

A Study of Rural Poverty Alleviation in Bangladesh, 1977-80
Prospects and Problems

By Md. Rezaul Karim

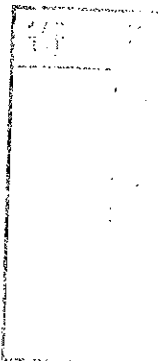
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**A Study of Rural Poverty Alleviation in Bangladesh:
Prospects and Problems**

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Chapter-1
STATEMENT OF THE PROBLEM

1.1. Poverty: The Major Concern of the World Community

In 1950, *Eugene Black*, the then World Bank President, expressed his deep concern over the world poverty as follows:

If during the last hundred years, greater effort had been devoted towards improving conditions in the less developed areas of the world, we might not today be witnessing so much social unrest and possibility not even hostilities. I suggest that it is the existence of widespread poverty and misery, which has stimulated the spread of the virus now threatening the peace of the world.

Quoted in *Sandstrom (1994,p.30)*.

Nearly half a century later, in 1995, the same concern with more disappointment expressed through the huge *World Summit for Social Development: a conference to advance the fight against poverty unemployment and social dislocation*¹ held at Copenhagen. There, *Boutros Ghali*, the then U. N. Secretary General, pointed out that:

1.3 billion people — more than one in four worldwide — live in poverty and 1.5 billion do not have access to basic health care. The gap between rich and poor has doubled since 1960. More than two — thirds of the world's poor are women.

Reported in The Japan Times, March 7,1997,p.6.

Again, in 1996, the UNDP Administrator *James Gustave Speth* re-echoed the same concern with an urge to take immediate action against mass poverty as following:

One hundred and fifty years ago the world launched a crusade against slavery. Today we must launch a world crusade against mass poverty.

This was expressed when, according to the UNDP poverty clock², it revealed that the number of people currently living in absolute poverty³ is roughly 1.3 billion and the

¹ Some 13,000 delegates throughout the world and thousands of journalists attended the Summit (*The Japan Times, Mar.7, 1995,p.6*).

² UNDP poverty clock started at 1:30 p.m. on January 17, 1996 and ran throughout 1996, the year designated as the International Year for the Eradication of Poverty by the United Nations.

³ Whose incomes are no more than US\$370 a year.

number of new people living in poverty increases by approximately 47 per minute or 67,000 per day or nearly 25million a year. All these facts indicate the unabating nature of mass poverty and its massive existence in the world till today. These are also indicating the failures of the massive development and poverty alleviation programs so far adopted throughout developing world.

1.2. Poverty Alleviation through Development

1.2.1. Focus on Economic Growth: Failed to Reduce Mass Poverty

The *mass poverty*¹ of developing countries received the attention of the world community during the 1940s, when the so-called *underdeveloped*² countries were getting independence from their colonial rulers. The extent of impoverishment in these countries were felt by the new governments as well as by the international community— as expressed in the words of the World Bank President in 1950 stated at the beginning of this chapter. As these newly independent countries were seen as underdeveloped, development became the concern. Development, at first, defined by economic growth (*Hulme & Turner 1990,p.5*). If overall economic growth is achieved development occurs. All out efforts were put to infrastructure and industrial development during the 1950s and 1960s to ensure economic growth. Economists took the lead, as economic planning was thought as essential to achieve economic growth. It was expected that, by means of *trickle down effect*³, benefit of the economic growth would also go to the poor and help to reduce the poverty level of a country (see *Morawetz 1977, Townsend 1984, Ayres 1983*). However, after decades' of development efforts, despite significant economic growth in developing world, *Gunnar Myrdal's 'Asian Drama'*, published in

¹ As majority of the people in developing countries is poor *Galbraith (1979)* termed it as mass poverty.

² To denote the countries lagging behind in terms development compared to industrialised countries there exists several terms; such as underdeveloped, less developed, third world, developing, etc. I shall use the term 'developing countries' from now on to refer these countries.

³ 'Trickle-down' approach to poverty alleviation emphasises economic growth of a country as a whole and believes that the benefits of economic growth would also go to the poor and, hence, reduce poverty level of the country (*Townsend 1984, Ayres 1983*).

1968, focused that very little has been achieved in terms of reducing mass impoverishment in these countries by means of 'trickle-down strategy'. The realization was that economic growth itself does not reduce poverty. Rather, it may have worsen the poverty situation through increasing the gap between rich and poor as the fruits of economic growth mostly go to the already better-off sections in the society (*Adelman & Morris 1973; FAO 1984; ILO 1979; Maloney 1991; Rahman, Mahmud & Haque 1988*). Focus of the development programs as means of poverty reduction shifted from *absolute poverty*¹ to *relative poverty*². This led to adopt the *redistribution with growth*³ (*RWG*) and *basic human needs*⁴ approaches to address the problem of poverty (*Ayres 1983,p. 76-77*). Some organizations and scholars concluded that without taking structural

¹ It is a situation where people can not fulfill their basic human needs. *Robert McNamara*, once the president of the World Bank, defined absolute poverty as "a condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to deny its victims basic human necessities". The basic human need includes two things. First, they include certain minimum requirements of a family for consumption adequate food, shelter and clothing, as well as certain household furniture and equipment. Second, they include essential services provided by and for the community at large, such as safe drinking water, public transportation, health, education and cultural facilities (*ILO 1977*). Absolute poverty is measured by poverty line, mainly calculated based on income necessary for fulfilling basic human needs or minimum calorie intake.

² The term relative poverty refers to the extent of difference of income share of the particular groups of individuals or households from their population share. Even if the basic human necessities of the whole population are satisfied, 10 to 20 percent may be considered as relatively poor if their absolute incomes are less than, for example, one-third of the national average per capita income (*Ayres 1983,p.77*). More simply it is a measure of income inequality in the society and covers a wide range such as inequality within the society as well within international community, e.g., inequality between developed and developing countries. According to *McNamara* relative poverty is inevitable in the society and there is little to do about it. As he said relative poverty "means simply...that some citizens of a given country have less personal abundance than their neighbors. That has always been the case, and granted the realities of differences between...individuals, will continue to be the case for decades to come".

³ In 1974, the World Bank published a volume *Re-distribution with Growth* to spell out its general approach to poverty alleviation in developing countries (*Ayres 1983,p. 76*). However, though, 'relative poverty' was concern, more emphasis was still on 'absolute poverty'. According to *RWG*, *the limitations of a purely relative approach are self-evident; changes in relative equality tell us little about changes in income levels of the poor unless we also know what happened to total income (Chenary, et al. 1974,pp.11-13)*. Thus, the principal concern of the *RWG* approach was not with the income shares of different groups of population or 'relative poverty' but with level and growth of income in lower-income groups. The emphasis was on re-directing investment to poverty groups. As, in developing countries, most state expenditures, particularly in social sectors, are almost fully subsidised, and the access of the poor groups in these sectors are historically extremely low compared to the better-off, this was a step forward to focus on the poor and recognising their right to state entitlements.

⁴ The concept was first sponsored by ILO, then the World Bank, as a logical next step to emphasize re-distribution of growth and employment programs to alleviate poverty in developing countries. Instead of justifying the new poverty focus as a means to national economic growth, its aims were to eradicate absolute poverty and meet the basic human needs (*Macmillan Student Encyclopedia of Sociology, p.259*).

measures in terms of re-distribution of productive assets, such as land, poverty reduction may not be possible (*FAO 1984, ILO 1977, Miller & Roby 1984*). On the other hand World Bank, the proponent of 'trickle down strategy', concluded that there is no evidence which support the view that a high rate of economic growth has an adverse effect upon relative inequality. *Ayres* wrote that (*1983,p.89*):

The income-productivity-output approach remained the central thrust of the World Bank's approach to poverty alleviation...

...improving the absolute incomes of the poor, not on alleviating relative inequality. The emphasis likewise was on the distribution of income increments, not on the redistribution of existing assets or income. The preference was for market over governmental mechanisms. Helping the poor meant primarily increasing the income, productivity, and output of the poor.

1.3. Poverty as Focus of Development

1.3.1. Poverty as Exclusive Focus of Development

The essence of economic growth for development was still there. Focus of development, however, shifted on poverty itself. Development was exclusively defined in terms of poverty reduction. As early as 1968, *Myrdal* defined development as "*development means the process of moving away from underdevelopment, of rising out of poverty*" (*1972,p.427*). Nearly a decade later, *Seers* mentioned (*1979,p.12*) the same as "*the questions to ask about a country's development are therefore: what has been happening to poverty?*" *Seers* also mentioned that "*from a long term view point, economic growth is for a poor country a necessary condition of reducing poverty. But it is not a sufficient condition*" (*ibid. p.13*). Governments, Policy makers, Donor organizations, international organizations and national NGOs¹, engaged in development activities, rushed into the field of poverty alleviation—the new denominator of development. Direct programs for the poor, along with development programs for

¹ Non-Governmental Organisation

economic growth directed toward poverty reduction, were increasingly undertaken in developing countries.

1.3.2. Human Development as Focus of Poverty Alleviation

Although, the focus of development shifted on poverty, its economic aspects were still emphasized. In short, poverty was considered as an economic phenomenon. Again, however, after years of efforts, it was found that poverty remains unabated. This led to shift the focus of poverty alleviation programs from 'economic' to more on 'social', particularly to human development and welfare; aspects. In 1968, *Myrdal*, concluded that, "...development is always a human problem"(1972,p.433). This has also been reflected in *Sandstrom's* list of ten key lessons¹, prepared based on World Bank's experience in poverty reduction. The trend is clear. While economic growth has been considered as essential for poverty reduction, investment in human being– the engine of development– was seen as the precondition of economic growth. *Sandstrom* concluded that, "People must be at the center of any strategy, as both the means and the ends of poverty reduction" (1994,p.31).

1.3.3. Women as Focus of Poverty Alleviation

Women, comprising half of the population, were identified by the development scholars as remaining out of the production system and subject to enormous discrimination and oppression in developing societies. Subsequently, increasing the productivity of women through their participation in productive activities entered into the development arena as an important factor (*Boserup 1970, Rogers 1980*). Donors,

¹ These are: 1) a two-track strategy, i.e., economic growth and investment in people; 2) Targeting and safety nets– increasing social expenditure and ensure that it reaching to the poor; 3) Environmental sustainability; 4) Population reduction; 5) Recognition of role of women in poverty reduction; 6) Popular participation; 7) Good governance; 8) Knowledge about the poor and poverty; 9) Partnership among government, private sector, NGOs, UN systems; and 10) Implementation of the programs (see *Sandstrom 1994,pp.31-33*).

including the United Nations, focused on integration of women in the development process as equal partners with men (*Papanek 1977*). A separate field 'women in development or WID' emerged and quickly flourished throughout the developing world¹. Involvement of women and their empowerment became the focus of all development programs. As women are the poorest and vulnerable section in all societies focus on women was felt necessary as not only for development purposes but also for effective poverty alleviation. Nowadays, probably, empowerment of women is considered as the strongest agenda for both development and poverty reduction (*ADB 1994, Sandstrom 1994*). For example, *Sandstrom* concluded, "improving girl's access to education is probably the single most effective anti-poverty policy in the world" (*ibid. p.32*).

1.3.4. Sustainable Poverty Alleviation: Still for an Effective Strategy

Accordingly, all has been set to bring the poor out of poverty through targeting women. Numerous direct poverty alleviation programs have targeted the poor, particularly women. Participation of the poor in the poverty alleviation programs has been ensured. Poverty alleviation entered in all development programs as an integral part. All these could be seen as positive steps towards poverty alleviation. The results, however, are still very disappointing. The numbers of poor in developing countries, according to UNDP clock, are increasing by 47 per minute. It appears that, like the 'trickle down strategy', existing poverty alleviation programs have failed, so far, to reduce the mass poverty of developing countries. *Tendler (1989,p.1033)* described the situation as "the failure of many programs directed toward alleviating poverty is better understood than the successes". It seems an effective strategy to poverty alleviation was still elusive.

¹ For detail of origin and meanings of women in development related concepts, such as women in development (WID), women and development (WAD), gender and development (GAD), (see *Rathgeber, 1990*).

1.4. Microcredit Approach: A New Hope in Poverty Alleviation

1.4.1. Microcredit: An Effective Tool for Poverty Alleviation Worldwide

In the verge of failures of earlier development and poverty alleviation programs, recently, microcredit approach to poverty alleviation has shown significant strength in poverty reduction. Following the success of microcredit based poverty alleviation program the *Grameen Bank*¹ of Bangladesh microcredit is now increasingly in use as an effective tool for poverty alleviation throughout the world². Grameen Bank³, Rural Poor Program (RPP)⁴, Bangladesh Rural Advancement Committee (BRAC)⁵ in Bangladesh; The Badan Kredit Kecamatan, Bank Rakyat, in Indonesia; the Foundation Carvajal in Colombia; Accion Comunitaria in Peru, FEDECREDITO in El Salvador; Banco Sol in Bolivia; the Self-Employed Women's Association (SEWA) and Working Womens' Forum Annapurna Caterers in India; Environmental Quality International in Egypt are some examples among the thousands of such programs⁶ working throughout the world both in developing and developed countries, such as the U. S. A.

1.4.2. The Microcredit Approach

It is claimed that microcredit programs follow *trickle-up* approach, which believes that growth should be initiated at the micro-level, e.g., from the poor, and that will

¹ Hereinafter, I have also used the term *Grameen* to denote Grameen Bank.

² Grameen Bank's successes have been documented in hundreds of studies. Some of these are *Berger 1989; Hossain 1983, 1983, 1984, 1988^a, 1988^b; Hulme & Mosley 1996; Goetz & Gupta 1996; Johnson & Rogaly 1997; Khandker & Chowdhury 1995; Khandker, Khalily & Khan 1995^a, 1995^b; Rahman 1988; Rahman A. 1987, 1989; Microcredit Summit 1997²; Tendler 1989, Yunus 1994^a.*

³ Grameen (Rural) Bank is a semi-governmental and special type of poverty-focused development Bank. Developed by a University Professor in Bangladesh the program has been proved highly successful both in banking with the poor and in poverty reduction. The program has been considered in the present study. Details of the program have been outlined in the Chapter-5 of this thesis.

⁴ Rural Poor Program (RPP) is sponsored by the government of Bangladesh and is implemented by the Bangladesh Rural Development Board (BRDB).

⁵ Bangladesh Rural Advancement Committee (BRAC) is a large national voluntary organization working in the field of poverty alleviation.

⁶ For more details see *Berger Marguerite (1989), Hulme & Mosley (1996), Tendler Judith (1989).*

contribute to the growth at the macro-level¹ (*Bornstein 1996,p.24*). Thus, this approach targets the poor directly, particularly through microcredit. It believes that the poor could be trustworthy and, if provided, they can use loans successfully in microenterprises to generate income. Based on this assumption, these programs provide small loans² to the poor for self-employment to increase income allowing them to coming out of poverty. Usually, microcredit programs, in addition to credit, offer a package of services to the poor. These includes training, savings facilities, housing, family planning and health services, education, peer support, etc. Some scholars termed it as *credit plus* approach³ (*see Berger 1989,p.1017*).

Women as Target

The important characteristics of microcredit programs is that they mainly focus on women⁴— the strategy that has been discussed above as identified essential for effective development and poverty alleviation. Although, it is claimed that targeting women by the microcredit programs, may not be because of the concern for women's empowerment rather for the interest of smooth implementation of the program (*Rutherford 1995*), it (targeting women) would certainly help to bring some social changes in favour women in

¹ However, according *David, C. Pitt*, the idea of 'development from below' is not a particularly new in the social sciences. The idea was present in the early twentieth century, for example in the work of Franz Oppenheimer (*1976,p.2*). *Pitt* mentioned "in the millions of villages and slums throughout the Third World in a wide variety of ways some kind of development is proceeding, often despite rather than because of development aid, originating from below not above."(For a detail discussion on 'development from below' please see *Pitt, 1976,pp.66-137*).

² Such as, average Grameen Bank Loan is \$150 (*Yunus 1997*).

³ Recently, there is a debate over whether microcredit programs should accompany other services along with credit known as 'credit plus' approach' or not, known as 'minimalist' or 'credit-minus' approach. It could be noted here that due to increasing emphasis on credit, compared to other components, for achieving the goal of financial sustainability scholars have tended to term these programs as 'minimalist' approach (*Hashemi, et al. 1996; Streefland, et al. 1993*). *Hashemi, et al. (1996)* showed that microcredit, as 'minimalist' approach, could also be effective in empowering women and in poverty reduction.

⁴ For Example, 94 percent of Grameen— the largest microcredit program in the world with more than 2 million members (*Grameen Dialogue, No. 27,p.16*); 88 percent of Bangladesh Rural Advancement Committee (BRAC)— a leading internationally reputed NGO in Bangladesh works with nearly 2 million members (*Khan & Chowdhury, 1995,p.1*); 100 percent of ASA, another NGO (*ASA, 1996,p.3*), participants are women. *Johnson & Rogaly (1997,p.12)* found in five out of six microcredit schemes they studied, over half of the borrowers were women.

the society as women— both poor and non-poor— face severe discrimination in the society and in the market (*Kabeer 1996*). Microcredit programs would empower women by providing access to credit and formal organisation, enhancing knowledge and skills in production and trade, increasing income and subsequent control over it, increasing participation in household decision-making, increasing participation in group activities, increasing participation in community power structure, and many other ways.

Approach through Group

Microcredit programs approach the poor through group. In fact, since the history of development and poverty alleviation programs, particularly in Bangladesh, clients are approached through groups (*see Karim, 1998*). Only the organisation and size of group have changed over time. The use of group by the microcredit programs is, however, innovative. For the poor, who lack physical collateral, group works as 'social collateral' which, for the first time in the history, made it possible for the poor to access into formal credit. Group is jointly responsible for each individual loan to its members. Hence, if a member face any problem in repayment other group members help or pressurise her to repay the loan. And if all these fail it is the responsibility of the whole group to repay the loan. By this way, group ensures the repayment, which helps to keep the rate of loan repayment of microcredit programs as high as 98% over the years (*Hulme & Turner 1990*). Groups, organised through self-selecting process, also reduce the *screening* and *enforcement* problems— two major problems often face by the formal credit institutions— through selecting the potential borrowers and screening out the possible defaulters. By these ways groups also help to reduce the implementation costs of the program significantly. This, again, helps the microcredit organisations to keep the interest rate lower (although often higher than that of the formal banks) and yet to be financially sustainable. Otherwise, heavy costs of operating small loans, which yield smaller interest or return, with intensive supervision that the microcredit programs do, would made it

financially not viable or to set the interest rate at such a high level that would be impossible for the borrowers to pay.

Regular Public Meeting

Microcredit programs administer all activities through regular public meetings, which must be attended by all members. This ensures the transparency of program activities, which is totally absent in the activities of all government and non-governmental organisations, engaged in poverty alleviation and development activities. The system of regular public meeting automatically minimises many points of possible conflicts, such as allocation of credit. Regular gathering of women in a common place outside home is seen as a major breakthrough in the social norms of rural Bangladesh, where mobility of women is strictly limited (*Hulme & Mosley 1996, pp.125-128*). It also helps to increase the mutual understanding and solidarity among the members and between the members and the bank staff through regular interaction. It is believed that as meetings take considerable time, it also discourages better-off people from entering into the program, hence ensuring the participation of the target group, i.e., the poor, only (*Johnson & Rogaly 1997, p.39*). The provision is also seen as the key to implement the management policies of the programs, which ensures the high repayment rate (*Jain 1996*). Finally, *Johnson & Rogaly (1997, p.3)* summarised microcredit interventions as follows:

They have focused on reaching the poor by keeping loan sizes small, targeting women, adopting group-based lending systems, and mobilising small and frequent savings deposits, and have tended to set interest rates at higher levels than in the past. Such interventions have demonstrated that poor people can and do repay loans, that they have the ability to save, and they can pay higher interest rates.

