

THE ROLE OF MICRO CREDIT TO ALLIVIAE RURAL POVERTY OF BANGLADESH: A CASE STUDY OF JAGORONI CHACRO FOUNDATION

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ABSTRACT

In the recent year poverty alleviation has become one of the burning issues worldwide. About hundred thousand million people are living under poverty line at the end of 2011 all over the world. A systematic development of a nation mainly depends on the proper alleviation of poverty. For this reason poverty alleviation have become global challenges, especially in the developing country like Bangladesh. The micro credit programme is playing a vital role in the poverty alleviation. In parallel of government of a country, many NGOs and economical institutions have initiated different activities on the basis of Microcredit programme to alleviate the poverty. In this article we have investigated the role of Microcredit to alleviate the rural poverty in Bangladesh. Our main objective in this paper is to study and analyze the activities on Microcredit programme carried out by the Jagoroni Chacro Foundation (JCF), one of the leading NGOs in Bangladesh. This paper focuses the poverty structure of the rural population (mainly women) of the country and the strategy to alleviate poverty based on the primary data.

Keywords: Micro credit, Poverty Alleviation, NGOs, JCF.

INTRODUCTION

After industrial revolution most of the world still has to challenge with the daily pain of poverty. Nearly half of the people live in poor countries with an average annual income per head of \$400 or less (Azam, 1997). Bangladesh ranks as the world's eight and Asian's fifth most populous country (Azam,1997) with a land area of only 147570 sq. km. resulting in a population density of about 961 persons per sq. km. (Population and Housing Census, 2011) which is one of the highest in the world. It is one of the poorest countries of the world where 76.9 % of the total population live in the rural areas (Population and Housing Census, 2001). About 49 % of the rural populations live below the poverty line (Fifth Five Year Plan-1997-2002).

Bangladesh is primarily an agricultural country. About 77% of the populations live in village and 75% of them is dependent on agriculture, which contribute more than half of the GDP. In recent years, Bangladesh is overwhelmingly characterized by poverty, disease, malnutrition, illiteracy, unawareness that dominates the lives of the rural poor (Alamgir, M. 1978),. The under develop ness of the rural economy of Bangladesh is reflected in the low productivity, high population pressure, underemployment, lack of work opportunities outside agriculture and the resultant deteriorating living condition of the rural poor. As Bangladesh is one of the poorest countries in the world having a per capital GDP at current market prices (in US\$) 445 (National Accounts Statistics, 2005).

In Bangladesh 60% of rural populations are functional landless, 20% do not even own their homestead. Majority of them are directly or indirectly depend on agriculture and selling labour. In addition due to the domination of the society by the rural sites most of the available resources are

owned by the upper socio-economic strata. The rural poor are victim of various kinds of oppression, deprivation and injustice. Land takes the leading role in generating rural income and its distribution. But above 60-70 percent of the household do not possess enough land to generate income for subsistence. The available findings on land holding structure showed a very twisted distribution to land and it has been associated with rise of landless and marginal farmers in the rural society. The high population growth and low level of economic activities particularly in rural areas may be identified as important causative factors for high incidence of poverty (Ahmed and Hossain, 1984).

Government of Bangladesh has given priority to the development of villages and agriculture too. However, the production-oriented development strategy which the government has been pursuing for a long time, can hardly ameliorate the problem of under employment in the rural economy. Because of a low output elasticity of demand for labour, 2.8 percent (Rahman, 1999) growth of the cereal output, which is the single major component of agriculture production in the country was associated with only 1.4% increase in demand for labour and during 1977-1982 an impressive 3.3 percent growth in the cereal production was associated with a growth in agriculture employment of only 2.1 percent per annum (Yunus, 1985). Provision of non-farm credit at a reasonable rate of interest can play a significant role in the life of rural disadvantaged group. However, the banking institutional in the country could not manage with the situation for reasons such as:

- a) The banker's preference for handling big rather than petty loans which the rural poor need.
- b) The practice of keeping collateral against loans which they can not provide.
- c) The formalities for obtaining credit that the illiterate poor find difficult to complete.

Above the circumstances, there arose a need for separate programme for the landless poor in the village areas to provide banking facilities to the rural mass and to extend a wide variety of financial assistance to rural people. The Jagoroni Chacro Foundation was established to provide loan to the rural disadvantaged group. The main object of the foundation is to extend banking facilities to the poor men and women to eliminate the exploitation of the money lenders and to create opportunities for self-employment. Jagoroni Chacro Foundation is working beside other institutions and economical agencies such as BRAC, PROSHIKA, GRAMEEN BANK, RFL, RDB etc. which are also contribute to eliminate poverty of Bangladesh.

