

## Poverty Reduction Through Micro-Credit

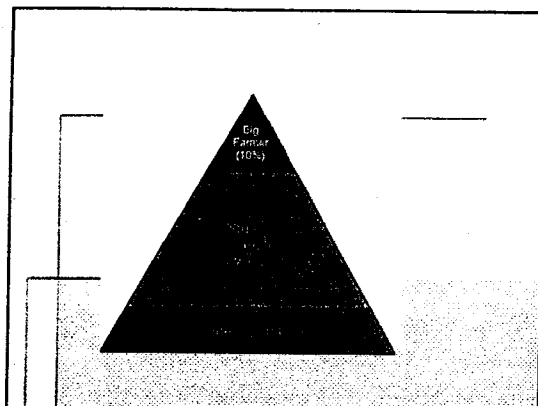
Experiences of BARD and BRDB

## Role of BARD in Poverty Reduction

(At the Initiative of Dr. Akhter Hameed Khan ICS)

- BARD was established in 1959
- Comilla Thana (Upazila) was the Social Laboratory Area for Experimentation on Poverty Reduction
- Area was Approximately 250 Km
- Characteristics of the Area:

- Densely populated with dominance of unorganized small farmers
- Farming was main occupation but highly traditional -- below subsistence economy
- Male dominated puritanical society -- women being made conservative



## Innovative Interventions in 1960s

### Development of Physical Infrastructure

Building rural communication and roads, culverts, bridges and drainage providing employment in lean periods.

Enable people participation

### Development of Administrative Infrastructure

New roles and responsibilities of local officials  
Establish coordination and cooperation among departmental agencies

### Development of Organizational Infrastructure

Establishing community organizations, village level committees, and other voluntary organizations

## Innovative Interventions in 1960s (contd.)

### Development of Irrigation Infrastructure

Utilization of surface and ground water  
Mechanization of agriculture and introduction of modern methods of cultivation of HVs of Paddy, Vegetables

### Supporting Programs

Emancipation and empowerment of rural women

Self-help groups by women (social, labor)

Family planning program

Cooperatives (for Agriculture, equipment)

Marketing (milk, food, storage, creamery etc.)

## Results

• Good communications system with land improvements developed

• TTDC established with all Govt. officials having their new roles

• Two-tier cooperatives started functioning

• Villagers/Women acted as Change Agents in development fields

• TWs/Pumps established, winter crop emerged as major crop associated to settings manufacturing units started growing

• Programs were successful and expanded into new areas

## Weaknesses

- Rich becoming richer, poor poorer
- Poor forming majority in percentage
- Participation in cooperatives became weaker and management problems cropped up
- Technologies accepted, but others showed signs of decay

### Questions Raised

- How to reach the poor?
- Is cooperative the way?

## ASARRD Builds the Concept Innovative Programs on Micro-Credit

- 16 Workshops in 8 Countries at the Initiative of FAO (Mr. J. C. Mathur, ICS)

### Major Findings

- Conventional programs had as their aim the development of the village as a whole
- Disadvantaged/Poor were by-passed from conventional programs

### Recommendations

- Poor to be formed into separate "Receiving Mechanism"
- Adjustment needed for "Delivery Mechanism" to fulfill requirements of the poor

## Field Action Project of FAO

- Agreement with Bank and Establishment of GRF for Micro-Credit for the Poor
- Identification of Poor and formation of Small Informal Groups
- Preparation of Production Plans
- Disbursement and repayment of Loans
- Formation of Village Associations
- Good performance for initial 3-5 years
- Default behaviors restricted expansion

## Other Similar Programs

- BRDB started programs Women's Program, RD-12, RD-5, RPAP, etc. (both cooperatives and informal groups)
- Grameen experimented at Jobra and expansion at Tangail and country-wide
- NGOs started with own and donor funds

## Diversity in Implementation Procedures

The diversity in the implementation procedures occurred due to variations in the conceptualization, objectives set for the program and the manpower strengths of the implementing agencies:

- Group size varies from 8-30 members
- Formation of Inter-group Associations are optional
- Repayment schedule is either weekly or at the end of the loan period
- Interest rate varies from 12.5% to 25% approximately
- Collection of loan money is done by the Field Organizer or by the group leader
- Disbursement period between the two loans varies

## Characteristics of Successful Programs

- Mostly women forming informal groups
- Disbursement based on production plans
- Repayment on weekly basis
- Disbursement and collection done by Field Organizers through weekly assembly
- Savings/loan deductions generate special funds for emergency requirements
- Daily monitoring and supervision

Accorded credit on daily basis  
Defaults are minimized through weekly assembly  
Subsequent increase in the number of group members and turning into small entrepreneurs

## Sustainability of Micro-Credit programs

- Programs like RD-12 of BRDB, SFDP of BARD were made Foundations to operate micro credit independently.
- Central Cooperative Associations and Programmes like CVDP (BARD, RDA, BRDB, Cooperative Directorates) operate credit with their own funds.
- NGOs usually take around 18 months (5 staff, 1800-2000 borrowers having 7-8m Tk. As outstanding) to achieve Break-even point. For remote areas like hillside areas, it takes around 25 months.

THANK YOU