1.4.3. Microcredit Evangelism

So far, microcredit programs have shown tremendous potential to improve the poverty situation all over the world (*Ackerly 1995, Amin, et al. 1994, Berger 1989,*

Goetz & Gupta 1996, Hossain 1988^a, Hulme & Mosley 1996, Hulme & Turner 1990, Johnson & Rogaly 1997, Tandler 1989). Proponents of microcredit approach claim that the poor, provided with microcredit, are using the loans successfully by means of self-employment, increasing their income, and coming out poverty. Numerous research on microcredit programs are also showing the multifaceted positive effect of microcredit programs not only in reducing poverty but also in other goals of development such as empowering women (*Fuglesang & Chandler 1993; Hashemi et al. 1996; Mizan 1994; Shehabuddin 1992*), increasing productivity of the poor (*Hossain 1988^a, 1988^b; Hulme & Turner 1990; Hulme & Mosley 1996, Khandaker & Chowdhury 1995*) improving health and family planning (*Amin, et al. 1994; Kamal, et al. 1992; Rahman 1989; Schuler & Hashemi 1994*), participation of poor in community power structure (*Rahman 1987*) and so on. *Microcredit Summit 1997* declaration claimed that time has come to acknowledge microcredit as a powerful tool in the struggle to end poverty and economic dependencies. The Summit concluded that microcredit is a powerful anti-poverty tool that has demonstrated relevance to people of six continents and in nearly every country.

The subsequent effect of all these is an unprecedented expansion of microcredit programs throughout the world, both in developing and developed countries. According to the *Microcredit Summit 1997*, ten years ago, in the U.S.A., there were less than ten programs, today there are approximately 300 programs that empowering tens of thousands of people to start and operate their businesses. The Summit ended with the following commitment:

The time has come to convene the people and organisations necessary to launch a global movement to reach 100 million of the world's poorest families, especially the women of those families, with microcredit for self-employment.

Microcredit Summit, Internet Homepage

All these have create an over-enthusiasm around microcredit, which has been termed as

'microcredit'¹ evangelism' by *Rogaly*² (1996,p.100). It appears that all national, international, and donor organisations— both government and non-government, engaged in poverty alleviation and development efforts, have rushed into the field of microcredit. Money is pouring into the microcredit programs³. Increasing number of poor, particularly women are being covered by these programs. And, as already mentioned, proponents of microcredit approach are observing that these poor women are coming out of poverty by using the micro-loans.

1.4.4. Emerging Questions Around Microcredit Approach

By now, although not as general concern, some of the vital aspects of the recent⁴ microcredit approach have already been questioned.

Social and Economic Objectives

The question of economic versus social objectives is a very old dilemma in the field of poverty alleviation. Poverty is a social phenomenon. Thus, poverty alleviation programs need to emphasize on social aspects in poverty reduction. Poverty scholars have also emphasized the social aspects of poverty in explaining the mass poverty of developing countries (see *Galbraith 1965, Myrdal 1972*). For example, *Myrdal* concluded, "However, in a social system there is no up and down, no primary and secondary. Economic conditions do not have precedence over the others" (p. 428). But, social aspects never got priority in poverty alleviation programs. Instead, the designers of development and poverty alleviation programs— mostly the economists and economic

¹ It could be mentioned here that *Rogaly* used the term 'micro-finance' which is synonymous with the concept microcredit, used in this study.

² *Rogaly (1996)*, in the eve of microcredit summit, for the first time, challenged this uncritical enthusiasm around the potential of micro-finance institutions to reduce poverty.

³ For example, *Johnson and Rogaly (1997)* termed the expansion of microcredit program in Bangladesh has been possible because of the flood of donor money.

⁴ It is also claimed that this new wave of savings and credit technologies are an improvement of the old model of subsidised agricultural and micro-enterprise finance (*Rogaly 1996,p.104*).

organizations— such as World Bank, Asian Development Bank; always remained concerned about the economic aspects of the programs, such as increase in GNP¹, economic viability of the program, etc. When economic aspects get priority over social aspects, poverty alleviation is likely to be adversely affected. This is actually happening throughout the history of poverty alleviation efforts in developing countries resulting persistent mass poverty in these societies.

This old dilemma of economic versus social components in poverty alleviation has also entered into the field of 'microcredit approach'. *Rogaly (1996,p.105)* mentioned, it is seen that, quite clearly, financial services are not always the most appropriate intervention to reduce poverty. There may be much more urgent requirements, such as health and education services. *Lipton (1996)* argued, for cross-sectoral allocation of anti-poverty resources on the basis that a concentration on a single intervention mechanism, in this case microcredit, is much less effective in reducing poverty than say simultaneous credit, primary health, and education programs. Such emphasis by *Rogaly or Lipton* might be considered as nothing new as it already revealed in my earlier discussion that the focus of the development and poverty alleviation programs, nowadays, is a comprehensive one rather than only economic, say economic growth. However, re-emerge of the same concern in case of microcredit approach seems has important implications, particularly when financial sustainability is getting increasing emphasis as the prime goal for these programs. I have already mentioned about the debate of whether the microcredit approach should be 'credit plus' or 'minimalist' approach and scholars have showed that microcredit would also be effective in poverty reduction and women's empowerment, even if it is a 'minimalist approach' (*Hashemi, et al. 1996*). It appears that, for the sake of achieving the goal of financial sustainability, microcredit programs are increasingly concentrating on economic aspects, particularly on credit disbursement and recovery. Even, there are examples of dropping the earlier

¹ Gross National Product.

included social components from the program. For example, Grameen Bank, the pioneer in the field of microcredit approach, since 1995, has dropped its provisions of 'children's welfare fund', used to run child welfare activities, and 'emergency fund', meant to use as insurance coverage in case of default, death, disability, and other accidents. It appears that policy makers of the microcredit programs are increasingly concerned about how the borrowers would be able to return the money with interests. All efforts have been increasingly concentrating on disbursing loans and collecting the repayment installments. But the question of whether the poor are being able to coming out of poverty or not remained sidelined. How the borrowers invest the loans? Whether they able to invest the loans profitably or not? How they collect the repayment installments? How the characteristics of the borrowers and their families affect their participation in the program or how their participation in the program affect their traditional social roles, for example, wife, housekeeper, mother etc.¹? These inevitable questions are little concern for the hundreds of studies or of the policy makers of the microcredit programs.

Poorest: Excluded from Microcredit Programs

Most importantly, it appears that the poorest of the poor are not being able to benefit from microcredit programs. *Hulme & Mosley (1996)* found that less poor the borrowers, grater the increase in income from participation in microcredit operation. They reported that some of the poorest borrowers' condition became worse after participating in microcredit program. *Montgomery (1995)* questioned the provision of self-selecting groups ultimately responsible for repayment of individual loans. He claimed that it excludes the poorest of the poor from being entered into the program. Because it is unlikely for a person to be included in such groups if others perceive her as not having enough potential to repay the instalments and, usually, which is the case for most of the poorest. *Tomlinson (1995)* concluded that successful enterprise development and

¹ It is already mentioned that participants of microcredit programs are mostly women.

improving the incomes of the very poor people are conflicting not complementary objectives. In Bangladesh, *Osmani (1989)* found that landless poor have not been able to benefit from the NGO-based microcredit programs. Recognising the contribution of the microcredit programs in poverty reduction, and seeing the problem of exclusion of the poorest as the core problem for these programs in the way to poverty reduction in the long run, in the conclusion of their monumental work, *Finance Against Poverty*, **Hulme & Mosley (Vol. 1, p.206)** wished:

It is a privilege to pay tribute to those who through a process of 'learning, experimenting, and continually seeking better answers' have created the first wave financial institutions that have crossed this tightrope. We express our hope that this first wave will spread successfully into areas too poor to have yet received its benefits and offer our encouragement to the next generation of innovators who are already striving for a second wave— financial institutions that can assist not only the poor but the poorest.

I do share the wish of *Hulme & Mosley*. At present, however, it appears that unless such innovations are developed the 'microcredit approach' is about to experience the same fate that the 'trickle-down approach' had. 'Trickle-down' approach helped the better off section in the society to accumulate more resources rather than helping the poor. The difference was between the poor and the non-poor. While in the case of 'microcredit approach' the difference is appearing within the poor— between the poor and the poorest.

1.5. Heterogeneity of the Poor: The Real Dynamics

The obvious question arisen from the above discussion is why the poorest are failing to receive any benefit from the microcredit programs? *Hulme & Mosley (1996)* attributed this to the fact that the poor are seen as a homogenous group by the microcredit programs. They mentioned (*ibid. pp. 131-132*):

... 'the poor' are not a homogenous group with broadly similar needs. The emphasis of the last fifteen years has been on a promotional model of poverty

alleviation through loan-financed enterprise expansion. Such a model is valid for 'middle' and 'upper' poor households, with members who have entrepreneurial flair, but is inappropriate for the poorest households, those with a high degree of income insecurity and the disabled.

Hulme & Mosley suggested distinguishing the poor at least in two groups, i.e., the 'poor' and the 'core poor'. This classification is based on the poverty status of the family of the poor, measured in terms of economic condition. Heterogeneity among the poor, however, happens not only in economic terms but also in terms of other individual and family factors. These are also important for the microcredit programs. As concluded by **Johnson & Rogaly**:

The diversity of users' socio-economic circumstances even within what might appear to outsiders to be an homogenous environment will affect demand for financial services. Even poor women will differ significantly in their socio-economic status, life-cycle effects being a particular feature: the needs of young unmarried women will differ from those of young married women with growing families; and from the needs of older women with grown-up sons or those who are widows (1997,p.122).

It clearly indicates that social factors would cause more heterogeneity among the poor. This is, however, nothing new in the social sciences. It has already been recognised and practised in the social sciences, particularly in the human profession. In the human profession, individual dignity is given highest importance and every individual is considered as a unique one, i.e., different from others. It implies that the ability to use and impact of any program targeted to human being yields different results for different groups or families or individuals. **Tallman (1979,p.470)** concluded that:

No program will be beneficial to all families. Some families will benefit proportionately more than others, some may even find themselves absolutely worse off than previously, especially since programs are usually predicated upon some form of re distribution of social assets. The unintended and unforeseen outcomes will also result in unequal benefits.

Microcredit programs are not independent of these factors. It would obviously affect and be affected by these factors and yield differences in the results among the participants according to their individual and family situations. The reported failure of the poorest group to receive any benefit from the microcredit programs could have been caused by these differences. Again, not only among the poor and the poorest, if other individual and family characteristics were considered, differences in the result yield among the participants of microcredit programs would have also been found. If properly examined, it is likely that not only the poorest but there are other groups, based on individual and family characteristics, among the poor who are failing to receive the benefit of the microcredit programs. These differences are important to develop those 'second wave of innovations' mentioned by *Hulme & Mosley*. And this could be done only by looking into the participants- the actors- of the microcredit programs and their families which, so far, acknowledged but seldom researched and practised in the poverty alleviation and development programs.

1.6. The Actor–The Poor: The Missing Part of the Poverty Alleviation Programs

There is no doubt that the overall cultural norms and practices of the society, such as position of women in the society and in the family¹, influence the performance of the participants of the poverty alleviation programs. However, it is the unique characteristics of the individual women participants and their families, which ultimately determines their success in the program or how they act in the program. Research on poverty and poverty alleviation in developing countries has already been flooded into the development literature. Very few studies, however, have considered the conditions of the poor— the principal actors of poverty alleviation programs— and their struggle to come out of poverty through participating in the programs. Characteristics of the poor, their ability to

¹ These, again, could be different among different groups or individuals within the poor and may have important implications for success in the microcredit programs. For example, mobility of the rural Bangladeshi women, in general, is strictly limited but it varies with age, marital status and education.

use the opportunities successfully— for example, successful investment of loans received from microcredit programs or sending their children in school and possibility of getting benefit from that in a situation where millions of educated youths are unemployed— have, so far, remain ignored in poverty studies or in policy making. I have already mentioned that microcredit programs are not independent of these factors and the process of coming out of poverty of the participants has never been studied. The point of departure of the present thesis could be considered as from this point. The study primarily concentrated on the participants of microcredit programs, their success and failure in the process of coming out poverty through participating in these programs.

1.7. Women as Participants of the Microcredit Program: Questions Related to Perform the Roles

Let me specifically consider the participation of Bangladeshi rural poor women in microcredit programs. Their participation creates, at least, two new roles for them. These are '*program participant*'— as earlier they were not participants of such programs, and '*income earner*'— as earlier they were not engaged in any income earning activities. Given the fact that, in rural Bangladesh, husbands and male household members are not used to share the already existed women's multiple roles of wife, housekeeper, child-rarer and mother these new roles are additional to these women.

It is an important point to see how these women are accommodating their new roles with their usual roles. How far they have been able to play these roles successfully, particularly when their position in the family and society has not been addressed to change? Do they have proper skill and time to perform these roles? Does it create an extra burden for the already overburdened rural poor women? What is happening to those who have young children in the family in absence of institutional childcare in rural Bangladesh? Does it really beneficial for the poor women and to their children to bring

the women into work force without ensuring child welfare facilities¹? Women of Bangladesh face severe discrimination in the market (*Kabeer 1996*). In fact, seclusion prevents them from going to market, either to buy or to sell— the most important criteria of becoming successful entrepreneur (*Whyte & Whyte 1982*). This has been identified as the greatest constraint to increase women's productivity (*Goetz & Gupta 1996,p.59*). Without access to market, is it possible for women to get success in investing loans they borrowed? How far it would help women's empowerment against men when the women loosing their control over loan² to their male counterparts? Does it put the women in a more vulnerable position in case of bad investment by or bad relationships with male relative(s) with loan repayment responsibility remain on themselves? Do all borrowers turn out as successful entrepreneurs? Do all of them having enough managerial skills for the purpose? How the money is repaid when their projects incur loss either because of low managerial skill or usual economic crisis or factors like natural calamities (flood, cyclone, etc.), death of livestock, and so on? All these questions, which are mostly social in nature or caused by social factors, remain unanswered.

It appears that the proponents of microcredit programs have assumed that all these problems would be solved automatically if women's access to microcredit were ensured. In the vast literature of microcredit, there is no study about how these factors, discussed above, may affect or may be affected by the participation in the microcredit programs or how to solve these problems, if occur. Nevertheless, it revealed that, unless these factors are considered, success of the microcredit programs in bringing the poor out of poverty, in the long run, would be in question. The efforts to come out of poverty by the poor may end in a *failure* or *frustration* with severe implication for future initiative to come

¹ It is already found that problem of childcare is a burden for the rural working women of Bangladesh (*Chen & Ghuznavi 1977*). Role conflict was also found sharply felt by women who unable to make satisfactory arrangements for childcare (*Whyte & Whyte 1982,p.176*). In Philippines, it is seen women's involvement in income earning activities improves the total household welfare but deteriorates child welfare (*Popkin 1978*).

² It is found that woman borrower of microcredit programs significantly loosing their control over loans (*Goetz & Gupta 1996*).

out of poverty as mentioned by *Galbraith (1979)*.

1.8. Microcredit in Theoretical Perspective

Attempting to alleviate poverty without having a theory about how to do it is simply throwing money at problems.

Robert L. Ayres, 1983

Banking on the Poor: The World Bank and World Poverty, p. 76.

1.8.1. Does Microcredit Approach Having Any Theory

Microcredit approach, as its present form, is seen as the outcome of practice and little based on theories of poverty. Grameen, the pioneer in microcredit tradition, first started as a project. Then through trial and error it has reached to its present form. The proponents of microcredit are also explicitly less concerned about theory. For example, Professor *Yunus, (1994, p.5)*, the founder of Grameen, commented:

I got very frustrated with what I was teaching, the development economics and all those theories, where everything sounded so good and all problems had fail-proof solutions. But when you walked out of the class-room and faced the real world it looked so different...

I thought, what's the use of teaching this economics if I don't have faith in it? ... How can I inspire my students in the validity of its methodology? I wanted to learn economics the way it really is, the real world economics, not the make-believe economics which is given in the textbooks. I wanted to learn from the people.

The huge literature on microcredit programs also not mentioned any theoretical underpinnings through which success of microcredit programs could be explained. Only, some studies studied the microcredit programs within the framework of financial institutions (see, for example, *Hulme & Mosley 1996, Johnson & Rogaly 1997*). The rich theoretical body of poverty is hardly referred to any study. Thus the natural question arises is without any sound theory how the microcredit programs will lead millions of poor out of poverty or is it just throwing money into problems as mentioned by Ayres?

So far there is no answer to such questions in the vast literature on microcredit. It appears that the only theoretical assumption microcredit programs hold is that 'if provided with credit the poor would be able to use it successfully by means of self-employment without outside help and come out of poverty'. It implies that poverty is and had been present only because of that the poor didn't have access to credit. Thus, access to credit would solve the problem. But that might not be the case. As I have already mentioned, women's participation in microcredit programs is subject to many questions. Such questions could have been well avoided if the rich body of theory on poverty were consulted in designing the program. For example, the recent realization that the differences among the poor are vital for the inclusion of the poorest (*Hulme & Mosley 1996, Johnson & Rogaly 1997*) had already been identified by *Tallman* in 1979, as mentioned above. The importance of individual factors in poverty and poverty alleviation was also discussed in the vast literature identified as 'individual explanations¹ of poverty'. It appears that microcredit programs lack clear theoretical vision and less concerned about the existing theories of poverty, which could have been useful in designing the smooth operation and reaching to the goal of sustainable poverty alleviation by these programs. I shall examine the microcredit program in respect to sociological explanations of poverty, which, I assume, will help to reveal the potentials and problems of the microcredit approach to alleviate poverty.

1.8.2. Does the Poor Know Better What to Do, How to Do to Come out of Poverty

In this process, I would like to discuss another vital aspect in poverty alleviation efforts as it has important implications for recent microcredit approach. That is, development experts often claimed that the poor know better what to do, how to do to come out of poverty. Proponents of microcredit approach, as revealed, also heavily rely on this assumption as they believe that, if provided with microcredit, the poor can use the

¹ Detail discussion has been presented in the section 2.4.1 of Chapter-2.

loans successfully in microenterprises without outside help to generate income allowing them to come out of poverty. A very simple question, however, could be raised here, that is, if the poor know better what do to come out of poverty, why they remain poor generation after generation? Using the opportunities created by the huge development and poverty alleviation programs they should have been out of poverty long ago. The point of reaching the poor by the poverty/development programs could come here. It is true that, after decades, for the first time, microcredit program have been able to reach the poor in real sense. Reaching the poor, however, does not mean that all the poor would be able to take the opportunity successfully. Creation of opportunities does not mean that all the poor would avail those or, if avail, would be able to use it successfully. This already evident in case of microcredit programs with the fact that poorest have failed to benefit from such programs. The specific example of family planning program could be cited here. If the poor were aware about what is good for them, all of them could have started to use contraceptives as soon as it was available at their door-step, free of charge, long ago to avoid large family— one of the root cause of poverty mentioned by *Malthus* as early as in the nineteenth century. It took decades and enormous efforts to make the poor understand the utility of family planning. This suggests that, at the very first stage, the poor may lack proper motivation for escaping poverty and may have other obstacles to use the opportunities created through microcredit programs for the purpose of sustainable escape from poverty.