Rational of the study

In most of the developing countries in Asia growing attention has been given for rural development during past two decades. This is because majority of the people live in rural areas where problems of poverty, inequality, unemployment etc. are increasing rapidly. The percentage of rural population is as high as 77 in Bangladesh, 95 in Nepal and above 70 in India, Pakistan and Sri-lanka. The socio-economic background and population problems have prompted policy makers to take up specific rural development programme in order to improve quality of life of vast majority of the rural poor who have not been benefited from the general development programme (Akter, 1996). Though there is some positive in respect of farm productivity and overall economic growth rate in some developing countries, nevertheless, the extent of poverty, inequality, landlessness and unemployment have been become widespread in many countries. With a low level of income and pervasive poverty the development priorities in Bangladesh increasingly focus on efficient growth policies and provision of basic services to the poor.

The factors that create and perpetuate involve a number of dimension e.g. skewed distributions of assets and land, exploitative land tenure systems, inequitable access to and control over new technology in irrigation, inadequate employment opportunities, low labour productivity and wage rates, low growth and unequal distribution of growth benefits, under developed physical infrastructure and lack of access to basic social services credit and off-farm activities. Within the general framework, poverty alleviation strategies in the country put emphasis on accelerated growth generation of productive employment human resources development and increased self-reliance.

Economic growth is recognized as fundamental to development but not to reduce poverty (Asaduzzaman and Akter, 1990). In order to ensure the access of the poor to employment and basic social services, the growth-oriented strategies need to be supported by direct attacks on poverty.

Therefore, self-employment creation through a credit led strategy in the rural area can play a significant role in reducing the rural unemployment and acute poverty. The project oriented lending programmes and policies of rural credit project department in Bangladesh could play a crucial role in creation of self-employment opportunities in the country if they were implemented and pursued with commuted determination. The JCF, a famous innovative credit institution has been making a unique contribution in the creation of productive self-employment for the poorest of the poor in the rural area of the country. So, we have selected this area for study.

OBJECTIVES & SCOPE OF THE STUDY

The overall of the study will be to evaluate the role of Jagoroni Chackra Foundation in alleviating poverty. The specific objectives are as follows:

- a) To assess the importance of poverty alleviation.
- b) To study the socio-economic background and other characteristics of the rural poor.
- c) To suggest appropriate policies for effective use of bank financing for poverty alleviation.

Purposefully, only one district (out of 64) in Bangladesh viz. Jessore has been selected for the purpose of this study. Again, out of total number of 300 branches all over the Bangladesh (up to December 2010) only one branch Bagher para is selected for this study. It is presumed that these areas will represent the whole of Bangladesh. Moreover, easier communication facilities, concentration of bank branch within reasonable zone and nearness of the area have also influences us to select this area for this study. Further, coverage of all areas of the country obviously demands more money, materials and men which an individual researcher could ill afford. Therefore, we have a reasonable excuse to justify our action in the matter of selection of the study area.

LIMITATION OF THE STUDY

The study is not assumed free from limitations. Few limitations are pointed out below:

- a) It would have been better if data could be taken from larger sample than what has been considered here.
- b) It would have been better if data could be taken from all the poverty alleviation activities in rural areas in our study.
- c) The majority of the loanee respondents do not maintain any record to their income, expenditure, particulars of bank loans etc. So, they depend on their memories, which made our investigations limited.

METHODOLOGY

The information of this article basically has collected from primary source which is collected through personal interview from the selected members and the bank personnel. The necessary information has been collected from the head office and sample branch of the study areas of JCF. Moreover various books, journal and other publications related with micro credit were used for collecting other information. In this article I would try to follow the appropriate methodology to obtain the necessary primary data and analyze them in the light of desired objective of the study.

Jagoroni Chacra Foundation: A Leading NGO in Bangladesh

Jagoroni Chacra Foundation (JCF), one of the leading NGOs in Bangladesh is a well known social-welfare organization which was run in 1976 with multipurpose social activities. But micro credit activities of this organization have been begun since 1991. Now it has become famous as micro credit institution all over of Bangladesh. It achieved the best micro credit organization -2010 in Bangladesh.

It is working with 46 projects. But the most popular project of JCF is micro credit .This organization consists of one executive director, two deputy director, project director, area manager, branch manager and field officer. The micro credit activities guided by JCF is being carried out within 27 districts out of 64 (up to December 2010) in Bangladesh where 3 lacks members most of which are women are involved with this activities and the running capital is BDT 3000 millions.

