



Impact of BRDB Micro-credit towards Uplifting Social Status of the Beneficiaries

R. D. Sarker¹, M. S. Ali², M. R. Islam² and M. M. Alam^{2*}

¹Bangladesh Rural Development Board (BRDB), Dhaka, Bangladesh

²Department of Agricultural Extension & Information System, Sher-e-Bangla Agricultural University, Dhaka, Bangladesh

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Correspondence to

*E-mail: mmahbulbul_22@yahoo.com

Abstract

The specific objective of the study was to determine the impact of BRDB micro-credit towards uplifting the social status of the beneficiaries measured by computing change in 'income', 'food consumption', 'housing unit', 'drinking water source and toilet condition', and 'family asset'. Attempts were also made to determine and describe ten selected profiles of BRDB beneficiaries, and to explore the relationship between these profiles and impact of micro-credit. This study also identified the problems faced by the beneficiaries in receiving and utilizing micro-credit. The study was conducted at Naikhongchhari in Bandarban district of Bangladesh. The findings indicated that most (60%) of the respondents could change their socio-economic status to medium scale compared to 38% in low and 2% in high scale after involvement with BRDB micro-credit programs. Beneficiaries' education, farm size, organizational participation with BRDB, yearly savings, credit received and attitude towards BRDB micro-credit had positive and significant relationship with the impact of BRDB micro-credit while age, family size, credit utilization, credit recovery procedure had not any significant relationship with the impact of micro-credit towards uplifting the social status of the beneficiaries. On the basis of the Problem Facing Index (PFI) 'do not get current credit when any one of them did not repay previous loan' was ranked first followed by 'insufficient amount of credit' whereas 'decisions taken based on nepotism' was ranked last.

Keywords

Micro-credit, credit, social status

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1. Introduction

Bangladesh Rural Development Board (BRDB) is the premier rural development organization of the country. It is semi-government in nature and has been trying to improve the well-being of the rural people through institution buildings, human resources development, transfer of technologies and capital formation, etc. It deals with the landless people, the disadvantaged class of the society who are forced to live in the rural society and exploited. The board has also made substantial contribution to increase agricultural production, poverty alleviation through productive employment and income generation and social service improvement. In doing so, many activities like poultry and livestock rearing, fisheries, social forestry, vegetables and crop cultivation, small industries, etc. are being encouraged by the BRDB with the help of micro-credit.

Micro-credit is a special type of banking system innovated by Professor Dr. M. Yunus, Founder of Grameen Bank, Bangladesh that provides small amount of credit without collateral in group based approach to the poor for creating self-employment. Micro-credit can be profitable both for its customers and its providers; it is a business opportunity itself for bankers and not depends on donor assistance (Harper, 1998). It is now not also a strategy for poverty alleviation but also for empowerment (Mayoux and Sinha et al., 1998).

Credit is a powerful weapon and it enables the poor to invest in productive assets and adopt new technologies and farming methods to increase their production (Anderson, 1995).

As the poor do not have sufficient employment opportunities and income earning sources to maintain their livelihood, they are the vulnerable class of the society but the poor are not unproductive. In truth, they are the more productive segment of the population (Yunus, 1983). Considering the condition, the issues of socio-economic development need more attention and thus it deserves a specific investigation. There is a need to study the performance of different development organizations' poverty alleviation programs being implemented through group activities in the villages. Due to the time and resource constraints, among the leading organizations in Bangladesh, BRDB was selected for the present study with the following objectives:

1. To ascertain the impact of BRDB micro-credit towards uplifting social status of the beneficiaries.
2. To determine and describe some selected profiles of the BRDB micro-credit beneficiaries.
3. To explore relationship between the selected profiles of the BRDB micro-credit beneficiaries and the impact of BRDB micro-credit towards uplifting their social status.
4. To identify the problems faced by the BRDB micro-credit beneficiaries in receiving and utilizing the micro-credit.



2. Materials and Methods

2.1. Locale of the study

The study was conducted at Naikhongchhari upazila under Bandarban district. This is one of the hilly areas of Bangladesh. Four unions namely Naikhongchhari, Dochhari, Baishari and Ghandong of Naikhongchhari upazila were considered as the locale of the study. The individuals who received credit at least one time from BRDB were considered as the beneficiaries of BRDB. In the study area there were 140 groups of beneficiaries involving 2650 group members which constituted the population for the study. Data were collected from the sample by using two stage random sampling technique. At first, 20 groups were randomly selected from 140 groups and then 5 members were again randomly selected from each of the selected 20 groups. Thus, 100 beneficiaries were selected as the sample of the study. The data collection took a period of 30 days from 2nd to 31st March, 2009.