1.8.3. Coming Out of Poverty in Perspective of Poverty Theories

It is clear that all participants of the poverty alleviation programs; in this case microcredit program, may not be able to come out of poverty by using the opportunities? Earlier discussion reveals that there are two important aspects in the process of coming out of poverty. One is, there might be lack of motivation of the poor and constraints surrounding the participants and their families that may hinder the success in the process.

And the other is, there might be forces in the society, beyond the participants' capacity, which may hinder the success in the process. These, again, indicate two sets of factors that may impede participants' success in the microcredit programs. *First*, individual characteristics or 'individual factors', important for motivation to escape poverty. And *second*, the 'social factors' that may create obstacles in the process. The latter one could be considered as 'structural factor' and beyond the capacity of the poor. These have been outlined as *individualistic explanations* and *structural explanations* of poverty, respectively, in the sociological theories of poverty. 'Individualistic explanations' of poverty focus on the characteristics of the poor and generally assumed that poverty could be reduced by focusing on the characteristics of the poor (*Banfield 1970; Bottomore 1966; Huber & Form 1972; Jencks, et al. 1972; Moynihan 1973*). It is popularly known as *blaming the victim* perspective as it blames the poor for their own poverty. This perspective was greatly influenced by the *Protestant Ethic* of *Max Weber* and the economic principle of *laissez-faire* of *Adam Smith*. 'Structural explanations' of poverty, on the other hand, focus on the characteristics of the broader social, political and economic conditions that affecting poverty (*Edwards, Reich & Gordon 1975; Ellwood 1988; Feagin 1975; Gordon 1972; Marx 1888; Ryan 1971*). It is known as *blaming the society* perspective as it blames the social system for poverty in the society and suggests the abolition of capitalism by socialism. *Booth (1902)*, for the first time, in an optimistic view, encountered the 'individualistic' notion of poverty and claimed that poverty was existing mainly because of inadequate methods of handling it. He explained poverty as caused by the factors beyond the capacity of the individuals and as they (the poor) are unable to help themselves the state should help them.

Although the above theories are based on developed countries, they have implications for developing countries too. In developing countries, there has been long debate over which approach should be adopted to combat the problem of mass poverty. In these countries, since beginning, as the focus has been on development in general,

some sort of structural¹ measures were seen as necessary condition to combat poverty. These programs, taken by the state and different social agencies, concerned little about how the poor acts in the process of coming out of poverty, as I have already discussed. Microcredit approach is not an exception of that. As already evident, these programs give credit to the poor women considering little about the questions related to their individual and family situations and their position in the family and society, and the societal factors (constraints) that could hinder successful use of the opportunity. However, no doubt, without addressing these vital questions participation of women in the microcredit programs may not yield expected result, i.e., do not ensure their escape from poverty. The process of escaping from poverty needs constant monitoring and follow-up. New needs or problems may arise as the women participate in the microcredit programs. There may be opposite forces in the society beyond the capacity of the poor, as mentioned, that may eliminate the benefits derived from the program. *Galbraith (1979)* mentioned that even if income of the poor increases their are forces in the society which eliminate the result of the income increase and restore the previous level of deprivation. He termed it as the *equilibrium of poverty* that prevails in developing countries. *Galbraith* explained that the poor of developing countries are accommodated to the 'equilibrium of poverty'. According to *Galbraith*, 'rejection of accommodation' and 'seeking escape from poverty' by the poor are vital in the process of coming out of poverty. Then it is necessary to facilitate that escape. *Galbraith* claimed that instead of approaching such a way earlier programs tried economic development and failed to reduce poverty.

This process, described by *Galbraith*, also indicates two aspects of the process of coming out of poverty. One is, poverty alleviation programs should consider the micro-level factors, e.g., considering the conditions of the poor. And the other is, poverty

¹ I mean not radical measures, such as, abolition of capitalistic production system. But I designate it as structural measures as these are undertaken by the agencies, mostly by the state, other than the poor.

alleviation program should facilitate the escape or efforts of the poor to come out of poverty. Otherwise the adverse conditions prevail in the society may cause failure of the poor in their effort to coming out of poverty. According to *Galbraith* this would severely affect the poverty alleviation in the society as it causes frustration among the poor and the poor become traumatic in taking further initiation to come out of poverty in future. In the words of *Galbraith (1979,p.62)* "*poverty is cruel, continuous struggle to escape from it and experience frustration is more cruel*". Hence, it is very important that the poor are not facing failure or frustration through participating in the poverty alleviation programs– in this case microcredit programs. It appears that, it is necessary to use the rich body of poverty and poverty alleviation theories in microcredit approach. Analyzing the microcredit programs in the framework of these theories would help us to identify the potentials and limitations of the approach. It would provide important insight about the possible problems that would be faced by millions of participants of these programs in the way to come out of poverty and as such to overcome these problems.

1.9. Objectives of the Present Study

It appears from the discussion so far that microcredit programs have been able to create a significant progress in poverty alleviation though having some problems. For the first time, it has been able to reach the poor in a mass scale. It has been able to mobilize women in the countries like Bangladesh where women are severely negated in all aspects of social life. These are great achievements. It is also revealed that poverty theories could provide important insights about the possible problems that might be faced by the participants of the microcredit programs. But, it is seen that these programs lack a proper theoretical base. Hence, the successes of these programs may be overshadowed by the obvious reasons already mentioned in the poverty theories. For example, as assumed, all participants of the microcredit programs may not be able to come out of poverty due to adverse individual and social factors. Given the position of women in the

family and society, it appears that, women participants of these programs may find it difficult to continue with the program and extract the benefit of it in a sustainable manner. This may lead to significant number of *failures* among the participants and reflected in *dropouts* from the program. And if it happens in a large scale the problem deserves immediate attention, as it would affect both the program as well as the participants adversely. This would ultimately undermine the objective of sustainable poverty alleviation from the society by reducing the viability of the program and by traumatizing the poor preventing from future action for escaping poverty. Based on this theoretical construction the broad objectives of the study were set as follows:

1. *To examine the prospects and problems of poverty alleviation programs in Bangladesh;*
2. *To examine the theoretical underpinnings of the poverty alleviation programs particularly of the microcredit programs;*
3. *To examine the extent of failure or dropout from microcredit poverty alleviation programs; and*
4. *To identify the causes of dropout from microcredit poverty alleviation programs.*

1.10. Assumptions of the Study

Based on the above theoretical discussion I proceed to study the problem with the following assumptions:

1. *That the microcredit programs have been able to create a real potential for the poor to come out of poverty, by reaching the vast poor with credit and other services for the first time;*
2. *That the poverty alleviation programs in developing countries didn't put enough attention on the actors– the poor. And microcredit programs are not exception to that;*
3. *That the microcredit approach lack proper theory and, if it reveals that this approach does not contain the components necessary for moving out of poverty, identified in the poverty theories, increasing number of poor may fail in their effort to come out of poverty, hence dropout from the programs;*

4. *That the reasons of failure or dropout could be identified through following the process of coming out of poverty by the participants— in this case poor women— in context of their position in the family and society;*
5. *That the participants' failure/dropout is mainly caused by their individual and family characteristics and ongoing processes in the society.*

In the next chapter of the thesis I have discussed the problem of poverty and poverty alleviation in context of sociological theories of poverty in reference to both developed and developing countries to outline the theoretical requirements for sustainable poverty alleviation in developing countries. A presentation of the extent and trend of poverty in Bangladesh and explanations of mass poverty of Bangladesh in Chapter-3 have followed this. In Chapter-4, I have discussed the poverty alleviation programs that have been adopted in Bangladesh so far and outlined the general characteristics of the microcredit approach, now being extensively in use as an effective strategy for poverty alleviation worldwide. Essential features of Grameen Bank Bangladesh as a successful microcredit-based poverty alleviation program and its possible problems, including dropout, that could jeopardize its success have been discussed in Chapter-5.

A theoretical framework for studying the problem of dropout/failure of Grameen Bank empirically has been constructed in Chapter-6, followed by the findings of the study in the Chapters-7.1 to Chapter-7.6. Finally, in Chapter-8, a summary of the thesis with conclusions based on critical evaluation of potentials and problems of poverty alleviation programs of Bangladesh, particularly Grameen Bank, have been presented.

It is hoped findings of the study will help to identify the appropriate strategies for poverty alleviation in developing countries. In particular, the study will provide important insights about the possible problems and solution of those problems of microcredit programs, already covering vast numbers of poor and expanding rapidly throughout the world.

Chapter-2
THE PROBLEM OF POVERTY AND POVERTY ALLEVIATION

2.1. The Problem of Poverty in Historical Perspective

2.1.1. Poverty Today: Everybody's Concern

*“To be poor is believed by many who are, and most
who are not, to be an unpleasant thing.”*

Galbraith, J.K., 1979, p.1.

It is however already seen that, a vast population of developing countries is still living with this unpleasant thing. Again, poverty is not only the concern for developing countries but for all human societies, even today's developed societies too. For example, now, in the U. S. A., about 15% of the population (over 39 million) are estimated to be living in poverty (*Zastrow 1996,p.272*). *Harvey & Reed*, in 1992, commented that America's last three decades' struggle for poverty alleviation resulted in the "great U-turn" (*1992,p.269*). In the EEC members states, number of poor has increased from 38 million in 1975 to 45 million in 1988, an increase of 13% to 15%. In UK the proportion of population in poverty increased from 6.7 percent in 1975 to 12 percent in 1985 (*see Craig 1992,p.131*). Thus, today, poverty is a major concern for every country in the world. The recent extreme concern over poverty, however, does not mean that the concern has emerged recently. The problem of poverty and destitution existed in all human societies and was a concern for every society. A brief discussion of the history of the problem and concern over it would give important insight about the problem.

2.1.2. Poverty in the Early Stages of Human History

Earlier in the human history the family or tribe heads, out of the feeling of mutual assistance and as of their duty, were responsible for the protection of the needy in the society. Rise of the organized religions in the society made the individual philanthropists and religious institutions to take care of the destitute in the society as religious duties. All

major religions have glorified poverty by attaching dignity and nobility to the recipients¹ of alms and by considering alms giving as universal duty— way of redeeming one's sins and plan of God for salvation (*Friedlander & Apte 1980,p.9; Geremek 1994,p. 19-20, Woodroffe 1974,p.82*). Asking for alms was considered as respectable in the society and an increasing number of people found it as an easy way of living. These caused tremendous increase in the numbers of beggars throughout Europe during the Middle Ages.

2.1.3. Poverty as State Concern

The Black Death² and subsequent labor shortage caused a steep rise in the wages, known as 'golden age of hired labour' *Geremek (1994, p.84)* and caused the first crises of the feudal society³ in the West. This, for the first time, led the state to intervene into the problem. However, contrary to the favorable religious attitude towards the poor, as social circumstances demanded, state intervention into the problem started by punitive and repressive measures against the poor. Many European states enacted repressive statutes⁴ to regulate the poor by imposing brutal penalties until sixteenth century but failed to wipe out the problem (*Friedlander & Apte, 1980,p.9-10*).

¹ Poverty has been glorified as a spiritual value, accessible to rich and poor alike. Humility and weaknesses are defining characteristics of glorification of poverty. Poverty, in order to be a virtue, must be voluntary, such as the Priest. Renouncing power and wealth and accepting poor living; such as, poor clothing, life of austerity without possessions, low social status; was considered as praiseworthy (*Geremek, 1994,p.19*).

² About one third of the population of the west died caused by the epidemic 'plague' during 1348-51.

³ It is believed that price of agricultural products fell as demand decreased due to population decrease caused by mass death from 'plague'. This led to fall in the demand of agricultural products. It also caused shortage of labour supply, which caused steep increase the labour price. As an obvious effect, price of industrial products was on rise. This has been termed a 'scissors effect', which caused a severe structural crises in the feudal society (*Geremek, 1994,p.80*).

⁴ Such as, in England, Edward III enacted *statute of Laborers* in 1349 to prevent begging and force the rural workers to stay on the land through cruel punishments (*ibid. p.13*).

2.1.4. Emergence of Mass Poverty

With the penetration of the capitalist mode of production and market economy wealthy farmers were able to accumulate more capital and means of production, such as land. This worsened the poverty situation as of the majority of the population— the peasants— failed to take the advantage of the opportunities, rather became victim of it. At the beginning of the sixteenth-century, considered as an age of economic expansion in Europe, sharp rise of price of the agricultural products and slow increase in the wage rate further deteriorated the situation. The effect of all these was the extreme degradation of the living standard of the masses and massive increase in the number of poor (*Geremek, 1994,p.88-89*). In *Geremek's* words:

Poverty was endemic in the societies of that time, both in its material and in its sociological aspects. Large section of the population...lived in a permanent state of near starvation; the slightest fluctuation in the delicate balance between prices and wages, or between basic needs and harvest yields, was enough to fill the roads and city streets with crowds of paupers. (p.99).

So the 'mass poverty' of developing countries, that we see today, was also very much present in Europe during the sixteenth century.

2.1.5. Poverty as Social Concern

The overwhelming increase in the number of poor people that accompanied the rise of capitalism and social disruption led the scholars, ideologists and politicians to consider poverty as a social phenomenon— a phenomenon that is beyond the control of the poor. After a series of statutes¹ related to the poor and vagrants during the sixteenth century,

¹ Some of these are; *statute of Henry VIII of 1531*, gave the responsibilities to investigate applications of the aged and paupers at the parish level; *the statute of 1536*, rendered the responsibility of public relief under the government of England; *the statute of Artificers of 1562*, regulated wages and working hours and put the unemployed beggars into hard work; *the statute of 1572*, considered as the final recognition of the government's responsibility of the poor, introduced a general tax for poor relief and established overseers to administer the law; *the statute of 1597*, along with poor relief system, made the parents and children liable for each other's maintenance (see *Friedlander & Apte, 1980, pp.12-14; De Schweinitz 1947,pp.20-29*).

the infamous *Elizabethan poor laws of 1601* in Britain, is known as the first organized step to face the problem of poverty at the state level. It is said that these laws were enacted mainly to regulate the poor, not to help or bring them out of poverty. Nevertheless, these laws and its subsequent reforms of 1834 and 1905 ultimately led to the infamous *Beveridge Report* in the 1940's based on which Britain became a welfare state through adopting comprehensive social security system¹. This was more or less followed by the other developed countries, e.g., in Europe and America, to combat the problem of poverty. So far these countries have been able to combat the problem through well-organized social security system. Poverty, as mentioned earlier, still exists in these countries but in a minimum scale termed as *case poverty*².

2.1.6. Mass Poverty of Developing Countries

Contrary to the developed world, today's 'mass poverty' of developing countries received the attention of the world community just few decades ago, since 1940s. During the pre-colonial and colonial period religious and humanitarian spirit led the individuals in the society to take care of the destitute. However organized efforts to face the problem, as seen in Europe during the Middle ages, could not be found in developing countries until recently. As the devastating extent of impoverishment of developing countries came into notice, new governments and international community became concerned about the problem. Initially development in general was the concern as these countries were seen as underdeveloped. It was thought that poverty would be reduced if broad development goals, e.g., economic growth, were achieved. Efforts were put to industrialization and infrastructure development. Subsequently, capitalist mode of

¹ Some of the provisions made on the basis of Beveridge report are; *Family Allowance Act of 1945*; *National Insurance Act of 1946* for comprehensive social insurance for old age, invalidity, and health; *Industrial Injuries Act of 1946* for workmen's compensation; *National Assistance Act of 1948*; *National Health Service Act of 1946*; and so on; (*Friedlander & Apte, 1980, pp.40-41*).

² *Galbraith (1979)* termed the poverty of developed countries, where few people are poor, as 'case poverty'.

production and market economy penetrated into these societies in a large scale during the 1950s and 1960s. As it was seen for the case of the European countries— a massive increase in poverty at the beginning of capitalist and market economy— was also seen in developing countries. Despite massive development efforts during last fifty years, the fact of increasing number of people in poverty indicated that very little has been achieved in terms of reducing mass poverty. Focus of development shifted to poverty itself. Poverty reduction became the major goal of development (*ADB 1994, Myrdal 1972, Sandstorm 1994, Seers 1979*) since the end of 1960s. However, till today, the increasing trend of poverty in developing countries indicates that it is yet to find an effective way how to reduce poverty. As *Sandstrom (1994,p.30)* claimed that poverty remains the greatest challenge facing the world today. The problem of poverty alleviation in developing countries is the major concern of thesis, but, before going into details, at this stage, it may worth to look at what is meant by the term poverty that bothers all societies in the human history.

2.2. The Concept of Poverty

2.2.1. Poverty: A Concept with Several Meanings

Although a universal social problem it is not easy to understand poverty as it carries more than one meaning. For example, *International Encyclopedia of the Social Sciences (p.398-399)* mentioned three meanings of poverty. These are; '*social poverty*', a relative term that implies both economic (property, income, living standards, etc.) and social inequality (relation of inferiority, dependence or exploitation); '*pauperism*' describes a category of people unable to maintain themselves at all, or to maintain themselves at the level conventionally regarded as minimal, without outside assistance and this meaning indicates that the paupers have a claim upon public assistance; and '*moral poverty*' defines whether poverty is morally acceptable and what status it confers

or prevents the poor man from enjoying in a society. In his book *'Behavior and Poverty in Bangladesh'*, development anthropologists *Maloney (1991,p.7-8)*, also mentioned three meanings of poverty in context of Bangladesh society, i.e., the *'journalistic meaning'*, *'absolute poverty'* and *'relative poverty'*. However, he stated that the relative meaning of poverty is the most commonly held meaning of poverty in the Bangladesh.

This is what is commonly meant when Bangladeshis use the word garib, poor. One often informs a person of relatively higher status that he is poor; even a middle-class farmer or a salaried person may do this, though he may not be really poor by Bangladeshi standards ... What a Bangladeshi means by using the word is to set up a relationship of inequality between himself and the person addressed an anticipation of possible patronage, or at least in a statement of the moral social order which he needs to make his relationships function. The concept of poverty thus takes on a relational meaning as between two individuals, and this is true of many words and concepts used in Bangla. (Maloney 1991,p.7)

2.2.2. Poverty: Essentially A Social and Relative Phenomenon

Tomaskevic-Devey (1988, p.3) termed poverty as a condition of material deprivation and a lack of social integration. This indicates two aspects of the concept, e.g., *material deprivation* and *lack of social integration*. In terms of 'material deprivation' poverty is an absolute, sometimes referred to as physical (*George 1973,p.28*) phenomenon. And in terms of 'lack of social integration' poverty is a relative phenomenon and varies in different culture or societies. Although the immediate consequence of poverty is 'material deprivation' to the poor individuals and their families, it (material deprivation) causes the poor and their families to be socially isolated and unable to participate in the expected normal social activities. The adverse effect of poverty is not only seen for the individual poor or for their families, but also at societal level too, such as it causes political, social and civil instability (*Galbraith 1972,p.1; Sandstrom 1994,p.30*). Hence, sometimes, more importance is given to the social

aspects of poverty. British Sociologist, *Townsend (1979)* mentioned that it is not the absolute levels of material deprivation, which define the poverty experience but the social isolation that results from it. So the concept of poverty possesses both absolute and relative meanings. However, in absolute terms, as it often varies from society to society, poverty is relative too. For example, in developing countries like Bangladesh, a family without a car won't be considered as poor while in developed countries, such as the U. S. A. or Japan, a family without car might be considered as poor. Again, it is also evident that poverty measures such as income, food (calorie) intake, standard of living, etc., are also varies widely across the nation, region, population groups, occupation groups, sex groups and so on, which also cause the concept to be highly relative. Above discussion brings two aspects, e.g., *absolute* and *relative*, of poverty into the focus. So these concepts deserves more elaboration to understand poverty.