The selected branch Bagher para in Jessore district is operating with 1625 members (up to December 2010) almost all of them are women. These members are included in 97 somity. Currently this branch is operating its activities with principal capital BDT 30 millions. It is maintained mainly by the branch manager who performs his works with seven field officers and one peon (up to December-2010). Many research have been carried out by several authors. Nahar (2006) carried out her research taking into account about 400 selected members but we have selected only 130 members out of 1625 members to prepare this article. The details analyses are presented in the following. All the field data provided here have been collected from January 2010 to December2010.

Educational background of the respondent

Education is the backbone of a nation. It is vital matter to alleviate poverty. To develop the socio-economic condition it is a crucial instrument.

Table 1(a). Educational background of the respondent

Level of education	No. of respondent	Percentage
Illiterate	1	.77
Can sign only	62	47.69
Primary level	38	29.23
Junior high school	22	16.92
High school	5	3.85
Above	2	1.54
Total	130	100

Source: Field study (January 2010 to December2010.)

The Table 1(a) shows the educational background of the sample respondent. It shows that .77 % is illiterate, 47.69 % can sign only their name, 29.23 % got primary level, 16.92 % received junior high school level, 3.85 % got high school education and only 1.54 % got secondary above secondary level. From this data it appears that the level of education of JCF loanees are not yet to be satisfactory and so, because the rural poor are unable to change their fortune smoothly.

Age-wage distribution of respondent

The age of an individual respondent is perhaps an important factor for motivating her in accepting anew and challenging venture. An early entry surely gives her the scope for development over a long period but late comer gets a few opportunities.

Table 1(b). Age-wage distribution of respondent

Age group(years)	No. of respondent	Percentage
20-30	15	11.54
31-40	40	30.77
41-50	55	42.31
51 and above	20	15.38
Total	130	100

Source: Field study (January 2010 to December2010.)

The Table 1(b) indicates that 11.54% loanees' age lies between 20-30, 30.77% whose age lies between 31-40, 42.31% are 41-50 and 15.38% age are 51 and above. It shows that large part of loanees belongs to the age group ranging from 41-50 year and small part is 20-30 year .It is obviously clear that the loanees from JCF are able to change their present economical status.

Marital status of the respondent

JCF delivers loan to the needy class people, who are may be Married, Unmarried, Divorced and Widow .the following table shows the marital status of the respondent.

Table 1(c). Marital status of the respondent

Groups	No. of respondent	Percentage
Unmarried	00	00
Married	115	88.49
Divorced	3	2.31
Widow	12	9.23
Total	130	100

Source: Field study (January 2010 to December2010.)

Above the table 1(c) shows that 88.49% respondent are married 2.31 % are divorced and 9.23% are widow. There are no unmarried respondent in the study. It cleared that unmarried rural women are not in a position to conduct trade or business because they have to abide by cultural and religious practices of the society.

Time required for getting loan

For the effective utilization of credit, it is possibly necessary to use the required amount of credit in time .Non timely credit makes a man inefficient. Below the table present the timing of JCF loan dispass.

Table 1(d). Time required to get loan

Days	No. of respondent	Percentage
1-7	85	65.38
8-15	35	26.95
15 and above	10	7.69
Total	130	100

Source: Field study (January 2010 to December2010.)

The Table 1(d) shows that the time gap between submission of proposal and receipt of the amount from 1-7 days of 65.38 %, 8-15 days of 26.95 % and 15 and above days of 7.69 % respondent. It is clear that the respondent receive the loan in timely.

Amounts spent in taking loan

Loans are to be incurred cost for purchasing of passbook, revenue stamp traveling expenses etc.

Table 1(e) Amount spent in taking loan

Expenses(Taka)	No. of respondent	Percentage
1-10	68	52.31
11-15	37	28.46
16 and above	25	7.69
Total	130	100

Source: Field study (January 2010 to December2010.)

The Table 1(e) shows that majority respondent that is 52.31 % spent about 10 taka , 28.46 % spent 11-15 taka and 7.69 % respondent spent 16 and above taka for getting loan from JCF. It is cleared that the amount of expenses for receiving loans is not so significant.

Payment of installment

The repayment of borrowed money along with interest according to the agreed schedule is an indication about the improvement in the financial health of the respondent.

Table 1(f) Payment of installment

Payment of installment	No. of respondent	Percentage
Regular	127	97.69
Irregular	3	2.31
Total	130	100

Source: Field study (January 2010 to December2010.)

