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## Poverty alleviation through micro-credit: Evidence of BRAC credit program

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### Abstract

The paper presents the extent of poverty alleviation through micro-credit of Bangladesh Rural Advancement Committee (BRAC) women beneficiaries in upgrading their economic and social status. The study was conducted three villages in Birampur upazila under Dinajpur district. Out of 442 populations, 88 women beneficiaries were randomly selected which constituted the sample. Data were collected during 20th February to 20th March, 2009 using interview schedule. Coefficient of correlation(r) was computed in order to explore relationship between the selected characteristics of the women beneficiaries and their poverty alleviation. Only 4.5% population had high poverty alleviation while the highest proportion (61.4%) of the women had moderate poverty alleviation in participating BRAC micro-credit activities. The findings showed that age, family size and duration of involvement with BRAC had no relation with their poverty alleviation. Education, farm size, family income, Cosmo politeness, availability of BRAC micro-credit and attitude towards BRAC had positive relationship with their poverty alleviation. New loan is not issued until final repayment of installment as identified by the beneficiaries as the main problem.

**Keywords:** Poverty alleviation, Micro-credit, Women beneficiaries

### Introduction

Women have made important contributions in almost every aspects of our society from the time immemorial. About half (49 percent) of the population of Bangladesh is women among them 45.6 percent are associated with the farming community for their social development (BBS, 2006). However, with the great declining of the socio-economic situation of the country the women are breaking through the traditional norms and coming forward to participate in the development activities outside their homestead (Miah et al., 2002). In a poverty stricken country with a big population, Bangladesh has been suffering from slow growth of development. In this situation, to accelerate the growth of development, comprehensive participation of women is required in every sphere of development process. Considering the importance of the problems, not only the government but also the NGOs have given top most priority for achieving the goal by poverty alleviation as well as natural development programs (Yunus, M. 1987). As women constitute almost half of the total population, where male: female is 105.4: 100 of Bangladesh (BBS, 2006). The overall development of country cannot take place without massive participation of the women in development efforts. Empirical evidence shows that the women have little access to employment, income earning opportunities, leadership and decision making. As social custom, Bangladesh women are dominated by men in all spheres of their living. In her work on poverty in Bangladesh, Lovell (1991) states that women are affected by poverty. They have little or no access to people or positions of influence. Most of the women in Bangladesh own very small land holding. They have to utilize their scarce resources. For this purpose, they have to develop some homestead enterprises to generate some additional income. For this purposes they need some financial and technical assistance. BRAC works in Bangladesh at the grass-root level for the socio-economic development and employment generation. BRAC tries to improve the socio-economic condition of the women by providing credit, training and other necessary supports. The findings of this study are expected to be useful to the researchers, planners and policymakers, extension workers and beneficiaries of BRAC and similar NGOs and other personnel who are concerned with the socio-economic improvement and social enlistment of the women. Considering the above demand, the study was undertaken with the following objectives:

- to find out the extent of poverty alleviation through micro-credit as perceived by the BRAC women beneficiaries; and
- to identify the problems faced by the BRAC women beneficiaries in receiving and utilizing the micro-credit.

## Materials and Methods

This study was conducted at the area of BRAC, Benail union in Birampur upazila under Dinajpur district. This union consists of 27 villages. The women beneficiaries in these villages who received credit from BRAC constituted the population of the study. Out of these 27 villages, 3 villages ( Achintopur, Ayra and Mondira ) were selected as the sample area of the study. There were about 442 women beneficiaries in these villages who were involved with BRAC credit programme. From the total population (442 women beneficiaries) 20% i.e. eighty-eight women beneficiaries were selected as the sample size. A reserve list of 10 women beneficiaries was also prepared which could be used if any selected respondent was not available for interview. The distribution of population and sample women beneficiaries of BRAC credit programmwe are shown in Table 1.

**Table 1. Population Distribution of BRAC credit programme**

Sl. No.	Name of village	Number of women beneficiaries of BRAC credit programme	Number of women beneficiaries included in the sample	Number of women beneficiaries included in the reserved list
01.	Achintopur	162	32	4
02.	Ayra	116	23	3
03.	Mondira	164	33	3
	Total =	442	88	10