2.2.3. Absolute Poverty

Absolute Poverty is the most frequently used concept in poverty studies. In short, it is a situation where people can not fulfill their basic human needs. *Robert McNamara*, once the president of the World Bank, defined absolute poverty as “*a condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to deny its victims basic human necessities*” (*Ayres 1983,pp.76-77*). *El Ghonemy, (1984,p.2)* defined absolute poverty as the deprivation of basic needs of life and the inability of the individual or household to obtain the minimum goods and services needed to rise above the poverty line in terms of life expectancy, literacy, nutritional standards and real income. Earlier, it was based on the *subsistence* concept¹ of *Booth & Rowntree* but later some social needs; such as health, literacy; are also included in it.

¹The concept of *subsistence living* is one of the earliest in the field of poverty study. It means the barest minimum upon which subsistence and health can be theoretically achieved. As mentioned by *George (1973,p.40)* *Poverty as first defined by Booth and Rowntree...meant subsistence living. Food, clothing, housing, heating and group of miscellaneous items are the basic necessities that have to be provided for the abolition of subsistence poverty.* The concept received highest criticism because it considers human being as only biological object.

There is, however, no doubt that the concept has a close affinity with the concept of subsistence living. Absolute poverty is measured by a poverty line (discussed in the following section 2.2.6).

2.2.4. Relative Poverty

As already discussed, in recent days, poverty has been increasingly defined as its very social and relative terms and often claimed that this should be the true basis of poverty measure for a particular society. This concept emphasizes on the relative income distribution in a society rather than merely looking into the problem in absolute terms. The term relative poverty refers to the extent of difference of income share of the particular groups of individuals or households from their population share. Even if the basic human necessities of the whole population are satisfied, 10 to 20 percent may be considered as relatively poor if their absolute incomes are less than, for example, one-third of the national average per capita income (*Ayres 1983,p. 77*). More simply it is a measure of income inequality in the society and covers a wide range such as inequality within the society as well as within international community, e.g., inequality between developed and developing countries. For *McNamara* relative poverty is inevitable in the society and there is little to do about it. As he said that relative poverty

...means simply ... that some citizens of a given country have less personal abundance than their neighbors. That has always been the case, and granted the realities of differences between ... individuals, will continue to be the case for decades to come (1973,p.6).

This means that every society, except those where everyone receives exactly the same income that is practically impossible, has relative poverty. A society may have relative poverty, i.e., some members may receive incomes less than others by some degree, but may have not absolute poverty, i.e., all members receive incomes greater than the designed poverty line (*Blackwood & Lynch 1994,p.572*). It appears that, to explain the persistent mass poverty of

developing countries, relative poverty would give important insights about the dynamics of the problem and possible measures that could be taken in this regard. In the absence of the concept of relative poverty it may not be revealed that in developing countries, while the major proportion of the population are living below the poverty line there are few who are enjoying unthinkable luxury. Focus on relative poverty shows how the better off sections—the producers of decades of flopped development and poverty reduction policies and plans—have kept their interests intact leaving the masses to be more vulnerable to impoverishment in developing societies. However, in the final consideration, relative poverty is the only one aspect of numerous inequalities prevail in the society. Too much emphasis on it might overshadow other aspects of inequality in the society, which are causing persistent impoverishment in the society. I shall discuss the issue later. But, now, with an understanding of the concept of poverty, I shall discuss about the objective definition of poverty.

2.2.5. Defining Poverty

Most poverty scholars defined poverty in its very relative meaning, i.e., condition of the poor in relation to the standards of the society as a whole (*Blackwood & Lynch 1994, Booth 1902, ILO 1977, Maloney 1991, Rossi & Blum 1984, Stephan 1984, Townsend 1979*). Such definitions could help to understand the individual and social consequences of poverty and the condition of the poor in relation to others in the society, but do not provide anything to measure poverty objectively. *Tomaskovic-Devey (1988, p.4)*, defined poverty socially as:

The poor are those people whose income is below the level needed for normal social participation. People whose income is below this level will tend to be both materially deprived and socially isolated, which may lead to low levels of self-esteem and the potential for anti-social behavior.

Above definition indicates the social consequence of poverty but clearly points the necessity to measure it (poverty) in absolute term, such as income. Definitions of poverty

used in empirical studies also mostly focus on the absolute aspects of poverty. For example, according to pioneer poverty scholar *Rowntree (1901,p.86)*, a family is in poverty if its total earnings were insufficient to obtain the 'minimum necessities' for the maintenance of merely physical efficiency. The 'minimum necessities' were calculated by estimating the nutritional needs of families of different sizes, translating those needs into quantities of different foods and hence into money terms, and adding the rent paid and certain 'minimum' amounts for clothing, fuel and sundries. In the same way, ILO defined poverty of developing countries as follows:

People are poor if they cannot afford those things in life that the society in which they live regards as a normal part of their standard of living. In many developing countries families who cannot afford a car are often considered "poor". But in the developing world the prevalence of destitution, hunger and disease enables an additional absolute concept of poverty to be used (1977,p.49).

Very recently, in a facilitating study, *Blackwood & Lynch (1994,p.568)* summarized various definitions of poverty used by different scholars as follows:

Different criteria have been used to define poverty. For example many researchers defined the poor as that portion of the population that is unable to meet basic nutritional needs (see for example, Ohja 1970; Reutlinger and Selowsky 1976). Others, view poverty, in part as a function of education and/or health: life expectancy, child mortality, etc. (see for example, Singer, 1985). Levels of expenditure and consumption are other criteria used to identify the poor (see for example, Musgrove and Ferber 1976). For some researchers, poverty is defined in very broad terms, such as being unable to meet "basic needs". Basic needs refer to the physical (food, health care, education, shelter, etc.) and nonphysical (participation, identity, etc.) requirements of a "meaningful life" (see for example, Straighten 1979). Sen (1983) has related the concept of poverty to "entitlement". According to Sen, "entitlement" refer to the various bundles of goods and services over which one has command, taking into consideration the means by which such goods are acquired (e.g., money, coupons, etc.) and the availability of the needed goods. As these examples suggest, and because affects many aspects of the human condition, including physical, moral and psychological, a concise and universally accepted definition of poverty is elusive.

Blackwood & Lynch suggested that for practical purpose although there are several shortcomings most poverty analysis defined poverty in absolute terms to estimate the extent of poverty. *Report of the Task Forces Bangladesh (1991,p.25)* also defined poverty in its absolute term as:

Poverty consists in the lack of certain basic capabilities of the human beings— the capabilities to live a healthy active life free of avoidable morbidity and premature mortality, the capability to live with dignity, with adequate clothing and shelter, etc.

It may be concluded that, for practical purpose, definition of poverty in absolute terms is essential. However, the issue of relativity still remains. As already mentioned, even in absolute terms, poverty is highly relative. In this situation how poverty could be measured objectively is a long issue for the poverty scholars. The issue has been discussed in the following section.

2.2.6. Measuring Poverty

Being a relative phenomenon, even in its absolute terms, a pure objective measurement of poverty is elusive. Different criteria have been used to measure poverty in different poverty studies. In the line of absolute and relative poverty discussed above, *Blackwood & Lynch (1994,p.568)* grouped the poverty measures under two headings, i.e., '*absolute poverty measures*' and '*relative poverty measures*'. Among these two, absolute measures are often used in the empirical poverty studies.

Absolute Measures of Poverty

Absolute measures of poverty consider exclusively the well-being of the poor and there by suggesting the condition of the poor only, not the overall society. The process of measuring poverty absolutely has been presented in *Figure-2.1*. It is seen that to measure poverty absolutely establishing a *poverty line*¹ is necessary. Poverty line is based

¹ The concept of poverty line was developed by *Booth (1902,p.33)*, then elaborated and refined by *Rowntree (1906)* to establish a subsistence basis for poverty and to distinguish poor people from non-poor. It is an attempt to set a minimum standard of living in terms of dieting, clothing, sanitation, etc. or more specifically subsistence living which permits a person or family to lead a relatively healthy and active living, even if they are deprived of other areas such as work, schooling, etc.

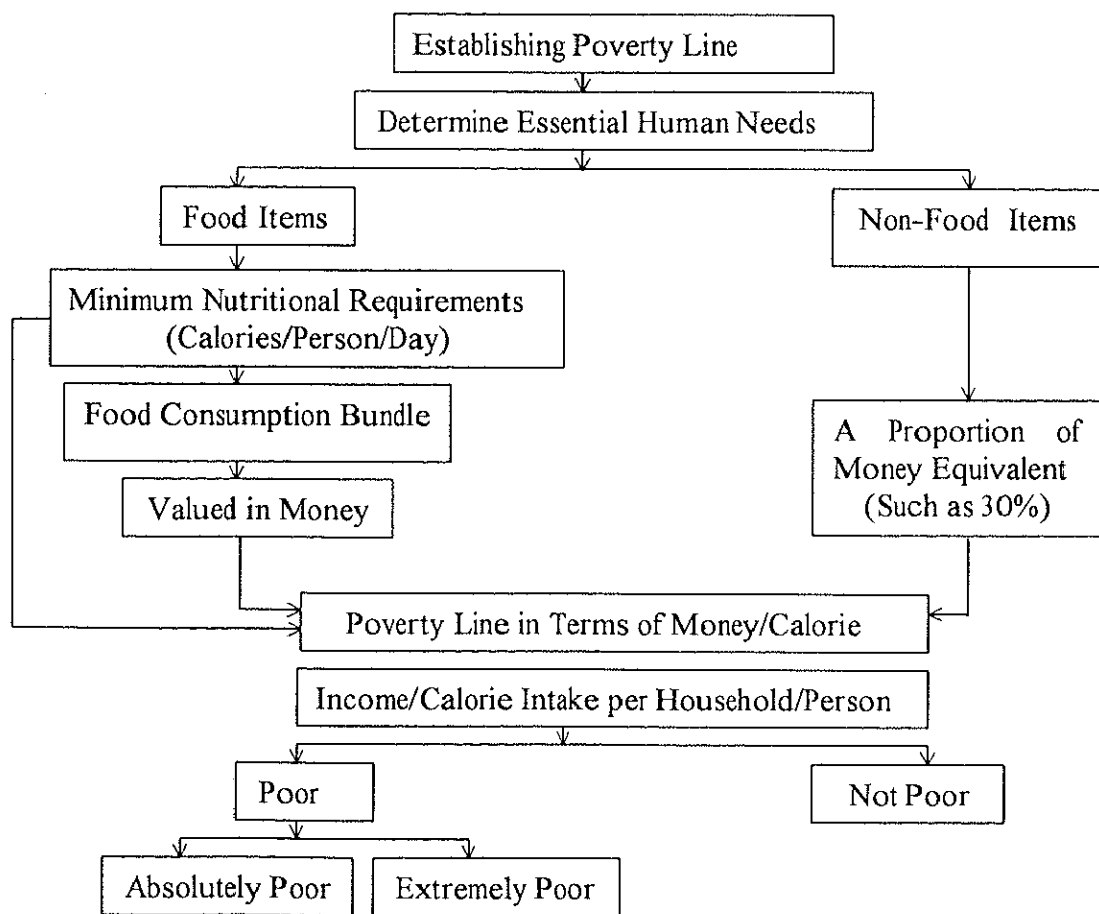
on essential human needs. So, to establish a poverty line the *first* step is to determine the basic human needs. It includes subsistence or physical needs of the human beings and basic human services such as health, education, etc. Once these needs are determined the *second* step is to translate these needs into quantitative terms. Usually, this is done by determining the minimum nutritional requirements first¹ then translate this into a minimum food consumption bundle required for fulfilling that nutrition requirement, and then the minimum food bundle into monetary equivalent. *Finally*, a proportion, such as 30%, of the money equivalent added to it for non-food essentials. The total is the minimum income required for fulfilling the essential human needs. This works as the poverty line. The persons whose incomes fall below this line are considered as poor. Sometimes, this is again divided into two categories, i.e., '*absolute poor*' and '*extremely poor*' or '*poverty Line I*' and '*poverty Line II*' (for example, consuming 2200 and 1800 cal/person/day respectively used by *Bangladesh Bureau of Statistics*) for the purpose of indicating the extent of misery of the poor.

As mentioned, being a relative phenomenon, there are difficulties in measuring poverty absolutely. Some problems are; *first*, it provides only a scalar count of the poor without any direction; *second*, it does not indicate the extent of misery of the poor; *third*, income based poverty measures possess several difficulties, such as; i) it is difficult to determine what should be included in the minimum food bundle based on which income is calculated; ii) estimate the prices of food items as those change frequently by quality, locality, season, etc.; iii) it provides a very unstable estimate as income can change sharply; iv) it is difficult to collect precise income data; v) it is difficult to capture the distribution of goods/services and the consumption of the government provided goods and services that do not require personal income to purchase; vi) it ignores the expenditure pattern of the family which, to a large extent, determines a family's poverty

¹ Poverty line is also drawn at this level on the basis of actual nutrition intake known as nutritional measures of poverty, (*Rahman & Haque 1988,p.17*). This measure resembles with the subsistence definition of poverty as it considers only food or physical need.

status; and vii) finally, but not the last, the minimum standard of living varies among societies or regions. People with same income could live in poverty or beyond poverty; *fourthly*, in terms of nutritional measure its problem is that nutritional requirements vary among societies, cultures, persons, occupation groups, sexes, and so on.

Figure 2.1
MEASURING ABSOLUTE POVERTY



Poverty scholars have tried to overcome above problems by developing different methods of measuring absolute poverty. Such as *Blackwood & Lynch (1994, pp.569-572)* mentioned four types of absolute poverty measures. These are: i) The *Headcount*

measure, concerned with the number or percentage of population that falls below the poverty line; ii) The *Income Shortfall* measure, calculates the amount of income by which the poor fall short of the poverty line and thus indicates their degree of misery; iii) The *Income distribution among the poor*, concerned with the income distribution among the poor and indicating the extent of difference among the poor; and iv) *Composite Poverty* measures, reflects the number of poor, the extent of their immiseration, and the distribution of income among the poor, such as *Sen Index*.

Relative Measures of Poverty

The relative poverty measures, mentioned by *Blackwood & Lynch*, define poverty in relation to the income of the overall population in a society. Thus, poverty is not determined by a discrete poverty line but by relatively to the overall income of population. There are two types of relative poverty measures. These are: i) the average income of a particular percentage— such as bottom 40%— of the population is considered as poor, and ii) the number of people whose incomes are less than or equal to a predetermined percentage of the mean income of a population is considered as poor. Relative measures of poverty may well reflect the extent of inequality in a society. They, however, often fail to reflect the actual extent of poverty in a society. Moreover, the true picture of poverty in the society would be missed if it were measured by relative poverty measures. For example, in a society like Bangladesh where the overall per capita income is very low, considering bottom 40 percent of the population as poor would cause a large proportion of the population as non-poor who are actually poor. Relative poverty measures may also give a contradictory picture if it is considered along with absolute poverty. For example, a person may be relatively poor but may or may not absolutely poor. Finally, in relative measures of poverty it is not clear what exactly happen to poverty situation in a society if relative poverty situation improves. For example, there may be an improvement in relative poverty while there might be a decrease in absolute

poverty. Conversely, relative poverty may increase while absolute poverty may decrease.

Obviously, different measures of poverty yield different results even in the same society. In the words of *Blackwood & Lynch (1994,p.568)*:

Unfortunately, in many circumstances, while some measures of poverty and inequality will suggest that these problems are attenuating, other measures will imply that the problems of poverty and inequality are worsening. For example, during a recession an absolute measure of poverty might indicate that poverty is increasing while a relative measure of poverty may indicate that poverty is abating.

2.3. Emergence of Poverty as Discrete Field of Investigation

2.3.1. World Perspective

Studies on poverty, which helped to conceptualize the problem as it is today, are believed started by a call of *Sir Thomas Bernerd*, in 1796, to fellow philanthropists to make inquiry into all that concerns the poor and promotion of their happiness (*Wooderoofe 1974,p.9*). Following that *Sir Fredric Morton Eden*, in 1797, investigated the condition of the poor and the administration of the poor laws and published '*The State of the Poor*'. At the beginning of the nineteenth century *Thomas Chalmers*, investigated each case of destitution in order to reduce the bad effects of poor relief—such as wasteful, demoralized paupers, destroyed their will to support themselves, eliminated the will of their relatives, friends and neighbors to help, and failed to take advantage of the readiness of philanthropists to aid the poor (*Friedlander & Apte 1980,pp.19-20*). *Engles's 'The condition of the Working Class in England'* published in 1845, claimed that poverty was always removed from the sight of the happier classes and true poverty often dwells in hidden alleys close to the palaces of the rich (*Wooderoofe 1974,p.7*). Poverty as a problem that could be measured, widely came into notice through *Charles Booth's*¹ study on poverty in London in the 1880's and subsequent

¹ A British ship-owner and manufacturer. Some scholars also designated him as a social scientist (*Simay & Simay 1960*).

publications of '*Life and Labor of the People (1889-1891)*' and '*Life and Labor of the People of London*' in seven volumes (1891-1903). In fact, *Booth's* study is considered as the first scientific investigation into the problem of poverty and he is also considered as the inventor of social survey-indispensable to succeeding generations of social scientists. Primarily because of his work on poverty, *Booth* is honored as one of the founding fathers of social administration (*Spicker 1990,p.21*). Later *Rowntree*, an industrialist with interest in unemployment and social welfare, inspired by *Booth* took surveys on poverty in York from the end of the 19th (1899) century to the 1950's which established the problem of poverty as a condition that could be measured objectively and which did not change much over time (*George 1973,p.28*). *Rowntree*, in his study, used precise definitions to measure poverty and better-developed techniques for data collection (*Macmillan Student Encyclopedia of Sociology 1983,p.336*). Most concepts, such as *poverty line*, *subsistence needs*, *primary and secondary poverty*, etc., used in poverty studies were developed by *Booth* and *Rowntree*. Since *Booth* and *Rowntree*, numerous studies have been done on poverty, and nowadays, poverty is the most preferred field of investigation for the social scientists, particularly in developing countries.