2.2. Measurement of variables

Ten selected profiles of BRDB beneficiaries namely, age, education, family size, farm size, organizational participation with BRDB, yearly savings, credit received, credit utilization, credit recovery procedure and attitude towards BRDB micro-credit were considered as independent variables of the study. The independent variables were measured assigning suitable scores such as age was measured by actual year, education by year of schooling, family size by actual number, farm size by total area of land, organizational participation by nature of participation multiplied by duration, yearly savings and credit received by thousand taka, credit utilization by purpose of utilization multiplied by effect of utilization, credit recovery procedure by five-point rating scale ranging from 'regularly paid' to 'never paid', and attitude towards BRDB micro-credit by Likert scale. Impact of BRDB micro-credit towards uplifting social status of the beneficiaries was the dependent variable of the study. It was measured on the basis of the extent of change occurred in five selected dimensions of livelihoods namely 'change in income', 'change in food consumption', 'change in housing unit', 'change in drinking water source and toilet condition' and 'change in family asset'. All the five dimensions were measured by four-point rating scale ranging from 'no change' to 'high change' between 'before' and 'after' receiving BRDB micro-credit. Finally impact of BRDB micro-credit was measured by the addition of scores of all the selected five dimensions. The score could range from 0 to 15, while 0 indicating no impact and 15 indicating highest impact towards uplifting social status of the beneficiaries. For relationship testing between the variables, Pearson's Product Moment Correlation Co-efficient (r) was used. Five percent (0.05) level of probability was used as the basis of rejection of any null hypothesis throughout the study. To identify the problems faced by the beneficiaries in receiving and utilizing the BRDB micro-credit, Problem Facing Index (PFI) was computed by using the following formula:
$$\text{PFI} = 3 \times \text{high problem} + 2 \times \text{moderate problem} + 1 \times \text{little}$$

$\text{problem} + 0 \times \text{no problem at all}$

PFI of a problem indicates the extent of seriousness of the problem faced by the beneficiaries. The higher value of PFI of a problem shows the greater magnitude of the problem. Thus, PFI scores could range from 0 to 300, where 0 indicating no problem and 300 indicating very high problem.

3. Results and Discussion

3.1. Impact of BRDB

Participation in micro-credit program of BRDB by the beneficiaries has played important role towards uplifting social status of the beneficiaries in general and poverty alleviation in particular. For measuring the impact, the social status of the beneficiaries before receiving micro-credit was compared with their present condition. It was measured by the change of selected five aspects mentioned under materials and methods. The salient features of these five aspects were presented in Table 1 which indicates that majority (58%) of the respondents had medium change in income, as compared to 32% had low and only 10% changed their income at higher level, whereas 68% of the respondents had low calorie intake compared to one-fourth had medium change in food consumption which reveals that the study groups were heterogeneous both in terms of change in income and food consumption but all the respondents could be able to increase their calorie intake condition after involvement with the micro-credit program of BRDB.

On the other hand, more than half of the respondents (54%) could not able to improve their housing condition compared to above two-fifths (43%) of them could change their housing condition in low scale. The reason was that the study area is a hilly area and people of this area were not too much interested to use money in building their houses with brick rather they were interested to use the credit in other sectors. In terms of drinking water source and toilet condition, half of the respondents could able to change their condition in low scale and only 5% of them changed their condition in high scale whereas two-fifths of the respondents could not able to change their condition which indicates low impact of micro-credit on drinking water source and toilet condition. Safe sources of water and toilet condition are not good enough in the hilly area so that they have to depend on the natural water source. Hence, low amount of credit could not able to make much impact on the water source and toilet condition but in case of family asset, more than half of the respondents could improve their condition in medium scale and every beneficiaries could able to upgrade their family asset after involvement in BRDB micro-credit program.

On the basis of the overall impact of BRDB micro-credit the respondents were classified into three categories as presented in Table 2.

The impact score could range from 3 to 12 against the possible range of 0-15. The mean impact score was 6.23 and the standard deviation was 1.88. Data in Table 2 reveals that most of the respondents (60%) had perceived medium impact compared to about two-fifths (38%) of them had perceived low impact after



involvement with BRDB. Though only 2% of the respondents had perceived high impact, all the respondents had perceived more or less improvement through micro-credit program. Furthermore, most of the respondents were satisfied with different activities of BRDB. So, it is expected that respondents would

get further improvement by the BRDB micro-credit program.