With the help of final interview schedule and focus group discussion, data were collected from 88 women beneficiaries. All possible efforts were made to get valid and pertinent information from them. The women beneficiaries who were interviewed during pre-test of the schedule were excluded from the sample. Qualitative data were converted into quantitative forms by assigning suitable score whenever necessary. Statistical measures such as number, percentage, range, mean, rank order and standard deviation were used in describing the selected dependent and independent variables. Data were then coded into a master coding sheet. These were then compiled and analyzed in accordance with the objectives of the study. The first dependent variable "poverty alleviation through BRAC micro-credit programme" was measured by using some statements/items related to the improvement of living standard of BRAC women beneficiaries. The poverty alleviation scores of all the respondents could range from 0 to 45, where zero(0) indicated no poverty alleviation and 45 indicated high poverty alleviation. The positive and negative statements were arranged randomly in the interview schedule so that the respondent's real attitude could be reflected. The attitude score of a respondent was computed by adding her scores for response to all the statements. Thus, the possible scores could range from 0 to 32 when 0 indicating highly unfavorable attitude and 32 indicating highly favorable attitude towards BRAC. In studying relationship between variables, research hypotheses are formulated which stated anticipated relationship between the variables. Tables were used to find out the meaningful result. In order to explore the relationships between the poverty alleviation of women beneficiaries through BRAC micro-credit programme and the selected independent variables, co-efficient of correlation ( $r$ ) was measured. Five percent (0.05) level of significance was used as a basis for rejecting any null hypothesis. For statistical test it becomes necessary to formulate null hypotheses.

## Results and Discussion

Findings of the study and their interpretations have been conveniently presented according to the objectives of the study and discussed in relation to other similar studies whenever applied.

**Table 2. A summary of salient feature of the selected characteristics of the BRAC women**

Selected characteristics	Measuring Unit	Range		Categories	Respondents		Mean	Standard deviation
		Possible score	Observed score		No.	%		
Age	Year	-	8-40	Young(Up to 30 years) Middle	68	77.27	27	5.311
				Middle aged (31-45 years)	20	22.72		
				Old aged (Above 45 years)	0	0.00		
Education	Year of Schooling	-	0.5-10	Can sign only	45	51.1	3.017	3.053
				Primary level(Class i-v)	28	31.8		
				Secondary level (Class vi-x)	15	17.05		
Family size	Number	-	3-7	Small family (up to 4)	49	55.68	4.54	0.842
				Medium family (5-6)	38	43.18		
				Large family (Above 6)	1	1.13		
Farm size	Hectare	-	0.0041-0.6138	Marginal (up to 0.1 hac)	29	33.0	0.233	0.180
				Small (0.11-0.5 hac)	52	59.0		
				Medium (0.51-1 hac)	7	8.0		
				Large (Above 1 hac)	0	0.0		
Family income	Thousand Tk.	-	21-81	Small income (up to 40)	37	42.0	46.25	14.45
				Medium income (41-60)	35	39.8		
				Large income (61- and above)	16	18.2		
Cosmopoliteness	Scale score	0-24	3-9	Low cosmopoliteness (up to 5)	47	53.4	5.59	1.558
				Medium cosmopoliteness(6-10)	41	46.6		
				High cosmopoliteness (Above 10)	0	0.0		
Availability of BRAC micro-credit	Thousand Tk.	-	5-13	Low availability (up to 5)	8	9.1	8.704	2.150
				Medium availability (6-10)	65	73.9		
				Large availability (Above 10)	15	17.0		
Duration of involvement with BRAC	Year	-	2-4	Short duration (up to 2)	12	13.6	3.193	0.658
				Medium duration (3-4)	76	86.4		
				Long duration (Above 4)	0	0.0		
Attitude towards BRAC	Scale score	0-32	14-23	Unfavorable attitude (up to 15)	5	5.7	18.89	2.00
				Undecided attitude (16)	4	4.54		
				Favorable attitude	79	89.77		

### Selected Characteristics of the BRAC Women Beneficiaries

The age of the women beneficiaries found from 18 to 40 years with an average of 27 and a standard deviation of 5.311. The highest portion 77.27 percent of the women were young aged and 22.72 percent of them were middle categories. These young and middle aged respondents have potentials and energy to uplift their living standards. If they are trained, motivated a guide properly they would be able to fight against the poverty. About 100 percent respondents are literate, whereas the national adult literacy rate is 58.5 percent (Anonymous, 2003). It may be mentioned that among other programmes under BRAC, it has literacy programme which tries to enhance a general advancement in literacy level of their member. The highest proportion 55.68 percent is small family category compare to 43.18 percent medium and only 1.13 percent is large family size category. It is a sign of awareness of the respondents regarding family planning and controlled family. Family income highest proportion 42 percent of the respondents had small income while 39.8 percent had medium and rest 18.2 percent had large income. The findings indicating most all of the respondents are small or medium family income. Availability of BRAC micro-credit found that that most of the respondents (73.9 percent) were medium credit availability while 17 percent were large and 9.1 percent were low credit availability. It was found that most of the respondents were small to medium income and medium duration of involvement with BRAC. So majority (73.9 percent) of the respondents were medium credit recipient. Duration of involvement with BRAC ranged from 2 to 4 years with average on 3.193 years and standard deviation of 0.658. Data presented in Table 2 show that 86.4 percent of the respondents had medium length duration and rest 13.6 percent had short duration where there is no long duration of involvement with BRAC. The study found that 5.7 percent of the respondents had unfavorable attitude where as 89.77 percent of them having favorable attitude towards BRAC and remaining 4.5 percent of them had undecided attitude towards BRAC. Existence of favorable attitude among the larger portion of the BRAC women beneficiaries indicates a positive impact of the client's participation in BRAC activities. Findings in respect of poverty alleviation of women beneficiaries through BRAC micro-credit programme is the dependent variables which are presented in Table 3.