2.3.2. Developing Countries Perspective

Prior to the second world war, the western anthropologists conducted studies in developing societies as primitive societies what *Margaret Mead* grouped as 'untouched societies' (*Hulme & Turner 1990,p.9*). After the end of colonial era, as these countries were considered as underdeveloped, 'economic development' became the focus of study. This time, the scholars were also western. As *Hulme & Turner* termed it as the cohorts of colonial administrators were replaced by a new army— Western academics (*1990,p.10*). Economists were dominant as economic planning was considered necessary to achieve rapid economic growth— the condition for development. Numerous theoretical

development models¹ developed to accomplish understand and forecast economic growth by the economists. However, after decades of efforts *Gunnar Myrdal's 'Asian Drama'*, published in 1968, revealed that very little has been achieved in terms of mass impoverishment in the developing countries through conscious economic planning. Since then, numerous publications have described the devastating and increasing poverty situation of developing countries and tried to identify the failures of the development programs, so far adopted, in search for an alternative approach (*Ayres 1983; FAO 1984; Galbraith 1979; ILO 1977; Seers 1969,1979; World Bank 1975*). Focus was increasingly put on poverty as the denominator of development (*Myrdal 1972, Seers 1979,p.12*). Poverty of developing countries attracted massive attention from the scholars of both developed and developing countries. Today, it could be said that research and publications on poverty and poverty alleviation in developing countries are flooding everyday. However, the fact of increasing number of people in poverty again indicates that, these studies, so far, have failed to explain the persisting poverty of these countries. Why mass poverty exists in society? This vital question is still very much there. Now I shall look into the sociological explanations of poverty for a possible answer to this question.

2.4. Major Sociological Explanations of Poverty

Policies and programs to reduce poverty depend on how it (poverty) is explained. As poverty interacts with almost all other social problems, social scientists tried to explain poverty in numerous ways. Most of these could be organized into two of explanations, i.e., *individualistic* and *structural*.

¹ Some of these models are the Lewis Model, the Harrod-Domar Model, Rostow's Stage Theory, Rodan-Rodensteins 'Big Push', Scitovsky's work on externalities, and so on (see *Hulme & Turner 1990,p.10*).

2.4.1. Individualistic Explanations of Poverty

Early in the poverty literature the dominant explanations of poverty was that it is an inevitable phenomenon in the society and class divisions in the society were believed to be natural (*Townsend 1984,p.3*). Most religions, which dominated the pre industrial societies and to some extent still have significant influence in the society— particularly in developing societies, view poverty not only inevitable in the society but also necessary for salvation¹. Religions teach us that poverty led the poor into paths of industry and the rich into acts of charity (*Woodroofe 1974,p.82*). Although religion inspired charity that helps the poor, it inspires inaction against poverty by attaching virtue in it. Probably that is why, *Max Weber* viewed religion as an obstacle to development and tied development with the famous *Protestant ethic*. Both *Bernard (1796)* and *Eden (1797)*, the earlier poverty scholars, also claimed that poverty is a natural phenomenon and the poor must be always in the society. *Eden (1797)* explained poverty of Britain as caused by bad harvests and the exceptionally high price of essential commodities. In the same line, *Malthus (1872)* also, viewed poverty as either a function of ignorance or of moral perversity of the poor. He noted that men and women having larger families than they can support cause poverty. Therefore poverty's cure, in part, rests in providing a 'moral' education for the ignorant poor and their children, one which teaches them the virtue of prudence and foresight. Such explanations of poverty emphasized the *individualistic* and *naturalistic* aspects of poverty later developed as one of the major explanations of poverty known as the *individualistic explanations of poverty*. It focuses on the individual characteristics of the poor in explaining their poverty and blames the poor for their own poverty. Thus, it is popularly known as *blaming the victim* perspective. This perspective was later greatly influenced by the *Protestant Ethic* of *Max Weber* and the economic

¹*Geremek (1994,p.20)* mentioned that Christianity saw the existence of poor in society as a natural part of God's plan of salvation. He quoted from *Patrologia Latina* that "God could have made all men rich, but He wanted there to be poor people in this world, that the rich might be able to redeem their sins".

principle of *laissez-faire* of *Adam Smith*. 'Protestant ethic' emphasizes *individualism* ideology, which means one is responsible for one's actions and conditions in life. Hard work and working one's self interest were highly valued. The 'laissez-faire' economic theory emphasizes the idea that society and economy would best prosper if businesses and industries were given full freedom to do whatever they like to maximize their profit. This ideology reached to an inhumane scale when *Spencer* gave the *Social Darwinism* theory, which claimed that the strong (the wealthy) survive because they are superior whereas the weak (the needy) should perish and it would be a mistake to help the weak to survive. However, 'Social Darwinism' never received much importance in the field of poverty. Later, some of the proponents of the 'individualistic explanations' of poverty are *Banfield 1970; Bottomore 1966; Glazer & Moynihan 1970; Hauser 1980; Huber & Form 1973; Jencks, et al. 1972; Moynihan 1973; Pease, Form & Huber 1970* and many others. According to the 'individualistic explanations' of poverty it is assumed that focusing on characteristics of the poor could reduce poverty. Most social service programs in developed countries directed to combat poverty have been based on this view and attached punitive conditions to poor relief (*Townsend 1984,p.3*).

2.4.2. Structural Explanations of Poverty

During the later half of the nineteenth century *Marx's (1887)* theory strongly opposed 'individualism' ideology and 'capitalistic mode of production'. *Marx* claimed that impoverishment in the society is caused by the 'capitalistic mode of production' where few people, who hold the means of production, exploit the working class to maximize their profit. Clearly *Marx* emphasized that existing social system is the cause of poverty. Its very source is pertained in the contradictions¹ of the capitalist mode of production. *Marx's* theory has been considered as a radical one. The solution of the poverty problem,

¹ Thus, it is also known as '*conflict*' perspective.

as suggested by *Marx*, could be achieved only through abolishing of the class structure of the society— by making the poor politically aware and active so that they can take the power of the society and replace the 'capitalism' by 'socialism' to bring an end of all sorts of exploitation and inequality from the society. These explanations, which blame the social structure as the cause of poverty, are known as the *structural explanation* of poverty. It focuses on the characteristics of the broader social, political, or economic conditions that affecting the poor rather than focusing on the characteristics of the poor. Some of the proponents of this explanation are *Edwards, Reich & Gordon 1975; Gordon 1972; Marx 1887; Ryan 1971*.

At the beginning of the twentieth century, pioneer poverty scholar *Booth (1902)*, for the first time, in an optimistic view, encountered the 'individualistic' notion of poverty and claimed that poverty was existing mainly because of the inadequate methods of handling it. He explained poverty as caused by the factors beyond the capacity of the individuals and as they (the poor) are unable to help themselves the state should intervene to help them. *Woodroffe (1962,p.11)* commented about *Booth's* explanation of poverty as follows:

The extent of poverty he (Booth) found so startling that it was obvious that the existing methods for handling it were entirely inadequate. A new solution was necessary; the state itself, he said, must 'nurse the helpless and incompetent as we in our own families nurse the old, the young and the sick'. Poverty in other words, was not pre-ordained, part of a 'natural' order, or proof of individual aberration. It was not to be exorcised by incantations on thrift and self-help. It was human, explicable, and removable, and if the existing methods for dealing with it were inadequate, unsuitable or desultory, the state itself must step into the role of provider.

Booth's explanation clearly indicates structural factors as the cause of poverty. So it does fall in the structural explanation category. However, *Booth's* suggested way to handle the problem differs than that of suggested by the radical *Marxists*. He (*Booth*), instead of *Marxist* radical measures, emphasized the need for state intervention to solve the

problem keeping the existing capitalistic system of production on. Later, *Booth's* explanation worked as the basis for comprehensive state actions against poverty, particularly in the developed countries. The infamous '*Beveridge report*', the basis of today's comprehensive social security system in Britain, was also based on the philosophy of *Booth*.

2.4.3. Culture of Poverty

The Culture of Poverty Thesis

In the 1960s, Oscar Lewis introduced the '*culture of poverty*' thesis. In the poverty literature, probably, '*culture of poverty*' thesis has been discussed most extensively— both positively and negatively. In short, '*culture of poverty*' is a way of life, remarkably stable and persistent, passed down from generation to generation along family lines. It has its own modalities and distinctive social and psychological consequences for its members. It is a dynamic factor which affects participation in the large national culture and becomes a subculture of its own (*Lewis 1964*). Culture of poverty shows similar characteristics in different countries. *Lewis (1968)* claimed that Culture of poverty transcends regional, rural-urban, and national differences and show remarkable cross-national similarities in family structure, interpersonal relations, time orientation, value systems, and spending patterns.

To illustrate the structure and rationale of the '*culture of poverty*' *Lewis* described it in terms of some seventy interrelated social, economic and psychological traits (*Stephan 1984*). For study purpose *Lewis* grouped these seventy traits into following four groups:

i) The relationship between the subculture and the larger society: Lack of effective participation and integration of the poor in the major institutions of the larger society;

ii) The nature of the slum community: Poor housing, crowding, gregariousness, and above all a minimum of organization beyond the level of the nuclear and extended family;

iii) The nature of the family: The absence of childhood as a specially prolonged and

protected stage in the life cycle, early initiation into sex, free unions, high incidence of abandonment of wives and children, trend toward female or mother-center families and consequently a much greater knowledge of maternal relatives, a strong pre-disposition to authoritarianism, lack of privacy, verbal emphasis upon family solidarity which is rarely achieved because of sibling rivalry and competition for limited goods and maternal affection;

iv) Character structure of the individual: Strong feelings of marginality, of helplessness, of dependence, and of inferiority.

Where and When Culture of Poverty Develops

According to *Lewis*, 'culture of poverty' could not be developed in all societies such as primitive and caste society. Socialist, fascist, and highly developed capitalist societies with a welfare state, the 'culture of poverty' tends to decline. The 'culture of poverty' flourishes in, and is generic to, the early free-enterprise stage of 'capitalism' and that it is also endemic to 'colonialism'. The most likely are the people of lower class of rapidly changing society and are already partially alienated from it are prone to develop 'culture of poverty'. Thus, landless rural workers who migrate to the cities can be expected to develop a culture of poverty much more readily than migrants from stable peasant villages with an well-organized traditional culture.

Coming Out of Culture of Poverty

Regarding coming out of culture of poverty, 'culture of poverty' theory claims that when a poor become class conscious or active members of trade union organizations or when they adopt internationalist outlook on the world, they are no longer part of the culture of poverty although they may still be desperately poor. Any movement be it religious, pacifist, or revolutionary that organizes and gives hope to the poor and effectively promotes solidarity and a sense of identification with larger groups destroys

the psychological and social core of the culture of poverty. As some countries have small segment of population representing culture of poverty and some have large the solutions also differs. In the developed countries social work and psychiatric solution is tried however, in the developing countries the people with a culture of poverty may seek a more revolutionary solution. Finally, *Lewis* mentioned that there is a distinction between 'poverty' and 'culture of poverty'. He gave four examples where the people were 'poor' but did not have a 'culture of poverty'. These are i) Primitive or preliterate peoples; ii) The lower castes of India; iii) The Jews of Eastern Europe; and iv) The Socialist countries.

Culture of Poverty in Perspective

As stated earlier that hundreds of studies, both in support and against, have been conducted on 'culture of poverty' thesis. Among these there are numerous studies which found the worthiness of the culture of poverty thesis. Some of these are, *Ball 1968; Du Toit 1977; Glazer & Moynihan 1963; Howe 1993; Miller 1958, Miller & Roby 1968, Rodman 1977;* and so many others. On the other hand, some of the critics of the thesis are, *Bernard 1994; Chandler & Gaitz 1974; Delmos 1993; Harison 1976; Lewis H. 1969; Miller 1976; Rainwater 1970; Rossi & Blum 1984; Schwartz 1975; Valentine 1968;* and so many others.

There is, however, no doubt that the 'culture of poverty' thesis dramatically drew the attention of both scholars and policy makers towards the problem of poverty. It also gave us significant new insights about the problem of poverty, particularly about its *reproductive nature*, and frameworks for analysis of poverty— still the major concern of the whole world.

There were also attempts to identify the 'culture poverty' thesis within either 'individualistic' or 'structural' explanations of poverty, discussed above. Interestingly, it is seen that some scholars, such as *Harvey & Reed* have mentioned that 'culture of poverty'

thesis falls within 'structural explanations' of poverty (1992,p.279):

Lewis' culture of poverty thesis obviously cannot be classed with approaches that blame the victim. Instead, the reproductive paradigm firmly fixes poverty's origin in a flawed productive mode, one which is an inveterate destroyer of communities.

On the other hand, some Scholars (such as *Tomaskovic-Devey 1988, Kerbo 1981, Valentine 1968, Ryan 1971*) mentioned the culture of poverty as an individualistic explanations of poverty. *Kerbo (1981,p.324)* commented that:

Oscar Lewis's (1965) culture of poverty view, which weakly suggests that this culture of poverty is ultimately related to structural causes. But the predominant thrust of research from this culture of poverty perspective has been how characteristics of the poor themselves cause or perpetrate a cycle of poverty.

It appears that the 'culture of poverty' thesis includes components from both 'individualistic' and 'structural' orientations. In one hand it gives stress on the individual and to their immediate environment; such as family, community characteristics; to explain poverty, on the other hand, it emphasizes on structural aspects of poverty, particularly in solving the problem, such as social welfare programs to handle the case poverty situation in the developed countries and revolutionary measures in the developing countries—where large segments of population representing culture of poverty (*Lewis 1965*).

2.4.4. Explanations of Poverty in Perspective

I have mentioned at the beginning of this section that most poverty theories have been grouped into two explanations, e.g., individual and structural. These two explanations remained at the focal point of any poverty debate as it had important implications for the social policies taken to combat poverty in the society. It is also found that, later, poverty scholars categorized various poverty theories under these two broad categories (see *Kerbo 1981, Harvey & Reed 1992, Tomaskovic-Devey 1988*). *Tomaskovic-Devey (1988,p.7)* mentioned three general theoretical orientations in

studying poverty. *First*, people are poor because of some personal or cultural defect, to be known as 'culture of poverty'. *Second*, people are poor because of some personal characteristic that makes them less competitive in the labor market. Economists in their studies of poverty often identify personal characteristics (education, work experience and personal motivation) as the causes of poverty as they determine labor market competitiveness. These two approaches together, as mentioned by *Tomaskovic-Devey*, constitute the individual level explanations of poverty. *Third*, the 'structural explanations' of poverty describe the poor as having limited economic opportunity, either because of present labor market segmentation based on sex and race or because of the overall opportunity in the locality in which they reside. In 1981, *Kerbo*, examined 67 articles on poverty published in 5 major journals e.g.; *American Sociological Review*, *American Journal of Sociology*, *Social Forces*, *Sociological Quarterly*, and *Social Problems*; and grouped them under 'individualistic' and 'structural' orientations. He showed that though social scientists may at time make structural theoretical statements, their research overwhelmingly focuses on the characteristics of the poor in explaining poverty.

Both 'individualistic' and 'structural' explanations of poverty explained poverty through its own theoretical structure and give a framework of analysis of the problem. Thus, we can't ignore the contribution of any of these theories in the field of poverty. It is clear that poverty scholars are also inclined to pick up elements of both explanations to explain the problem of poverty and poverty alleviation. As we saw *Booth* intended to explain poverty as a structural phenomenon and suggested state intervention (not a radical one) directed to the poor to solve the problem. This sort of attitude could be considered as a *liberal* one, which recognizes the responsibility of the society to take necessary measures, for example, controlling the accumulation of capital by imposing tax and expend it in welfare program, to help the poor. But it falls short of a radical measure, such as abolition of capitalistic mode of production. We will also see that policies related

to poverty alleviation have been well affected by both these way of thinking.

2.4.5. Explanations of Poverty in Context of Developing Countries

One thing worth mention is that all theories of poverty, discussed above, have been developed and primarily based on the developed societies and hardly used in explaining the poverty situation of the developing societies like Bangladesh— the field of present study. It is evident from earlier discussion that poverty as a social concern emerged in the developed countries in response to tackle the problems related to capitalism which led to industrialization while, in the developing countries in response to underdevelopment and hunger. These might lead to assume that the above explanations of poverty have limited application to explain the poverty of developing countries. It is true that the context, causes, and remedies differ greatly between developing and developed countries— also mentioned in 'culture of poverty thesis. However, it is also true that the consequences of poverty, i.e., 'material deprivation' and subsequent lack of 'social integration', are equal in all societies. Thus, these theories can provide us important theoretical frameworks to explain the problem of poverty and poverty alleviation in developing countries.

Based on the above explanations, to construct a theoretical structure of the poverty of developing countries, it seems that sustainable poverty alleviation in these countries remains on both the poor as well on the society. To state simply, to come out of poverty the poor must be convinced that no longer they want to live in poverty¹. Then it should be the responsibility of the society to create provisions necessary for the purpose and remove the barriers, if any, in the way to come out of poverty permanently. This had been the underlying suggestion of *Galbraith (1979)* to reduce the mass poverty in developing countries. *Galbarith* explained the mass poverty of developing countries as trapped in *equilibrium of poverty*. To break this equilibrium, the poor need to be

¹ If the poor don't aware about it society should intervene to create such awareness.

motivated as to make effort to escape from it. That effort to escape from poverty by the poor to be facilitated by the society. I shall examine the poverty alleviation programs of developing countries, particularly Bangladesh, from this theoretical point of view. I assumed that, despite having prospects, so far, the poverty alleviation programs in Bangladesh failed to achieve significant success because of ignoring the barriers that the poor could face to play their roles as an active part in the process of escaping from poverty mentioned by *Galbraith*. Instead, the poverty alleviation programs always stressed on the macro aspects of the society, specifically on economic aspects, and caused failures of the participants to take the opportunity in a sustainable manner and hence, 'accommodated' within the 'equilibrium' of poverty.

2.5. Approaches to Poverty Alleviation

2.5.1. The Domination of Individualistic Approach

Charity/Relief Approach: The Poor as Object

As poverty is a universal phenomenon, efforts to alleviate it were also present in all human societies. Approaches to poverty alleviation have changed throughout the history based on experiences and always been shaped by the contemporary explanations of poverty. Like explanations of poverty, approaches to poverty alleviation also surround among '*individualistic*' and '*structural*' aspects. However, it is dominated by the '*individualistic*' approach. The earliest approach to poverty was *charity* or *relief*. It was an act of the alms giver concerning little about the poor. It considered the poor as object. This approach got momentum when organized religion emerged in the society and attached, in one hand, dignity to poverty and, on the other hand, encouraged charitable activities. Individuals and religious institutions, such as church, out of religious duty and for salvation distributed alms among the poor in general, considering little about the condition of the poor.

The Heterogeneous Poor: Classification of the Poor

Theologians and social theorists identified the heterogeneity among the poor as early as during the twelfth century. They classified the poor into two categories, e.g., *voluntary poor*— who renounced wealthy life and accepted poor living inspired by dignity attached to it, and *involuntary poor*— who were materially poor and product of the environment or society (*Geremek 1994, pp24-25*). As religion attached dignity and nobility to the recipients of alms, number of poor increased tremendously throughout Europe during the Middle ages. Huge numbers of able-bodied were also started to receive alms as they found it an easy way to live. The result was the start of *punitive approach* to combat poverty. The poor were divided as *able-bodied*— able to work, and *disabled*— unable to work due to physical or mental deficiencies. The state and the secular institutions in the society started to discourage giving alms to able-bodied poor and begging by such poor¹. The severe labor shortage caused by the *Black Death*² of 1348-51 and subsequent steep rise in the wages in the west brought the state intervention into the problem to regulate the poor by punitive and repressive measures³. The infamous poor laws of 1601 of Britain distinguished three classes of the poor. These were: *i) The able-bodied poor*, they were forced to work in the house of correction or 'workhouse' and citizens were forbidden to give them alms; *ii) The impotent poor*, who were unable to work such as the sick, handicapped, mothers with young children etc., they were placed to almshouse or supplied by outdoor relief at their residence; and *iii) Dependent children*, the orphan, deserted children, etc., they were given to any citizen willing to adopt and children of eight years or more were placed to serve their masters or as domestic servants.