The Table 1(f) shows that the respondents found to be very much sound in experience loan repayment culture. The data provide an indication that there is a positive influence of JCF operation on strengthening the credit repayment ability of the respondents through a marked improvement in their income.

Income of respondent before and after joining JCF

Income status is the important measurement of the respondents' economical condition. The table shows the economical positions respondents before joining and after joining the JCF.

Table 2(a). Income of respondent before and after joining JCF

Monthly income size	Before joining JCF		After joining JCF	
	No. of respondent	Percentage	No. of respondent	Percentage
Below-3000	22	16.92	0	0
3100-3500	53	40.77	8	6.15
3600-4000	23	17.69	16	12.31
4100-4500	16	12.31	78	60.00
4600-5000	8	6.15	22	19.92
5100-5500	5	3.85	4	3.08
5600-6000	3	2.31	2	1.54
Total	130	100	130	100

Source: Field study (January 2010 to December2010.)

The table 2(a) shows most of the respondent's that is 40.77 percentage monthly income are 3100-3500 before joining the JCF But after joining the JCF majority respondents income changes positively. Here 60 percent respondent income is 4100-4500 taka per month. It is cleared that the change of income pattern of receiving loans from JCF is so significant.

Occupation of respondent before and after joining JCF

It is a vital object of the JCF to assist the unemployment and under employment rural poor particularly women to find employment for themselves by undertaking with JCF financing, income generating activities that they are familiar with. It has been observed that by taking financial aid from JCF, the loanees are able to create employment sectors and upgrade their present occupation.

Table 2(b). Occupation of respondent before and after joining JCF

Occupation	Before joining JCF		After joining JCF	
	No. of respondent	Percentage	No. of respondent	Percentage
Housewife	70	53.85	46	35.38
Self-employed	40	30.77	60	46.15
Housewife and Self-employed	20	15.38	24	18.46
Total	130	100	130	100

Source: Field study (January 2010 to December2010.)

The Table 2(b) shows the occupations of the respondent before and after Joining the JCF. It shows that out of 130 respondents 53.85 percent was unemployed house wife. The next comes to self-employed which for 30.77 percent followed by housewife and self-employed 15.38 percent. However, after bank financing the occupational structure has undergone significant changes. Now self employment in the major occupation which accounts for 46.15 percent following by housewife and self employed 18.46 percent of the total loanees only 35.38 percent are exclusively engaged in household affairs. Therefore, it can be said that change in occupation is significant after JCF financing.

Capital of respondent before and after joining JCF

In our country JCF provides loan in various sectors. The destitute class people utilize these loans and create a capital fund after release JCF loan.

Table 2(c). Capital of respondent before and after joining JCF

Capital size (Taka)	Before joining JCF		After joining JCF	
	No. of respondent	Percentage	No. of respondent	Percentage
0-10000	35	26.92	8	6.15
10000-15000	52	40	20	15.38
15000-20000	30	23.08	56	43.08
20000-25000	9	6.92	30	23.08
25000 and above	4	3.08	16	12.31
Total	130	100	130	100

Source: Field study (January 2010 to December2010.)

The Table 2(c) represents that more than 26.92 percent of the total loanees had capital up to taka 10000 before joining JCF 40 percent, 23.08 percent, 6.92 percent, and 3.08 percent of the total loanees had capital 10000-15000, 15000-20000, 20000-25000 and 25000 and above respectively. But after taking the loan of JCF only 6.15 percent of the total respondent capital up below taka 10000 and

15.38 percent capital range are TK. 10000-15000, 43.08 percent capital range are TK 15000-20000, 23.08 percent capital range are TK 20000-25000 and 12.31 percent capital range are TK 25000 and above. It is obvious that, the loanees' capital has increased after joining JCF.

Sources of drinking water

Pure drinking water is an essential requirement to ensure safe living. So, attempt was made to know the sources of drinking water of the respondent before and after the use JCF loan.

Table 2(d) Sources of drinking water before and after the use JCF loan.

Sources	Before joining JCF		After joining JCF	
	No. of respondent	Percentage	No. of respondent	Percentage
Public tube-well	60	46.15	16	12.31
Neighbor's tub-well	32	24.62	12	9.23
Personal tube-well	38	29.23	102	78.46
Total	130	100	130	100

Source: Field study (January 2010 to December2010.)