### Extent of poverty alleviation through micro-credit programme

Poverty alleviation measured the improvement of standard in living. Fifteen items were selected to determine the improvement in the standard of living. The minimum possible poverty alleviation score that a rural woman could obtain was 0 and the highest was 45. The observed over-all poverty alleviation scores, however, ranged from 9 to 33 with an average 18.568 and standard deviation 6.771. The rural women were classified into three categories on the basis of their extent of poverty alleviation scores as shown in Table 3.

**Table 3. Classification of the women beneficiaries according to their extent of poverty alleviation**

Measuring unit	Range		Categories	Respondent		Mean	Standard deviation
	Possible score	Observed score		No.	%		
Scale score	0 - 45	9 - 33	Low poverty alleviation (up to 15)	30	34.1	18.568	6.771
			Moderate poverty alleviation (16-30)	54	61.4		
			High poverty alleviation (Above 30)	4	4.5		

Based on findings the Fig. shows that the scores women beneficiaries were classified into three categories, "Low poverty alleviation (up to 15)", "Moderate poverty alleviation (16-30)" and "High poverty alleviation (Above 30)". Table 3 showed the that the highest proportion (61.4 %) of respondent rural women had medium poverty alleviation. whereas 34.1% respondent had low poverty alleviation and only 4.5% respondent had high poverty alleviation. Thus 95.5% of the rural women had medium to low poverty alleviation and BRAC has a significant place and is an important means of attaining this improvement. For better understanding, below figure may be seen.

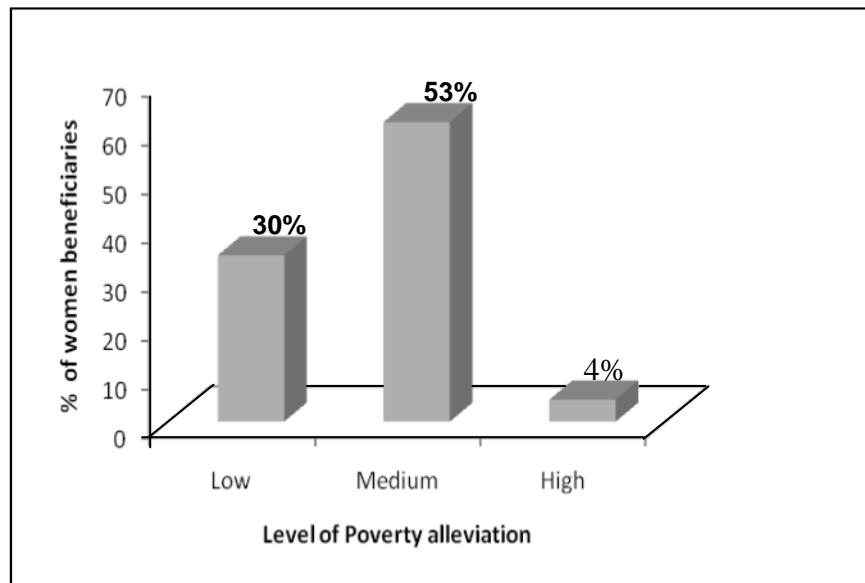


Fig. 1. Extent of poverty alleviation of women beneficiaries in participating BRAC micro-credit activities

### Relation between Socio economic and Poverty Alleviation of Women Beneficiaries

The relationship has been described in 9 subsections and each dealing with the relationship of one of the nine characteristics of the women beneficiaries and their poverty alleviation. Five percent (0.05.) level of significance was used as the basis for acceptance or rejection of any hypothesis. Thus computed values of correlation co-efficient ( $r$ ) were compared with the relevant tabulated values in order to determine whether there is any relationship between the respondents selected characteristics and their poverty alleviation. The summary of the result of correlation analysis has been presented in Table 4.

