, the

programme also can approve a minimum 'grace period' for the borrowers considering the revenue generation period of their credit-invested income earning activities.

### **iii) Cost of Loan**

Based on the discussion with beneficiaries and also with the BRAC officials, our study reveals that the cost of credit is extremely high, interest rates ranging from 24 per cent to 36 per cent, which is more than two times than the rate prevailing at the Commercial Banks of the country. So, if BRAC authority really wants to alleviate the poverty of the poor, providing them credit and other logistic support for income earning activities, it is necessary to immediately fix a reasonable interest rate which should be much less than the prevailing rate, and hopefully less than that of the rate charged by Commercial Banks, since the loan is weekly repayable and the repayment installment starts just after one week of loan disbursement.

### ***Bibliography***

1. Ahmed, I. (2003), "Rate of Interest in Micro-Credit Sector: Comparing NGOs with Commercial Banks", paper presented at 'International Seminar on Attacking Poverty with Micro-Credit', PKSf, Dhaka, January 8-9.
2. Ahmed, S. and M. Rafi (2000), "Non-Governmental Organizations and Evaluation: The BRAC Experience", in *Evaluation and Poverty Reduction: Proceeding from a World Bank Conference*, World Bank Operation and Evaluation Department (OED), Washington, D.C. , U.S.A.
3. BBS (2001), *Preliminary Report of the Household Income and Expenditure Survey, 2000*, Statistics Department, Ministry of Planning, Government of Bangladesh, Dhaka.
4. BBS (2002), *Bangladesh Population Census 2001*, Community Series: Khulna, Statistics Department, Ministry of Planning, Government of Bangladesh, Dhaka.
5. Bangladesh Rural Advancement Committee (1994), "Impact Assessment Study of BRAC", Research and Evaluation Division, BRAC Head Office, Mohakhali, Dhaka.
6. Gibbons, D. and H. Tood (1993), "Research on Tangail: Crucible of the Grameen Bank Approach to Poverty Reduction", Grameen Bank, Dhaka. pp. 33-37.
7. Greely, M. (1997), "Poverty and Well-being: Policy for Poverty Reduction and the Role of Credit", in Wood, G. D. and I. Sharif (eds.), *Who Needs Credit? Poverty and Finance in Bangladesh*, Zeed Books, London and New York. pp. 83-96.
8. Hossain, M. (1988), "Credit for Alleviation of Rural Poverty: The Grameen Bank in Bangladesh", Research Report No. 65, IFPRI and BIDS Joint Publication, Dhaka.
9. Hossain, M. and B. Sen (1992), "Rural Poverty in Bangladesh: Trends and Determinants", *Asian Development Review*, Vol. 10, pp.1-34.
10. Hulme, D. and P. Mosley (1996), *Finance Against Poverty*, Vols. 1 & 2, London.
11. Husain, A. M. M. (1998), "The Second IAS of BRAC's Rural Development Programme", BRAC Head-Office, Mohakhali, Dhaka-1212, pp. 29-53.
12. Johnson, S. and B. Rogaly (1997), "Microfinance and Poverty Reduction", Oxfam and ACTIONAID, 1997, UK and Ireland. pp. 10-24.
13. Kabeer, N. (1991), "Gender Dimension of Rural Poverty: Analysis from Bangladesh", *The Journal of Peasant Studies*, Vol. 18, No. 2, pp. 241-262.



14. Kalpana, K. (2004), "Microfinance—the Silver Bullet for Empowerment: Some Questions", Working Paper No.191, Madras Institute of Development Studies, India.
15. Kelkar, G., D. Nathan, and R. Jahan (2004), "We Were In Fire, Now We Are In Water: Micro-Credit and Gender Relations in Rural Bangladesh". IFAD-UNIFEM
16. Muqtada, M. (1998), *Poverty and Inequality*, UPL, Dhaka, p.59.
17. Rahman, R. I. (2000), "Poverty Alleviation and Empowerment through Microfinance: Two Decades of Experience in Bangladesh", Research Monograph No. 20, BIDS, Dhaka, pp. 67-79.
18. Ravellion, M. (1994), "The Challenging Arithmetic of Poverty in Bangladesh", Bangladesh Institute of Development Studies, Vol. 18, No.3, pp. 35-50.
19. Ravellion, M. (1995), "Poverty Comparison: A Guide to Concepts and Methods", Living Standard Measurement Study, Working Paper No. 88, World Bank, Washington.
20. Ravellion, M. and B. Bindi (1994), "How Robust is a Poverty Profile", *World Bank Economic Review*, Vol. 8, No. 1, Washington, D.C.
21. Sen, B. (1995), "Poverty: An Ordinal Approach to Measurement", *Econometrica*, Vol. 48, pp. 437-446.
22. Wood, G. D. and I. Sharif eds. (1997), *Who Needs Credit? Poverty and Finance in Bangladesh*, Zeed Books, London and New York, pp. 61-81.
23. World Bank (2000), "Evaluation and Poverty Reduction: Proceeding from a World Bank Conference", World Bank Operation and Evaluation Department, Washington, D. C., USA.
24. Zaman, H. (1996), "Micro-credit Programmes: Who Participate and What Does it Matter?" in Wood G. D. and Sharif, I. (eds), *Who Needs Credit? Poverty and Finance in Bangladesh*. pp. 231-244.