3.2. Selected profiles of the BRDB beneficiaries

The ten selected profiles of BRDB beneficiaries have been discussed and a brief statement of these profiles has been presented in Table 3 which reveals that most (92%) of the respondents

Table 1: Salient features on five selected aspects of BRDB micro-credit

Dimensions of impact of micro-credit	Categories	Number and percentage	Mean	S.D.
Change in income	No change (0)	0	1.78	0.612
	Low (1)	32		
	Medium (2)	58		
	High (3)	10		
Change in food consumption	No change (0)	0	1.39	0.617
	Low (1)	68		
	Medium (2)	25		
	High (3)	7		
Change in housing unit	No change (0)	54	0.49	0.559
	Low (1)	43		
	Medium (2)	3		
	High (3)	0		
Change in drinking water source and toilet condition	No change (0)	42	0.71	0.756
	Low (1)	50		
	Medium (2)	3		
	High (3)	5		
Change in family asset	No change (0)	0	1.86	0.682
	Low (1)	31		
	Medium (2)	52		
	High (3)	17		

Table 2: Distribution of the respondents according to impact of BRDB micro-credit as perceived by the beneficiaries

Categories	Respondents		Mean	SD
	Number	%		
Low impact (upto 5)	38	38	6.23	1.88
Medium impact (6-10)	60	60		
High impact (above 10)	2	2		

were young to middle-aged category and 85% of them were illiterate or had primary level of education which might have made them landless, homeless and poor. In case of family size, the respondents were aware enough about family planning and birth control. Therefore, 81% of them had small to medium family size. Regarding farm size, 94% of the respondents had fallen marginal to medium categories which imply that the respondents face resource constraints in managing their firms. As the BRDB credit program is only for the poor people not rich people, so majority of the respondents were marginal to medium farm category while the large farmers were engaged with BRDB credit program for large and long-term loan. Tale 3 also presents that almost half (46%) of the respondents had medium compared to 34% and 20% had high participation and for yearly savings, almost two-thirds (64%) of them

had small to medium savings while only a few respondents (15%) had large savings. Among the respondents, about half (49%) of them were medium credit recipient compared to almost equal proportion (25% and 26%) were small and large credit recipient. Almost half of the credit recipients had highly utilized their credit in assigned purpose compared to 46% had medium utilized their credit and more than half (55%) of them were in medium while almost one-fourth (24%) of them were high credit recovery category. In terms of beneficiaries' attitudes towards BRDB micro-credit, almost three-fourth (71%) had moderate to highly favorable attitude compared to above one-fourth (29%) had less favorable attitude towards the micro-credit program. Existence of favorable attitude among larger proportion of the BRDB beneficiaries indicates a positive impact of the clients' participation in BRDB activities.



Table 3: Distribution of the beneficiaries according to their selected profiles

Selected characteristics	Categories	Number and percentage	Mean	S.D.
Age	Young age (upto 35)	30	36.69	9.81
	Middle age (36-50)	62		
	Old age (above 50)	8		
Education	Illiterate (0)	40	3.14	3.12
	Primary education (1-5)	45		
	Secondary education (6-10)	12		
	Above secondary education (above 10)	3		
Family size	Small (upto 4)	18	6.09	1.76
	Medium(5-7)	63		
	Large (above 7)	19		
Farm size	Marginal (0.02-0.2 ha)	10	1.113	0.991
	Small (0.21-1 ha)	50		
	Medium (1.01-3 ha.)	34		
	Large (above 3 ha)	6		
Organizational participation	Low participation (1-5)	34	10.03	8.24
	Moderate participation (6-14)	46		
	High participation (above 14)	20		
Yearly savings	Small (upto 5)	64	5.70	5.28
	Medium (6-10)	21		
	High (above 10)	15		
Credit received	Small recipient (upto 7)	25	11.22	5.35
	Medium recipient (8-14)	49		
	Large recipient (above 14)	26		
Credit utilization	No utilization (0)	3	2.90	1.14
	Low utilization (1)	2		
	Medium utilization (2)	46		
	High utilization (above 2)	49		
Credit recovery procedure	Small recovery (upto 180)	21	252.05	120.74
	Medium recovery (181-300)	55		
	High recovery (above 300)	24		
Attitude towards BRDB micro-credit	Less favorable (21-27)	29	29.22	3.36
	Moderately favorable (28-34)	66		
	High favorable (above 34)	5		

3.3. Relationship between the selected profiles of beneficiaries and the impact of BRDB micro-credit

Pearson's Product Moment Correlation Co-efficient (r) was computed to explore the relationship between the beneficiaries' selected profiles and impact of BRDB micro-credit towards upliftment of their social status as presented in Table 4. Table 4 reveals that education, farm size, organizational participation, yearly savings, credit received and attitude towards BRDB micro-credit had significant positive relationship with the impact of BRDB micro-credit towards uplifting of their social status. Education is one of the factors of changing the socio-economic condition of the people. A person having more education was found to have more participation in income generating activities in the study area because the educated members have more

access to the print media and can obtain information as and when necessary. They are likely to come in contact with different print media as are distributed by BRDB and from other sources regarding the effective utilization of their loan. These remove possible obstacles for greater participation in income generating activities. Rashid (2001) found similar finding between education and impact of micro-credit. Farm size is another factor for higher annual income of the respondents. A respondent having large farm size can take various income generating activities for increasing their income. If the income is increased then they may be interested to increase their living standard and also may be influenced to take more quality food. In this connection the relationship between farm size of the respondents and the impact of micro-credit was significant. On