**Table 4. Relation between the selected characteristics of women beneficiaries and their poverty alleviation**

Dependent variable	Independent variables	r-value
Extent of Poverty Alleviation Through Micro-credit Programme	Age	0.0784 NS
	Education	0.4863**
	Family size	0.0702 NS
	Farm size	0.8773**
	Family income	0.8307**
	Cosmopoliteness	0.6409**
	Credit availability	0.4647**
	Duration of involvement with BRAC	0.0736 NS
	Attitude towards BRAC	0.4811**

NS = Not significant

N = 88

\* = Significant at 0.05 level of probability

Tabulated value of "r" with 86 d.f.

\*\* = Significant at 0.01 level of probability

0.05 level = 0.210

0.01 level = 0.273

In order to determine the relationships between selected characteristics of the women beneficiaries with their poverty alleviation, hypothesis was advanced and tested. Correlation analysis indicated that rural women's education, farm size, family income, Cosmo politeness, availability of BRAC micro-credit and attitude towards BRAC had significant and positive relationship with their poverty alleviation whereas age, family size and duration of involvement with BRAC had no significant relationship with their poverty alleviation. Most (77.27 percent) of the rural women were young aged, while age of rural women had no significant relationship with their poverty alleviation. About half (51.1 percent) of the women could sign only. The majority (92 percent) of the respondents had small to marginal farm size which had significant positive relationship with their poverty alleviation. The majority (42 percent) of the respondents had low income compared to 39.8 percent had medium family income. Family income of the rural women and their poverty alleviation showed significant positive relationship. Most (92.04 percent) of the rural women had low Cosmo politeness and it showed significant positive relationship with their poverty alleviation. Majority (73.9 percent) of the respondents had medium credit availability and had significant positive relationship with their poverty alleviation. The respondents having favorable attitude towards BRAC were more likely to have higher poverty alleviation and had significant positive relationship with their poverty alleviation.

### Problem faced by respondents

During data collection, the women beneficiaries were asked to mention the problems they faced in receiving and utilizing the micro-credit. The problems mentioned by the respondents are arranged in rank order to number of responding beneficiaries and presented in Table 5.

**Table 5. Problem faced by the participant's respondents**

Sl. No.	Problems	Respondents			Weight Score	Rank order
		1	2	3		
1	New loan approved after final repayment of installment previous loan	60	22	18	242	1
2	Lack of Credit Received on time	21	55	24	197	7
3	Lack of proper utilization of loan	35	40	25	210	6
4	Lack of credit ceiling	41	40	19	222	3
5	Religious prejudices	39	37	24	215	4
6	High interest rate	36	41	23	213	5
7	Amount of loan depends on the savings of the respondents	51	21	28	223	2

N.B: Strong agree=1, Agree=2, Not agree=3

Source: Field survey 2014

Here the Table 5 mentioned that among those problems "New loan is not issued until final repayment of installment (*Kisti*)" ranked first. "Not getting credit at the time of need" ranked second. "Failure to proper use of loan" was the third ranking problem. "High rate of interest" was the least stated problem among the ten problems.

## Conclusion

Due to participation by the rural women in BRAC micro-credit activities, better changes leading to their poverty alleviation were taken place in different characteristics in varying extent (Sarker, A.K. 2002). Three characteristics items were most important in this connection, these were i) improvement of housing condition, ii) improvement of family health and housing sanitation and iii) change in food habit. It may, therefore, be concluded that such a situation claims to be promising and BRAC has been successful in matter of poverty alleviation of the rural women. An overwhelming majority (95.5 percent) of the women beneficiaries belonged to either medium or low poverty alleviation category. Only 4.5 percent of the women beneficiaries had high poverty alleviation. Thus it may be concluded that low and medium poverty alleviation categories need to be converted to high poverty alleviation category as far as possible. As larger portion of the rural women are young aged, it may be necessary to give some importance to the rural women. The BRAC women beneficiaries having more education were likely to have more poverty alleviation because educated women were more aware to uplift their socio-economic condition. Therefore, education would be difficult to eradicate poverty alleviation of the rural women, if they are not go for, increasing literacy programme among the rural women. Cosmo politeness of the rural women had significant relationship with their poverty alleviation. It may, therefore, be concluded that more Cosmo politeness of women leads to more poverty alleviation. The findings also indicated that women with more credit had more income than those with less credit. They invested more credit in their self employment opportunities and get more return from those .Availability of credit of the women beneficiaries had positive significant relationship with their poverty alleviation. Therefore, it may be concluded that, there is a scope to increase poverty alleviation by increasing availability of credit. The respondents having favorable attitude towards BRAC were more likely to have higher poverty alleviation. It may, therefore, be concluded that motivational work and various training programmes may increase favorable attitude towards BRAC.

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