¹ Such as *Charlemagne statute of 800*, threatened to prohibit begging and fined citizens who gave alms to able-bodied beggars (*Friedlander & Apte, 1994, p.9*).

² About one third of the population of the west died caused by the epidemic 'plague' during 1348-51.

³ Such as, in England, Edward III enacted *statute of Laborers* in 1349 to prevent begging and force the rural workers to stay on the land through cruel punishments (*ibid. p.13*).

Relief Approach Under Criticism

So far, the poverty alleviation efforts were dominated by the individualistic explanation of poverty, i.e., individual failures were thought as the causes of poverty. As such these programs, like the earlier ones, mainly based on 'relief approach', i.e., distributing relief among the poor and little concerned about the condition of the poor. Social and economic changes in Europe, such as feudalism by capitalism and agriculture by industry, worsened the poverty situation as majority of the population failed to take the advantage of the opportunities created from such changes. It was recognized that poverty could be caused by the factors beyond the individuals' capacity. However, state run poverty alleviation programs came under severe criticism because of increasing number of poor and subsequent higher tax burden on the citizen. Two contemporary influential theories strongly opposed the state endeavor to help the poor. One was *Adam Smith's* the '*laissez-faire*' economy which urged for elimination of poor relief by the state. And the other was *Malthus (1872)* who disapproved poor relief because it tended to encourage the poor to have more children to get more relief. The need for an effective approach that could reduce the poor as well as the expense of poor relief administration was increasingly felt.

Emergence of Self-supporting Approach

Thomas Chalmers (1780-1847), a parish minister in a small community, opposed the *impersonal approach* of the existing poor relief system and took a *case approach* to detect the causes of poverty and to alleviate it. He adopted a *self-supporting approach*—which stressed on individual dignity and self sufficiency to poverty alleviation along with the relief approach. The result was surprising. After four years only twenty were found in need in a parish of 8,000 population (*Friedlander & Apte 1984,p.19*). *Chalmers*, however, like the contemporaries, also considered the personal failures as the cause of poverty and overlooked wider economic and social factors. Although, *Chalmers's*

approach was not adopted in a larger scale, his approach to poverty alleviation was clearly very effective in poverty reduction. This approach, for the first time, considered the condition of the poor. It stressed on the dignity of the poor which, so far, absent in the field.

The *Royal Commission* of 1834 in Britain also pointed out that the existed practice of poor relief made the poor 'permanent paupers' instead of *self-supporting* citizens (*Friedlander & Apte 1980,pp.20-21*). In the face of increased criticism of the negative impact of the relief approach on the work habits of the poor the *principle of less eligibility*¹ was introduced into the poor relief practice. This principle later exposed to severe criticism². Anyway, the 'self-supporting approach' to poverty alleviation, although found effective, never dominated in the poverty alleviation programs in the developed countries. Instead, the charity or relief approach, in a more scientific and organized form as *social/public assistance*, still continuing as the major component of the poverty alleviation or social security systems in the developed countries (*Atkinson 1970,pp.23-27; Friedlander & Apte 1980,pp.40-45; Zastrow 1994,pp289-296*). The principal objective of these programs is to keep the poor beyond the poverty line through income transfers and other measures. Although, increasing social service expenditures in the developed countries are subject to increased criticism, nowadays, these countries are maintaining extensive social service system, mainly based on individualistic approach, to combat poverty.

¹ This means that the amount of help to the poor must be less than that of the lowest paid worker in the community.

² Such as *Disraeli* commented that "to be poor in England was a crime" (*Friedlander & Apte 1980,p.22*).

2.5.2. Structural Approach to Poverty Alleviation

The poverty alleviation approaches discussed above are mainly based on the 'individualistic' explanations of poverty. As seen the 'structural' explanations of poverty stressed the structural measures as the effective way to eliminate poverty and inequality from the society, for example, abolition of individual ownership, introducing socialistic production system through central planning. A number of countries such as USSR, China adopted the socialistic system either through revolution or under dictatorship and followed the structural approach to alleviate poverty. In a limited sense, it could be said that these countries had been successful to reduce their mass poverty at least, in terms of subsistence living. However, in recent decades these countries have discovered themselves as severely lacking behind rest of the developed world in terms of technologies, resources and capitals. This realization might have worked as the cause of the recent fall of the socialistic countries and return to the capitalistic production systems again. It may be said that socialistic countries, although were able to eliminate inequality or poverty to a certain extent, became nationally poor in the world order. Hence, in the near future, further adoption of structural measures to combat poverty might not happen.

2.5.3. The Liberal Approach

It appears that the main difference between the 'structural' and 'individualistic' approaches is to who, individual or society, should control the means of production. Structural approach assumes that the existing social system of unequal ownership of property is the root cause of poverty and prefers the control of the means of production by the society to eliminate poverty or inequality from the society in general. While the individualistic approach believes that individual failures are the root cause of poverty as such only individual action would reduce poverty. It may worth mention here that,

although poverty alleviation programs in developed countries are mainly based on individualistic approach, it has been modified largely from its earlier rigid 'individualism' ideology as, nowadays, businesses and industries are controlled by different economic and social policies. The responsibility of the state to help the poor has been accepted in all countries. Precisely, these countries have turned into 'welfare state' and executing comprehensive social security programs covering all citizens, including the poor. This approach could be compared with the *liberal approach*¹ to poverty alleviation mentioned by *Schneider, et al. (1981,p.168)*. This approach emphasizes the importance of reformist social action (creating new agencies for intervention, modifying the existing agencies, allocating more fund for the poor, and so on) so that the poor can help themselves out of poverty. It contains components from both 'individualistic' and 'socialistic' approaches. In one hand, it recognizes that poverty might occur because of the reasons beyond the capacity of the poor or because of the existing social system and hence society should intervene to alleviate poverty through social action. On the other hand, it stresses the individual actions of the poor from coming out of poverty.

2.5.4. Approach to Poverty Alleviation in Developing Countries²

Development Approach: Failed to Reduce the Mass Poverty

So far, I have discussed the approaches adopted in the developed countries. What about the developing countries like Bangladesh, which are, despite decades of massive efforts, still facing devastating level of mass poverty? In one hand, implementation of

¹ *Schneider, et al. (1981,p.168)* mentioned this. They also mentioned two other approaches as *conservative approach*— possessing the same notion of individualistic approach, and *radical approach*— possessing the same notion of structural approach.

² A detail discussion about the approaches to poverty alleviation in developing countries has been presented in Chapter-1. A theoretical analysis of the mass poverty of developing countries, in reference to Bangladesh, could be seen in Chapter-4.

comprehensive social security programs, as in the developing countries, is impossible for these countries because of scarce resources. On the other hand, the recent shift of the socialist countries into the capitalist system also limits the applicability of structural approach. Moreover the preconditions of socialistic revolution set by its proponents such as, development of industrialized capitalist system, seem also elusive in these countries. In this context, to alleviate the mass poverty, which approach(s) are to be followed by these countries has remained as a big question.

Examining the poverty alleviation approaches adopted in developing countries reveals that, until recently, *development* was the approach to handle the problem of poverty. At the beginning, overall economic development was the main target, as these countries were thought 'underdeveloped'. These countries followed the 'trickle-down' strategy, which emphasized the overall economic growth of a country (*Ayres 1983, Morawetz 1977, Townsend 1984*) to reduce poverty. It was believed that benefit of the economic growth would also go to the poor and reduce the poverty level of the country. All out efforts were put to invest in infrastructure and industrialization in the 1950s and 1960s. However, after decades, despite significant economic growth and improvement in the lives of people of the developing world, poverty continues to be pervasive and overwhelming (*FAO 1984; ILO 1977, 1979; Sandstrom 1994, UNDP 1997*). The realization was that, economic growth itself does not ensure poverty reduction. Rather it may worsen the poverty situation by increasing the gap between the rich and the poor, as the fruits of growth mostly go to the already well off sections of the society (*Adelman & Morris 1973; FAO 1984; ILO 1979; Rahman, Mahmud & Haque 1988*). This led to adopt a new strategy of growth with re-distribution (*RWG*) and basic human needs (*Ayres 1983, p.76-77*). Some organizations and scholars concluded that without taking structural measures in terms of re-distribution of productive assets, such as land, poverty

reduction is impossible (*FAO 1984, ILO 1977*). On the other hand, the proponent of 'trickle-down' strategy concluded that there is no evidence, which support the view that a high rate of economic growth has an adverse effect upon relative inequality. *Ayres (1983,p.89)* noted:

The income-productivity-output approach remained the central thrust of the World Bank's approach to poverty alleviation...improving the absolute incomes of the poor, not on relative inequality. The emphasis likewise was on the distribution of income increments, not on the redistribution of existing assets or income. The preference was for market over governmental mechanisms. Helping the poor meant primarily increasing the income, productivity, and output of the poor.

Based on data, the Asian Development Bank (*ADB*) recently showed that Newly Industrializing Economies (NIEs); such as, Korea, Taipei, China; and near-NIEs; such as Indonesia, Malaysia and Thailand; have achieved successes in poverty reduction as those countries achieved sustained growth (*ADB, 1994,p. 8*). Although, the recent economic turmoil in these countries clearly revealed the inherent weaknesses of their economy it is not clear how far it will affect the poverty situation in these countries. Any way, it is clearly reveals that approach to poverty alleviation in developing countries was very much centered on the economic growth.

Changing Strategy: Human Development and Women's Empowerment

As I have already discussed, failure of economic development in poverty reduction led to adopt poverty reduction as the focus of development. Poverty reduction became the indicator of development. Direct programs for the poor, in addition to the development programs, poured into the developing countries. However, the results were still frustrating. Numbers of poor are still increasing in an alarming rate. This led to adopt the strategy of increasing the productivity of the poor. Human development was thought as an essential condition for increasing the productivity of the poor. Thus, human

development emerged as an important approach to poverty alleviation in developing countries. As it was realized that, women, half of the population remains out of the production system and subject to discrimination in the society, 'empowering women' also entered as the most important approach to poverty alleviation (*Sandstrom 1994, Quibria 1994*). Nowadays, these are the main approaches to poverty alleviation in developing countries. However, still the result is frustrating. Increasing number of people in developing countries are living in poverty. What's going wrong with all these? I have discussed the problem in reference to Bangladesh in the following chapters.

Chapter-3
POVERTY IN BANGLADESH

3.1. The Situation

Bangladesh, situated in the South Asia, is the home of 124.0 million people (*GOB 1997*). In terms of population Bangladesh is the fifth largest country in the world (*Hye 1996,p.1*). In terms of area, however, it is 90th in the world. With an area of only 1,47,570 sq. km. it is one of the highest densely populated (755 per sq. km.) country in the world. Development anthropologist *Maloney (1991,p.3)* wrote that:

Population growth of about 2.4% a year. Bangladesh is the size of the state of Wisconsin, USA, but has 100 million people. It looks like it will have 140 million by 2000 AD, and 180 million by 2015 AD, which will be 3000 per square mile-unless this is prevented by intent or catastrophe.

Density of rural population in Bangladesh is highest in the world (*Tendler 1989*). 80% of the population live in rural areas and about 80% of them are directly dependent on agriculture. Land is the only major productive asset in rural area. But land-man ratio is extremely low, only 0.12 hectares per person. Nearly 70% of the population are functionally landless. Thus, agriculture could hardly provide the living for this vast rural population. In addition, frequent natural calamities, such as flood, cyclone, river erosion etc., causing severe damages to individual and national properties regularly. *Maloney (1991,p.24)* mentioned that Bangladesh ranks about highest in the world in terms of fatalities from natural calamities. With these fact Bangladesh is one of the poorest countries in the world. It is one of the 47 countries categorized as 'least developed countries'¹ (LDC) in terms of per capita income, literacy rate, and contribution of manufacturing sector to GNP.

¹ The category of the least-developed countries (LDC) was established by the UN general assembly in 1971. Three criteria were used: a per capita GDP of US\$ 356 or less; a manufacturing share of 10% or less of the total GDP and a literacy rate of 20% or below. A country also qualifies if it satisfies the manufacturing and literacy criteria and its per capita GDP is more than US\$ 356, but less than US\$ 427, or if it satisfies the first two criteria but has a literacy rate exceeding 20% (*Hye 1996,p.244*).

In terms of 'Human Development Index'¹ (HDI) Bangladesh's position is 144 among 175 countries with a low human index of only 0.368. Poverty was endemic since a long. With 78% of its people in poverty during 1980-90 and 93.2 million people identified as poor Bangladesh accounted for 7.2% of the world's poor (*Hye 1996,p.1*). According to a recent *BBS*² study, in April 1996, the head count measure of poverty in Bangladesh was 47.9% in the rural areas and 44.4% in the urban areas. It was 46.8% and 43.3% respectively in December 1995³. This indicates that despite decades of massive development and poverty alleviation programs poverty still continues to be pervasive and overwhelming in the country. *Report of the Task Forces (1991,p.26)* concluded that:

The incidence of poverty in Bangladesh is still alarming. It is much higher compared to not only the fast growing East-Asian countries but also our South Asian Neighbors.

As the country is predominantly rural poverty is also a rural phenomenon. Out of estimated 51.6 million poor in 1991-92, 44.8 million or 86.82% were rural (*BBS 1997,p.371*). Although urban poverty is not negligible, in the backdrop of almost continuous rural-urban migration, it is regarded as a reflection of the rural poverty (*Hye 1996,p.2*). As poverty is predominantly a rural phenomenon present dissertation mainly focused on rural poverty of Bangladesh.

3.2. Extent and Trend of Poverty in Bangladesh

There is no scarcity of poverty estimates in Bangladesh. *Khan* did the first objective estimate in 1977. He estimated the extent of poverty in Bangladesh since 1963-64 to the first quarter of 1975. Since *Khan*, different scholars, government and non-government agencies are producing poverty estimates continuously. Most of these estimates are based on data

¹ *UNDP (1997)* calculated it in terms of life expectancy at birth; adult literacy rate; Combined 1st, 2nd & 3rd level gross enrolment ratio; and Real GDP per capita. These indicators for Bangladesh in 1994 were respectively 56.4 years, 37.3%, 39% and US\$ 1,331. The *HDI* value for Bangladesh is only 0.368 compared to 0.960 for Canada and 0.940 for Japan, ranked 1st and 7th respectively in the list.

² Bangladesh Bureau of Statistics.

³ Reported in *The Independent, Online Edition, Issue 189, February 14, 1998*, Dhaka, Bangladesh.

generated by the Household Expenditure Survey conducted by *BBS*. The only major exception is the recently completed study done by Bangladesh Institute of Development Studies (*BIDS*) in 1987, 1989-90 and 1994 (see *Hossain, et al. 1996*).

Although there are differences in methods used, in general, the poverty line, used to calculate the proportion of poor were based on calorie intake. Due to differences in methods used it is difficult to compare among the estimates of different studies objectively. Nevertheless, these estimates could give an understanding about the extent and trend of poverty in Bangladesh. Tables-3.1 & Table-3.2 present the proportion of *absolute*¹ and *extremely*² poor in rural Bangladesh estimated by some studies since 1963-64. It is seen that, consistently, by all sources, compared to 1963-64, proportions of both 'absolute' and 'extreme poor' increased tremendously till the early 1980's³. Particularly the 'extreme' poverty has increased manifolds, more than 10 times in 1981-82 than what it was in 1963-64 (Table -3.2).

In general a steady decline in both 'absolute' and 'extreme' poverty could be seen since either at the end of 1970's or at the beginning of 1980's up to 1985-86⁴. Then again a slight increasing tendency in absolute poverty is seen in the *Report of the Task Forces* estimates. However, *BBS* data shows a continuous decline in the proportion of 'absolute' poverty but a significant increase in the proportion of 'extreme' poverty up to 1988-89. Most recently available data from two sources, e.g., *BBS* and *Hossain, et al.* however, show that proportions of 'absolute' poverty remain almost same during the 1990s with an increasing trend in the recent years. But, according to *Hossain, et al.* extreme poverty reduced significantly from 30.7% in 1989-90 to 22.5% in 1994 (Table-3.2).

¹ Whose income is sufficient for accrue 2122 cal/day/person.

² Whose income is sufficient to accrue 1805 cal/person/day.

³ *Report of the Task Forces (1991, Vol.1, p.26)* concluded that poverty level started to decline since late 1970's.

⁴ The reported drastic decline in the proportion of poverty in 1984 from 1982 has raised severe confusion among the scholars (*Rahman & Haque 1988, Report of the Task Forces 1991, Hye 1996*). For example, *Hye (1996.p.9)* commented that "Researchers concluded that the Household estimate survey data significantly exaggerated poverty reduction over the fiscal year 1982-1984. (p.9).

Table-3.1

Proportion of Absolute Poor in Rural Bangladesh Estimated in Different Studies

Years→ Source#	1963-64	1968-69	1973-74	1976-77	1977-78	1978-79	1981-82	1983-84	1985-86	1988-89	1989-90	1991-92	1994-95	1995-96
<i>Khan, A.R. (1977)</i>	40.2	76.0	78.5	--	--	--	--	--	--	--	--	--	--	--
<i>BBS (1997, 1998)</i>	--	--	82.9	--	--	--	73.8	57.0	51.0	48.0	--	47.8	46.8	47.9
<i>Sen (1995)</i>	43.6	--	71.3	--	--	--	65.4	50.0	41.3	41.3	--	--	--	--
<i>Ahmad & Hossain (1985)</i>	52.0	--	55.7	61.1	67.9	--	--	55.7	--	--	--	--	--	--
<i>Hossain et. al. (1996)¹</i>	--	--	--	--	--	--	--	--	57.5	--	59.3	--	51.7	--
<i>Muqtada (1986)</i>	--	--	--	68.2	--	68.7	--	--	--	--	--	--	--	--
<i>Rahman & Haque (1988)</i>	--	--	65.3	--	--	--	79.1	49.8	47.1	--	--	--	--	--
<i>Hossain (1989)</i>	--	--	77.3	--	--	--	77.8	52.1	49.9	--	--	--	--	--
<i>Task Force (1991)</i>	--	--	60.4	78.9	77.5	65.9	55.3	46.3	37.3	43.4	--	--	--	--

Sources: Compiled from *BBS (1997,1998)*, *Report of the Task Forces (1991)*, *Khan (1977)*, *Ahmad & Hossain (1985)*, *Rahman & Haque (1988)*, *Hossain Z., Hossain M., & Sen (eds., 1996)*.

Note: '--' indicates no estimate for the respective cell.

¹ Based on survey data conducted by the *Bangladesh Institute of Development Studies (BIDS)* under the project *Analysis of Poverty Trend*.