Table 4: Co-efficient of correlation between selected profiles of beneficiaries and the impact of BRDB micro-credit towards upliftment of their social status

Dependent variable	Independent variables	Value of 'r'	Table value of 'r' with 98 df at	
			0.05 level	0.01 level
Impact of BRDB micro-credit towards upliftment of social status of the beneficiaries	Age	0.055 NS	0.196	0.256
	Education	0.257**		
	Family size	-0.021 NS		
	Farm size	0.345**		
	Organizational participation with BRDB	0.204*		
	Yearly savings	0.246*		
	Credit received	0.203*		
	Credit utilization	0.011 NS		
	Credit recovery procedure	0.079 NS		
	Attitude towards BRDB micro-credit	0.239*		

NS=Not significant, *Significant at $p < 0.05$, **Significant at $p < 0.01$

the other hand, the respondents having more involvement with BRDB may earn more income than less involved respondents. The early involved respondents were more experienced with the income sources than the late involved respondents. They get much time, enthusiasm and scope to make their living standard well. If a member is involved for long time with BRDB, he/she

gets more loan; group members try to increase their income earning activities such as land leasing, small business, cattle rearing, etc. As a result, their income increased significantly. More yearly savings make an individual more confident. More confident makes more working spirit among people and thus they earn more. Savings makes a man owner or proprietor of

Table 5: Rank order of the problems faced by the beneficiaries in receiving and utilizing BRDB micro-credit

Sl. No.	Problems	Problem facing index (PFI)	Rank order
1	Clients do not get credit without groups	130	8
2	New loan is not issued until final repayment of previous loan	114	9
3	Do not get current credit when any one of them did not repay previous loan	192	1
4	Do not get current credit when they did not able to repay due to crop failure	162	5
5	Insufficient amount of credit	191	2
6	Do not get credit in time	166	4
7	Total amount of credit could not be used properly due to shortage of grace period	144	7
8	Misuse of credit for social activities or buying foods	190	3
9	Getting of credit is complex and time consuming	158	6
10	Credit can be obtained through maintaining contact with the influential persons	72	11
11	Interfere of local leaders	94	10
12	Decisions taken based on nepotism	64	12

some cash or asset. The man, who has some cash or asset, wants to have more. It is a natural desire of human being. The people, whose savings is higher earn more and have more change in income. The families who possessed more savings had better housing environment, with the money from savings those

families can purchase more food and housing asset or items. Received more credit had also significantly influenced the respondents' income which was also found by Sarker (2002). It was found that credit received by some of the members was high because two or more persons joined the group from the same family in order to receive more credit. They invested



more credit in their self employment opportunities and got more return from those. So, their income has changed significantly. Respondents' favorable attitude towards BRDB has a tendency towards more impact of involvement in micro-credit program. This could possibly be due to the fact that several factors like regular personal contact, group meetings on specific issues, etc. played a vital role to create favorable attitude of the respondents towards BRDB. Rashid (2001) was found similar findings that attitude towards BRAC had positive significant relationship with income of the household in BRAC activities. The rest of the variables, viz. age, family size, credit utilization and credit recovery procedure had non-significant relationship with the impact of BRDB micro-credit while only family size had negative trend.

3.4. Problem faced by the beneficiaries in receiving and utilization of BRDB micro-credit

In order to understand the comparative importance of different problems and to identify the severity, the 12 problems were arranged in rank order and presented in Table 5 which indicates that 'do not get current credit when any one of them did not repay previous loan' was ranked first followed by 'insufficient amount of credit' and 'misuse of credit for social activities or buying foods' while 'decisions taken based on nepotism' was ranked last.

4. Conclusion

It was clear from the study that the BRDB micro-credit had the positive and significant impact towards uplifting social status of the beneficiaries. Most of the beneficiaries (60%)

had perceived medium compared to 38% had perceived low and 2% had perceived high impact. In case of dimensions of social status, the highest proportion of the beneficiaries could able to improve medium scale of change in income (58%) and family asset possession (52%), low scale of change in food consumption (68%), unchanged in housing condition (54%) and drinking water sources and toilet condition (42).

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