Table 2(d) shows that before legislations of loan 46.15 percent of the respondents used public tube-well water, 24.62 percent depend on neighbor's tube-well water and the remaining 29.23 percent relied on personal tube-well water. This position has been changed through the JCF operation. After the use of JCF loan, the users of own tube-well water increased from 29.23 percent to 78.46 percent and percentage of public tube-well water users decreased from 46.15 percent to 12.31 percent. The use of neighbors' tube-well water decreased from 24.23 percent to 9.23 percent. This bears the imprint of qualitative sign development in the living standard of the respondent.

Nature of latrine

For healthy living standard the use of scientific latrine is indispensable. People use sanitary latrine when their health consciousness increases along with an improvement in their financial position.

Table 2(e). Nature of latrine of the respondent before and after joining JCF

Nature of latrine	Before joining JCF		After joining JCF	
	No. of respondent	Percentage	No. of respondent	Percentage
No latrine	44	33.85	0	0
Open latrine	58	44.62	16	12.31
Sanitary latrine	28	21.53	114	87.69
Total	130	100	130	100

Source: Field study (January 2010 to December2010.)

Table 2(e) presented that 0 of total loanees had no latrine before taking loan. Only 21.53 had sanitary latrine and 44.62 percent used open latrine which is unhygienic and pollute the environment. After taking loan from JCF all the loanees who had no latrine before joining JCF, they have come under sanitation system. After taking loan from JCF, sanitation system has increased by 66.16 percent than that of before joining JCF As a result numbers of open latrine used are decreased by 32.31 percent than that of before taking loan from JCF. Thus the use of JCF loans appears to have made favorable impact of the use of lavatory by the respondent.

Assets of respondent before and after joining JCF

It is usually claimed JCF has been working in Bangladesh to improve the economic condition of the rural disadvantage groups. View of this assertion, attempt was made to know the other assets of the respondents.

Table 3. Assets of respondent before and after joining JCF

Nature of assets	Before joining JCF				After joining JCF			
	No. of respondent		Percentage		No. of respondent		Percentage	
	Yes	No	Yes	No	Yes	No	Yes	No
Domestic animals	72	58	55.38	44.61	93	37	71.54	28.46
Transport	36	94	27.70	72.31	86	44	66.15	33.85
Plantation	45	85	34.62	65.38	98	32	75.38	24.62
Other assets	58	72	44.62	55.38	108	22	83.08	16.92
Total	130	130	100	100	130	130	100	100

Source: Field study (January 2010 to December 2010.)

The Table 3 shows the other assets of the respondents before and after taking loan from JCF. Here shows before joining JCF, 55.38 percent 27.70 percent, 34.62 percent, 44.62 percent. On the contrary, after joining JCF and utilization of its loans this position has been changed. The data reveals that the percentage of domestic animals has increased from 55.38 percent to 71.54 percent, transport 27.70 to percent to 66.15 percent, plantation 34.62 percent to 75.38 percent, and other asset 44.62 percent to 83.08 percent respectively. Thus, the use of JCF loans appears to have made a favorable impact on assets possession by the respondent.

DISCUSSION AND CONCLUSION

The concept of Microcredit was first initiated in 1976 as a project of Microcredit movement by Mohammad Yunus who is known as the father of microcredit theory. But the systematic development started in 1983 by initiating a new specialized bank for the poor named as *Grameen Bank*. For the successfully activities of microcredit, Mohammad Yunus and his Grameen Bank got Nobel prize in 2006. Due to the success of Microcredit programme in poverty alleviation, it has become the global challenge in the present research on economics. In parallel to Grameen Bank, Government of Bangladesh and many NGOs such as Jagoroni Chacro Foundation, BRAC, Prosheka, Bachtasheka, Rural Reconstruction Foundation, Bangladesh Rural Development Board, etc. have been continuing their activities on Microcredit programme. This programme in Bangladesh reached over 18 million poorest clients by the end of 2004 (Latifee, 2006). The intensity and density of microcredit is greater in Bangladesh than in any other countries in the world. In 2010, JCF awarded the best microcredit institution in Bangladesh for their successful activities on microcredit.

On the basis of the data provided in the tables, we investigated that JCF showed a tremendous success in the alleviation of the poverty especially in the area in Bangladesh. It can be concluded that this programme may bring a fruitful result if most of the rural poor women can be included in the Microcredit programme. On the basis of the findings in this study, the following conclusions and recommendations may be drawn:

1. JCF include their micro credit activities more and more early agar women. So, the early agar can get large opportunities from in long time.
2. Unmarried women should include in their micro credit activities. So that they can be solvent in economically.
3. JCF should more working to increase social consciousness.

Finally women are playing a vital role in the economy of our country, so we need to ensure economically solvency of women in Bangladesh.

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