Reviewing the overall trend of poverty between early sixties and 1989-90, estimated in different studies *Hye (1996, p. 14)* concluded the following points:

1. *There is very little change in the poverty situation between 1963-64 and 1989-90, establishing a horizontal trend line. In other words, the magnitude of poverty in percentage is the same now as it was in early sixties;*
2. *There have been wide fluctuations in poverty variations between the two periods mentioned at 1;*
3. *Most improvement in the poverty situation has largely benefited the moderate poor with little change in the living condition of the extremely poor; and*
4. *There has been steady rise in poverty in rural areas from 1985-86 onward.*

From the above findings it could be safely concluded that the extent of poverty in Bangladesh is still overwhelming and alarming. About 50% (more than 60 million) of the

population of the country are now living in absolute poverty indicating the failures of decades' massive development and poverty alleviation programs implemented by numerous government, international and national agencies. The challenge of poverty alleviation is very much still there.

Table-3.2
Proportion of Extremely Poor (1805 cal./day/person) in Rural Bangladesh
Estimated in Different Studies

Year → Source ↓	1963- 1964	1968- 1969	1973- 1974	1975- 1976	1981- 1982	1983- 1984	1985- 1986	1988- 1989	1991- 1992	1994
<i>Khan (1977)</i>	5.2	25.1	42.2	41.0	--	--	--	--	--	--
<i>Hossain, et al.(1996)¹</i>	--	--	--	--	--	--	25.8	30.7	--	22.5
<i>Rahman & Haque (1988)</i>	--	--	49.7	--	66.4	32.0	28.4	--	--	--
<i>BBS (1995^c,1997)</i>	--	--	44.3	--	52.2	38.0	22.0	28.6	28.3	--

Sources: BBS (1995^c, 1997), Khan (1977), Rahman & Haque (1988), Hossain et al. (1996).

Note: '--' indicates no estimate for the respective cell.

¹ Based on survey data conducted by the *Bangladesh Institute of Development Studies (BIDS)* under the project *Analysis of Poverty Trend*

3.3. Explaining the Persisting Mass Poverty of Bangladesh

Like all other developing countries, mass poverty of Bangladesh was also seen as a problem of underdevelopment. Subsequently, development was the initial concern. Development was defined as a matter of economic development— particularly economic growth. It was thought that such growth would reduce poverty through *trickle-down* effect. But persistent mass poverty, even in the midst of considerable economic development, made the expectation unfounded. As a result, poverty reduction became the focus of all development activities. Studies on poverty also poured in. There is no scarcity of poverty studies in Bangladesh. Most of this studies either engaged in estimating the trend of poverty or identifying the macro-level determinants of poverty. The rich body of sociological theories of poverty that I have discussed in the last chapter was little concern for these studies.

Nevertheless, some national and international scholars did analyze the problem with spectacular theoretical framework, which resembles significantly with the sociological explanations of poverty. In this section I have tried to present a complete theoretical analysis of persistent mass poverty of Bangladesh based on different poverty studies in the light of sociological explanations of poverty, that I have presented in the previous chapter.

3.3.1. Equilibrium of Poverty: Reflection of the Culture of Poverty Thesis

Persistent mass poverty of Bangladesh often explained in terms of *equilibrium*¹ (Alamgir 1978, Hye 1996, Galbraith 1979, Leibenstein 1957 Myrdal 1972). This explanation strikingly resembles with the 'culture of poverty' explanation of Oscar Lewis.

Equilibrium of Poverty Thesis

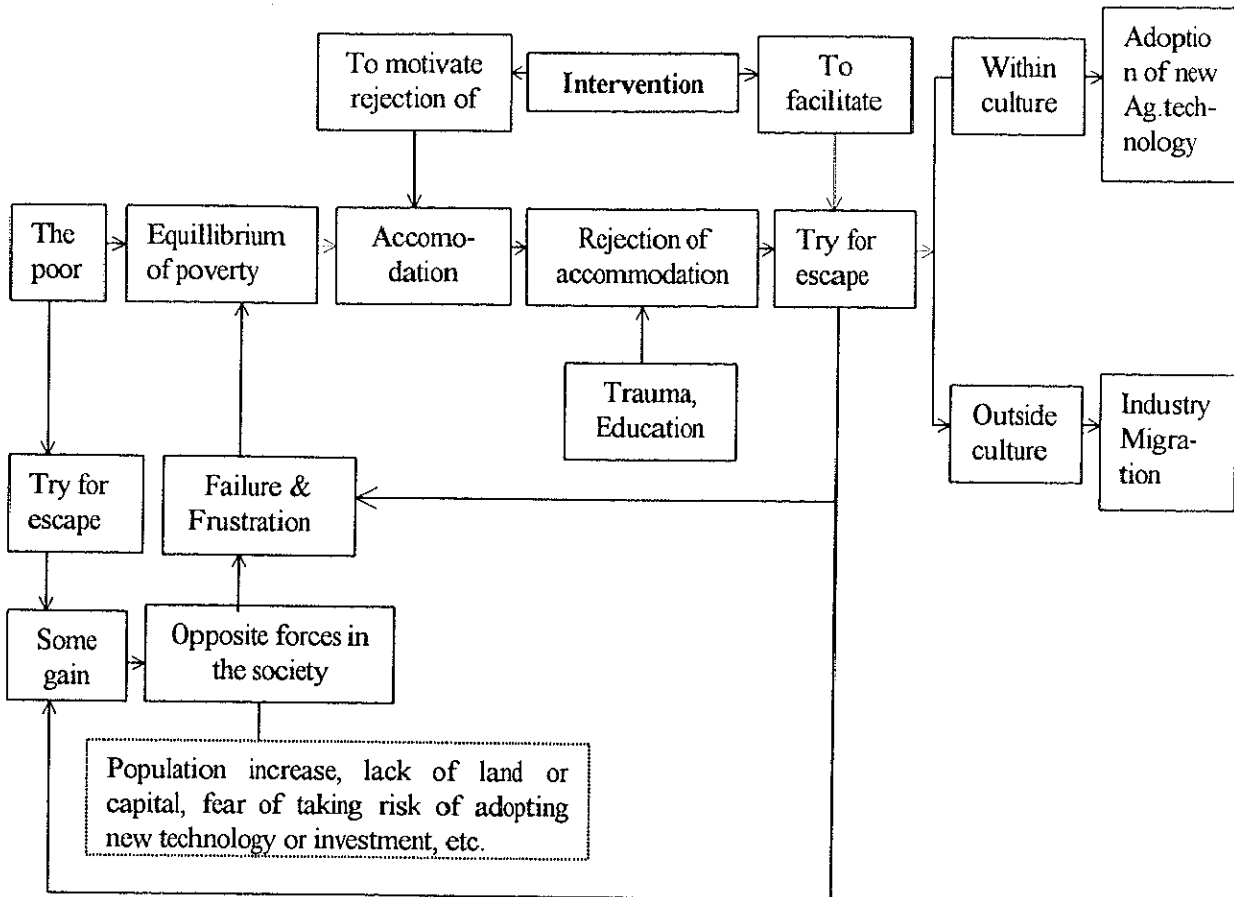
Galbraith's (1979) explanation of mass poverty of developing countries resembles with Lewis's 'culture of poverty' thesis. In the *fifth series Massey lectures*, ended in 1965 and published under the title *The Underdeveloped Country*, Galbraith mentioned that: "*The first and most elementary effect of poverty is to enforce attitudes and behavior that make it self-perpetuating*" (1965, p.3). This clearly indicates the reproductive nature of poverty one of the major conclusions of Lewis's 'culture of poverty' thesis. Later, Galbraith in his *The Nature of Mass Poverty*, published in 1979, spectacularly outlined a complete theoretical explanation of persisting mass poverty of South Asia, namely Pakistan² and India, and possible means to escape from it (Figure-3.1³).

¹ Harvey Leibenstein (1957) earlier used the concept of 'equilibrium' to explain economic backwardness. According to this view there persists a equilibrium in low per capita income level as at this level every per capita income raising force brings into play income-depressing ones. Some of these are; population growth, non-productive expenditure, and the resistance to new knowledge containing the potentially expanding economic opportunities. He argued that the growth agents, i.e., entrepreneurial capacities residing in the members of the population, have to expand at the sufficient rate ("critical minimum effort") to render their contribution more significant than the depressing effects of the retardation factors (Hye 1996, pp.219-220). Hye (1996) viewed Galbraith's application of the concept of 'equilibrium' in explaining mass poverty as same as Leibenstein.

² Then Bangladesh was East Pakistan. Bangladesh acquired independence in 1971.

³ It is an attempt to present Galbraith's thesis at a glance and may not include all factors mentioned by him.

Figure-3.1
Galbraith's Explanation of Mass Poverty and Escape from It



According to *Galbraith* there exists a 'equilibrium of poverty' in developing societies and the poor are accommodated into it. Some of them are accommodated because they lack of motivation needed for escaping from it and others are accommodated because they tried to escape but failed due to unfavorable conditions in the society and became frustrated. Even if they could have gained some improvement in the incomes the opposite forces active in the society pushed them into the previous or a new level of equilibrium again¹. In *Galbraith's*

¹ According to *Galbraith* this create a hopeless situation for the poor as it destroys further initiatives of the poor to escape from poverty. "Given the formidable hold of equilibrium of poverty within which they live, accommodation is the optimal solution. Poverty is cruel. A continuing struggle to escape that is continuously frustrated is more cruel. It is more civilised, more intelligent, as well as more plausible, that people, out of the experience of centuries, should reconcile themselves to what has for so long been the inevitable". (1979, pp.62-63).

word "An increase in income could set in motion the forces that would eliminate the increase and restore the previous level of deprivation. Improvement could devour itself" (1979,p.45). Some such opposite forces are insufficient land and capital¹, population growth, low savings— as a consequence of poverty, and fear of taking risk of adopting new technologies for production increase by the peasants who live close to the margin of subsistence and any failure could simply ruin their resource base completely meaning starve or death for them. Conservative behavior pattern of the South Asian peasants was also seen as an obstacle to desired changes required for increased productivity or economic development.

Once accommodated the poor are unlikely to make any effort to escape from poverty. At this stage, according to *Galbraith*, intervention is required to motivate (or create consciousness) the poor for 'rejection of accommodation' which will lead them to 'try for escape'² from poverty. Breaking accommodation could happen by two means, e.g.; 'trauma'-: famine, military depredation, forced expulsion, etc., and 'education'³ and subsequent employment' (p.100). At this point also, intervention is needed to 'facilitate escape' as the opposite forces in the society are always active and may restore the equilibrium, either at

¹ *Galbraith* explained the mass impoverishment of South Asia, namely Pakistan and India, as too many people struggling to make a living with insufficient land and capital.

² According to *Galbraith* there is always a minority who seek escape (1979, p.64). They should be given priority in poverty alleviation efforts. The principal tasks of poverty alleviation programs are to increase the number of poor who seek (i.e., motivated) escape from poverty and then to facilitate that escape. If poverty alleviation programs go to those who are not motivated yet, it may end in a failure, which means frustration for them (*ibid.* p.104). *Galbraith* excellently explained the failure of the earlier village development programs, such as V-AID in Bangladesh in the early 50s, to break the 'equilibrium of poverty' with this thesis. As these programs were directed at all villages and to all farmers before ensuring their motivation to reject accommodation, only the minority who already motivated to reject the accommodation, naturally the better off section of the society, were able to receive the benefit. *Galbraith* wrote "Had the resources used for community development been employed on basic education— on countering accommodation— there would now be a larger group open to help in the escape. Such resources as were available for agricultural improvement should have been concentrated on the individuals and areas already motivated to employ them" (p.107). He cited the example of Punjab, India as an empirical example of this thesis, where people took the advantage of 'green revolution' and come out of poverty.

³ According to *Galbraith* all education do not lead to break accommodation. So it is also important to decide the type of education that best defeats accommodation. *Galbraith* did not mention the type of education as he recognized that he had no such competence. He, however, opined that 'basic education' must always take precedence over technical or sophisticated education. Development programs often tried to teach advanced agricultural methods to illiterate villagers as shortcut way to improve output and income. According to *Galbraith* this was wrong (p.103).

previous level or at a new level, by eliminating the gains. As *Galbraith* wrote (1979,p.56):

But rural poverty has a yet more vital aspect, one deserving of further emphasis. Its equilibrium, if broken, will normally be restored. If new investment or new technology, however acquired, increases income, forces will normally be set in motion that restore the previous or some other stable level of deprivation. If income increases for any other reason, the income will not be self-perpetuating. The tendency will be to a new equilibrium, and this, quite possibly, will be at or near the previous level of income. The increase will, in effect, consume itself.

Once the poor are motivated then the question of escape from poverty comes. As seen in Figure-3.1, escape could be accomplished *within culture* or *outside culture*. Escape 'within culture' could be achieved through adopting new technologies in agriculture. While escape 'outside culture' could be achieved through non-agricultural employment namely in the industrial/urban sectors or migration to a foreign country. It appears that *Galbraith* viewed the agricultural society, like Bangladesh, as distinct 'culture of poverty'. *Galbraith* clearly noted that "*For the individual, escape from the culture of poverty has always been the most practical solution*"¹ (*ibid. p.97*). He, however, noting the uncertainty of industrialization in developing countries, particularly stressed the escape through *migration* outside the country.

In the above theoretical framework, *two factors* become important in the question of escaping from poverty. One is there should be an effort by the poor to reject the accommodation of poverty. And the other is, the escape should be a sustainable one or should not be end in a failure. Both these may require external intervention which, needless to say, should come from external sources, e.g., other than the poor— for Bangladesh we may say from the government and/or non-governmental agencies engaged in poverty alleviation. *Galbraith's* theoretical construction could be considered as an invaluable one for explaining the continuous failures of the poverty alleviation programs and for a possible policy

¹ *Galbraith* noted that poverty alleviation programs in developing countries were opposite to this requirement. He mentioned "*But policy has regularly emphasized the opposite priority. Efforts to facilitate escape within the equilibrium— to improve the agricultural methods of the poor countries— have contended strongly with measures which allow to escape from agricultural poverty*" (1979,p.97).

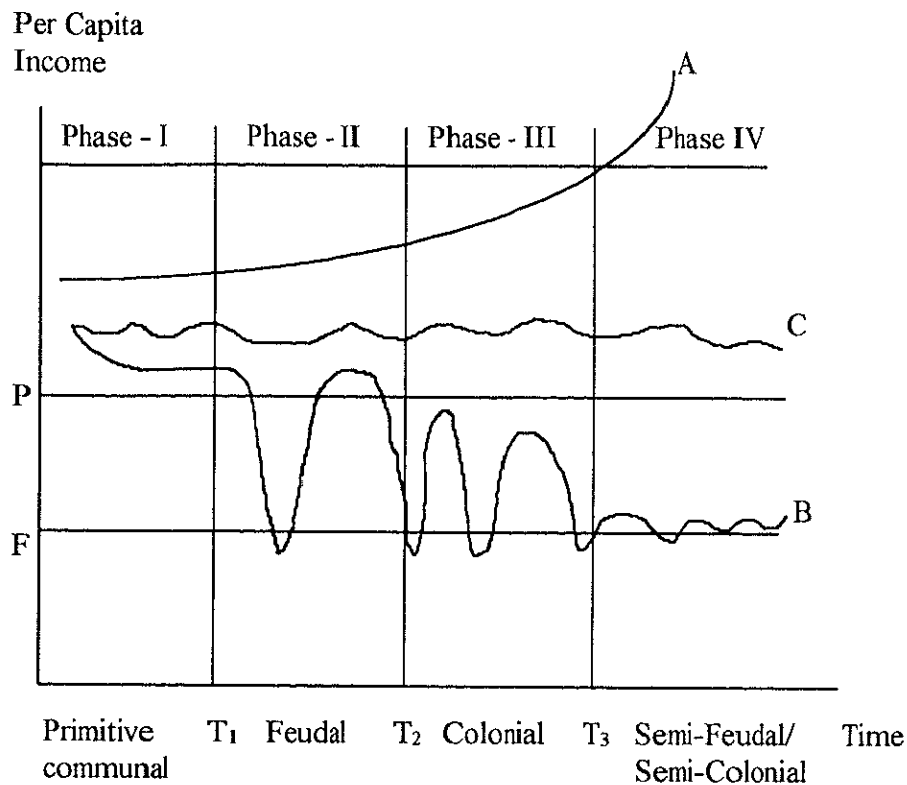
framework for sustainable poverty alleviation in Bangladesh. Finally, it is evident that, as I have already mentioned above, *Galbraith's* explanation of poverty of the South Asia closely resembles with *Lewis's* culture of poverty thesis. And, again, *Galbraith's* suggestions to escape from poverty resembles with *Booth's* explanation, i.e., there should be state intervention to help the poor to alleviate their poverty as if they are unable to come out poverty by their own.

Below Poverty Level Equilibrium Trap

In the backdrop of famine— the acute level of impoverishment— in 1974 in Bangladesh¹, *Alamgir (1978)* used the concept 'equilibrium' to explain the impoverishment of Bangladesh as '*below poverty level equilibrium trap*'. However, unlike *Galbraith*, *Alamgir* used the 'structural explanations' (*Marxist*) of poverty to explaining the persistent poverty of Bangladesh. Analyzing the history of class formation and class conflicts in the Indian society, *Alamgir* excellently showed that the state of the laborer and peasant classes, who's share in population increased overwhelmingly in the course of history and now constitute the majority, has been caught between the 'poverty line' and 'famine line' throughout the history. Figure-3.2 shows the historical schema of *Alamgir's* below the poverty line trap. In the figure, X-axis indicates time, and Y-axis per capita income or some other indicators of social welfare. The broken vertical lines divide the time horizon into relevant historical epochs. Lines P and F represent poverty and famine line respectively. Curves A, B and C represent the historical trend in the level of welfare of different groups (classes). Group A includes the semi-colonial forces, the bourgeoisie including commercial, agricultural, industrial, and financial elements and upper crust of professionals and civil bureaucracy. Group B includes poor peasants, agricultural laborers, and the proletariat, the lumpen proletariat, petty professionals and low paid fixed income groups. Group C includes the petty bourgeoisie.

¹ A famine struck Bangladesh in 1974 and claimed officially acknowledged 26,000 lives (*Alamgir 1978,p.2*).

Figure-3.2: Historical Schema of Below Poverty Line Equilibrium Trap
 (Adapted from Alamgir 1978,p.88)



Analyzing the historical evidence *Alamgir* (as [Figure-3.2](#)) showed that members of group A has gained control over a greater proportion of total income and wealth while the welfare of the members of group B, number of whom increased overwhelmingly over the period, fluctuated between the poverty line and famine line. *Alamgir* defined this situation as 'below poverty level equilibrium poverty trap' as if some forces act to raise the income/welfare level of this group above the famine line there is opposing forces that quickly retort by pushing it down to the famine line (*p.87*). This explanation also resembles with the reproductive nature of poverty mentioned in *Lewis's* culture of poverty thesis and *Galbraith's* equilibrium of poverty thesis. However, *Alamgir* identified class exploitation as the root cause of such equilibrium. Thus, according to him, solution of the problem requires structural measures, i.e., abolishing the class exploitation in the society. In the words of *Alamgir*:

This clearly indicates the need for identifying the forces or the classes which exploit the great majority of the masses...it can be stated that the situation in a country like Bangladesh cannot possibly improve until an end is brought to the dominance comprador bourgeoisie and other classes representing basically semi-feudal/ semi-colonial interests. (1978, p.163).

Alamgir specifically mentioned several factors as laws of motion that worked in Bangladesh society and caused massive impoverishment (pp. 90-122): These are: i) Concentration of landholdings in the hand of few landlords; ii) Population increase resulted in increasing land fragmentation and dependency ratio; iii) Increasing landlessness iv) Transfer of assets, e.g., land, from small and marginal farmers; iv) Declining proportion of share-cropping; v) Loosing 'exchange entitlement' of the poorer classes principally decline in real income or wage; vi) Urban domination in all aspects that controls the society; vii) Kinship relations in terms of patron-client relationships; and vii) Market orientation as the dynamics of market goes in favor of rich than poor, in favor of urban than rural where majority of the poor live.

Below the Line Disequilibrium

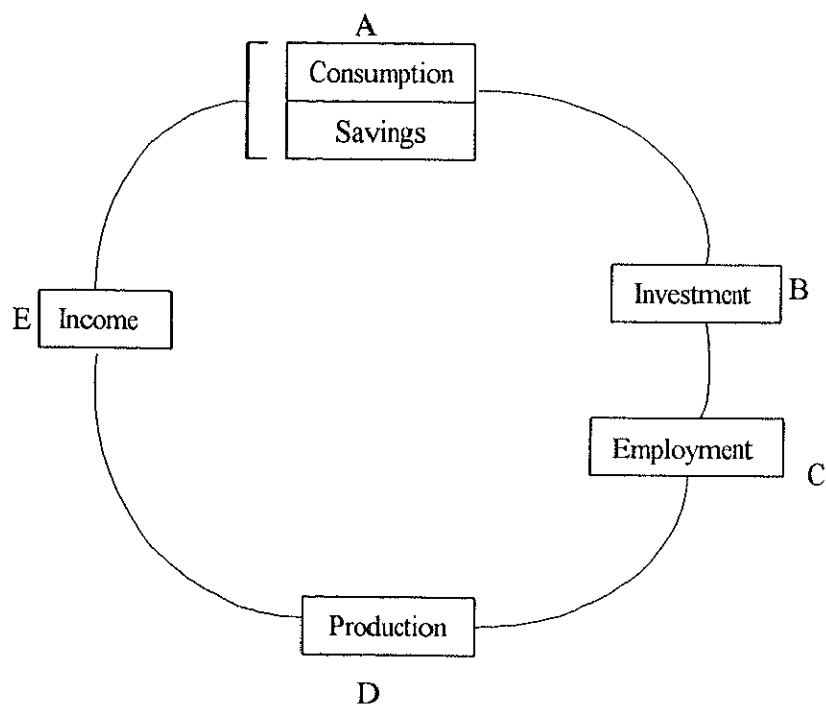
In a recent study *Hye (1996)* explained the mass poverty of Bangladesh as '*Below the line disequilibrium*' in the sense that the income of the poor is not stable, it both goes up and down while remaining below the line (p.223). He explained the persistent mass poverty of Bangladesh as the reflection of the malfunctioning of the system and a cause of the market failure or a case of retarded growth of the market economy¹. According to *Hye*, the market economy or system works well for the minorities, who are the beneficiary of the system in the society, probably equivalent to class A of *Alamgir*. While the majority— the poor— are marginalized by the cycle of market economy or system as producers and consumers (Figure-3.3). In the figure, the poor are marginalized at the point B or investment— as they lack access to means of production like land and capital, and at point C or employment— as the poor

¹ *Hye* also explained mass poverty as the failure of the public policy as the government played a dominant role in the past and continues to exert great influence over the market economy.

failing at point B, fall back on wage employment for subsistence but lack of skill and education make their bargaining power weak even absent in the market compelling them to accept declining rural wages.

Hye's 'below the poverty line disequilibrium' means that the income of the poor fluctuate up and down below the poverty line. Downward fluctuation means some poor may starve or nearer the famine line. But the upward movement also indicates that it is possible that the income of the rural poor can go up, and hopefully beyond the poverty line. Here, *Hye* showed a positive view about the solution of the problem. He hoped that intervention from the government at the points B and C in the [Figure-3.3](#), i.e., through asset creation for the poor to make them small investors or creation of wage employment to pick up the slack, would improve the poverty situation (p.223).

Figure-3.3: The Cycle of the Market Economy
(Adapted from *Hye 1996,p.218*)



Hye's theoretical explanation, although mentioned as 'below poverty level disequilibrium', also resembles with the 'culture of poverty' thesis. In the solution of the problem *Hye's* view could be identified with Booth as he stressed the need for intervention by the development agencies. Instead of suggesting a radical structural measure *Hye* outlined a detailed plan of action at the macro, meso and micro level to be implemented by the government and NGOs for poverty alleviation.

i) Macro-level: According to *Hye*, at the national level measures like, access to land, fisheries; public expenditure in the rural sector; price fixation based on the costs of production; subsidy in agriculture; imposing agricultural development tax and exemption of small and marginal farmers from tax; extension of food for works program; incentive and protection of rural based small and cottage industries; credit for the rural poor; flexible interest rate for loan; expansion of market facilities; increasing savings and investment and national coordinating body for poverty alleviation, etc. could help to alleviate poverty.

ii) Meso-level: By meso-level *Hye* meant Thana level– the lowest administrative unit in Bangladesh. At this level he suggested to form a Coordination Committee for formulating a overall plan of action to identify the poor and their needs and to coordinate activities of all agencies, both government and NGOs, engaged in poverty alleviation and development.

iii) Micro-level: The village, or more specifically households, constitutes the micro-level. According to *Hye*, the poor should be motivated first¹, then organized into small groups for savings and credit services. *Hye* stressed the role of *Change Agents* or program workers at this level as crucial to get success in poverty alleviation.

It is clear that *Hye* emphasized the role of the development agencies not in changing the structure of the society as suggested by *Alamgir*. In this sense his suggested solution to reduce poverty falls under the *liberal* or *reformist approach* that I have discussed earlier. However, *Hye's* emphasis on the role of 'change agent' or field-level program workers deserves special

¹ This is same as mentioned by *Galbraith*.

attention. I have already discussed that the poor may not know better what to do to escape from poverty. If they knew it they might not have suffered chronic poverty. Hence, the role of change agents becomes crucial. They are the people who can guide the poor all the way to come out of their age-old poverty.

3.3.2. Behavioral Explanation: Reflects the Culture of the Whole Society

Maloney (1991) claimed that the causes of persistent poverty in Bangladesh are very much embedded into the behavioral qualities of the Bangladeshis. According to him:

Much attention is given these days to economics, politics and demography, the "harder" social sciences. But the determinants of these are mostly the beliefs, attitudes, and behaviors. In Bangladesh very few studies focused on the latter, though they are largely the raw materials from which economics, politics and demography arise (p.67).

According to him to achieve the desired goal of development or poverty alleviation highly complex institutions and social infrastructures are essential. For these institutions to function certain kinds of predictable behavior are necessary, which must be internalized in childhood. He analyzed the behavioral qualities, both positive and negative, of different sections of the Bangladeshis— from the poor to politicians, bureaucrats and entrepreneurs— in explaining the persistent mass poverty of Bangladesh. Some negative behavioral qualities of Bangladeshis contributing to poverty discussed by *Maloney* are; reliance on patronage and indulgence to the extent that these substitute for the creation of new wealth, personalizations of authority resulting in weak institutions and fluctuating policies, authoritarian administration that hinders advice from flowing upward, opportunistic individualism that impedes cooperative and group efforts in modern situations, low commitment to abstract objectives and ideologies, weak social pressure throughout life on the individual's self discipline for exactitude and precision, insufficient sincerity of employees to work toward objectives of their organization, and insufficient trust for modern institutions and economic transactions (p.66). *Maloney* also underscored the positive aspects of behavior of the Bangladeshis as:

...and just because some behavior and social tendencies are dysfunctional in terms of contemporary development criteria, it does not mean that their adaptive functions in the other times and circumstances are negated. It is suggested in this monograph that Bangladesh beliefs and behaviors produced a traditional peasant way of life that was in some respects exceedingly successful. And I want it known that some Bangladeshi qualities, such as the subtle and intense network of interpersonal relations, the morality of obligations through patronage, and the high attainment verbal expressive culture, are likely to endure longer than industrialization, and might proved to be saving qualities. (*Ibid.* p.68).

Malony's explanation clearly emphasizes the beliefs and behaviors— the core elements of a culture. His explanation differs¹ with the 'culture of poverty' thesis, as it seems to me, only in terms of scope of the explanation. In the 'culture of poverty' thesis the poor are having their own sub-culture which differs from the main culture of the society. On the other hand *Maloney* considered the whole culture or society as enduring persistent poverty. It deserves high appreciation because, for the first time, *Malony* showed how the behavior, namely personalization of authority and power, of the minor advantaged groups of a mass impoverished society adversely affects the welfare of the mass poor. Not only that *Maloney* also mentioned that the benefits of economic growth goes to the richer minority, especially those in Dhaka, while the 40% in absolute poverty is in some ways declining even further (p. 7). Although he pointed out the potentials of the behavior of the Bangladeshis, he was not optimistic about the solution of persistent poverty of Bangladesh in near future. In his words: "*The distinctive behavioral and social characteristics of Bengalis...have very old roots going back even to pre-Indic times, and they won't change any time soon.*" (*ibid.* p. 74-75).

¹ It could be noted here that *Maloney* mentioned that *Lewis* himself stated that the 'culture of poverty' does not apply to old and complex peasant societies, such as those in South Asia (p. 70). However, it seems that by South Asian society *Lewis* mainly thought about the Hindu rigid Caste society. According to *Lewis* culture of poverty theory could not be developed in all societies such as primitive and caste society. Socialist, fascist, and highly developed capitalist societies with a welfare state, the culture of poverty tends to decline. He gave four specific examples where the people are poor but did not have a culture of poverty, e.g., 1) Primitive or preliterate peoples; 2) The lower castes of India; 3) The Jews of Eastern Europe; and 4) The Socialist countries. Clearly, *Lewis* referred the Caste society of India while he analyzed the South Asian Society (*see Lewis 1964, pp.193-195*). Thus, it may not be concluded that *Lewis's* 'culture of poverty' thesis has no relevance for Bangladesh society, as it is predominantly a Muslim society and do not have rigid Caste system.

3.3.3. Vulnerability to Crises and Insecurity as Explanation of Poverty

Hossain (1995,p.292), based on a recent empirical study, explained the persistent poverty as the cyclical mobility of the poor within the broad parameters of poverty mainly caused by insufficient income and downward mobility pressures arising from a routine vulnerability crisis. According to *Hossain's* analysis, incremental increase in household income of the poor are constantly overshadowed by threats of income erosion, which hamper the prospects of the economic graduation¹ of the poor. He mentioned three broad categories of such factors. These are: i) *life cycle factors*— such as death or loss of earners and increase in the number of dependents, etc. ii) *crisis factors*— such as natural disasters, illness, insecurity, etc. and iii) *structural factors*— such as lack of growth, inflation, bad initial conditions, etc. *Hossain* suggested that it is necessary to intervene at the factors mentioned above to counter the downward pressures so that the poor could hold the gain. As specific measures he mentioned the followings: i) for life cycle factors— family planning to reduce the chance of over-burden by dependents; ii) for crisis factors— disaster management, effective public health system, reform of the regulatory organs of the state, i.e., police and courts, and creation of effective local self-government to combat the structural sources of insecurity; and iii) for structural factors— economic growth and human resource development through education.

Hossain's analysis clearly emphasize on the cyclical (in other sense 'equilibrium thesis' of *Galbraith* or *Alamgir* or 'disequilibrium thesis' of *Hye* discussed above) nature of persistent mass poverty. However, his study gives us a very important fact about Bangladesh's mass poverty— *vulnerability to crisis*. *Hossain's* analysis, same as *Hye*, shows that there are movements of the poor beyond and below the poverty line caused by 'income increment' and 'income erosion', caused by crisis factors. These analysis is similar to the analysis of *Galbraith* that the poor may try to escape from poverty and may achieve some gain but the opposite

¹ Economic graduation means the distinction between incremental changes in household income resulting in cyclical mobility within the broad parameters of poverty and changes, which lead to the definitive rise out of poverty. (*Hossain 1995,p.292*).

forces, active in the society, may push them back to either the previous or a new level of equilibrium. Another very important finding of Hossain's study is that not only the poor but also the non-poor could move in and out of poverty in course of time. Living in the same community this movement led to an assumption that the actors – the poor– are very important in poverty alleviation, which I have already stressed. In particular, *Hossain* suggested that the focuses of the ongoing poverty alleviation programs be opposite to this assumption. *"What has been argued thus far in some ways is a 'reversing' of the usual terms of the debate on poverty. The focus is less on policies and more on actors, structures and processes which have a bearing on poverty" (1995.p.26)*. Clearly *Hossain* emphasized the role of the poor in poverty alleviation efforts. I shall come to this point later as it is the major concern of my present thesis.

3.3.4. Inequality as an Explanation

Inequality, particularly inequality in landholdings and income, is another most common explanation of persistent poverty (see *Ahmad & Hossain 1984, Alamgir 1978, Khan 1977, Rahman 1994, Rahman & Haque 1988, Sen 1995*). These explanations fall into the premise of 'structural explanations' of poverty and could provide us important insight about the degree of inequality and more specifically degree of relative poverty. No doubt that there is a close relationship between inequality and poverty. These concepts are, however, completely different (*Nath, 1995,p.157*). Inequality is a very broad term and itself a concern for every society. Hence, it is necessary to address the problem of inequality separately. Poverty might be an aspect of inequality. However, analyzing poverty in terms of inequality-- a more broad term-- particularly in a narrow sense, i.e., only in terms of landholdings and income, may divert the focus of the policy interventions from the points, necessary for effective poverty alleviation from the society. Several points related to explain poverty in terms of inequality could be discussed in this regard.

Firstly, inequality is a very broad term. It could happen in numerous aspects in a society.

Beteille (1984), mentioned that:

Equality and inequality are not merely subjects of scholarly interest, they are also matters of everyday concern. There are inequalities between nations, between classes, between races, between castes, and between men and women. (p. 1).

Most sociology texts also discussed different aspects of inequality such as, social stratification, gender inequality, racial and ethnic inequality, age inequality, global inequality, and so on (see *MacLachlan 1991, Popenoe 1989; Ritzer 1987, Smelser 1988*). So application of such a broad term in a narrow sense, I mean in terms of only landholdings and income, may actually divert the focus of intervention needed for poverty reduction in the society.

Secondly, inequality is a universal phenomenon. There is serious debate about whether it is possible to eliminate inequality from the society or not. Nevertheless, so far, it is found that inequality exists in all known societies, even the most primitive and communal ones¹. *Smelser (1988,p.162)* concluded that:

Anthropologists have found a degree of inequality in all the preliterate societies they've studied. Depending on what the society values— beauty, bravery, religious knowledge— status is assigned to its members on the basis of those values.

Even in today's developed countries, inequality is pervasive (*Moscovitch & Drover 1981,p.7*).

Thirdly: If poverty is considered as the result of income inequality, it could be assumed that there would be less income inequality in the developed countries than in Bangladesh as the extent of poverty is much higher in Bangladesh. However, facts do not support this at all. Table-3.3 & Table-3.4 presents the income distribution among different groups of households of Bangladesh and the U.S.A. respectively. It is interesting to see that the share of the income

¹ *Landtman* found that despite the appearance of total equality— every man did the same work, no one had servants or slaves, and no one owned a house— the Papuan society had a degree of inequality. For example, a Papuan who could entertain more guests than other villagers was described as "a little more high". Warriors, harpooners, and sorcerers had somewhat higher status. Villagers who were blind, sickly, or otherwise handicapped and had somewhat lower status, as did unmarried and unemployed adults. In addition, women were considered "down a little bit"— they owned no land, and gathered food instead of hunting with the men (quoted in *Smelser 1988,p.162*).

of the lowest 20% is higher in Bangladesh than in the USA for different years. On the other hand the share of the income of the top 5% and top 20% were almost same in both countries.

Table-3.3
Percentage of Income Accruing to Rural Households in Each Decile Estimated From the Household Expenditure Survey in Bangladesh for Different Years

Deciles	1964	1974	1977	1982	1984	1986	1989	1992
Decile 1	3.3	2.4	-	2.84	2.95	2.92	2.74	2.67
Decile 2	-	4.8	-	4.27	4.37	4.30	4.13	4.07
Decile 3	-	5.6	-	5.34	5.46	5.30	5.10	5.10
Decile 4	-	6.3	-	6.37	6.46	6.20	6.05	6.05
Decile 1-4	20.4	19.1	18.3	18.82	19.24	19.95	18.02	18.96
Decile 5	-	7.1	-	7.47	7.53	7.10	7.12	7.21
Decile 6	-	8.0	-	8.71	8.67	8.20	8.25	8.57
Decile 7	-	9.8	-	10.26	10.11	9.55	9.69	10.28
Decile 8	-	13.5	-	12.33	11.75	11.36	11.74	12.30
Decile 9	-	16.1	-	15.73	14.81	14.08	15.10	15.71
Decile 10	27	26.4	-	26.69	27.89	31.00	30.08	28.04
Top-5%	16.8	16.0	17.3	16.78	18.14	21.36	19.81	17.80
Gini Coefficient	0.33	0.36	0.44	0.36	0.35	0.36	0.37	0.36

Source: Compiled from *Bangladesh Statistical Pocketbook 1994 (p.328) & 1992 (p.311)*, Alamgir (1977,p.70), Haque& Rahman (1988,p.57).

Note: ' ' Blank cells indicate no estimates available.

Table-3.4
Distribution of Family Income in U. S. A.

Years	Family Income Level					
	<i>Lowest Fifth</i>	<i>Second Fifth</i>	<i>Middle Fifth</i>	<i>Fourth Fifth</i>	<i>Highest Fifth</i>	<i>Highest 5%</i>
1950	4.5%	12.0	17.4	23.4	42.7	17.3
1960	4.8	12.2	17.8	24.0	41.3	15.9
1970	5.4	12.2	17.6	23.8	40.9	15.6
1980	5.1	11.6	17.5	24.3	41.6	15.3
1984	4.7	11.0	17.0	24.4	42.9	16.0

Source: Smelser (1988,p.164).

It is also claimed that during the course of secular economic growth of a country income inequality a first increase but begins to decline after reaching a peak (*Kuznets 1955*). The above findings do not support this at all. *Alamgir (1978,p.13-15)* also concluded that, income inequality in both rural and urban Bangladesh represent the median value in comparison to other developing nations. Thus, it is evident that the extent of poverty has no relationship with the extent of income inequality.

Finally, Karim (1996) examined the relationship between the extent of poverty with income and landholdings inequality over the years in Bangladesh. Interestingly, he found a negative relationship between the inequality in operational¹ landholdings and extent of poverty in Bangladesh, i.e., higher the inequality in operating landholdings higher the extent of poverty, (see Table-3.5).

Table-3.5
Trend in Gini Coefficient for Operating Landholdings and Proportion of Poor in Rural Bangladesh

Years	Gini coefficient of operational landholdings	Proportion of Poor
1960	0.50	
1964		57.1
1968	0.48	
1974		60.3
1977	0.42	78.9
1982		55.3
1984	0.49	46.3
1986		37.3

Source: Karim (1996, p.21)

Note: Blank cells did not have any estimate

¹ In Bangladesh, there is no available data on ownership of landholdings over the years. However, operational landholdings could be a proper substitute of land ownership as most (96 per cent) cultivators in Bangladesh are either owner-cultivator or owner-cum-tenant-cultivator. The other 4 per cent tenant-cultivator also is having command over land through tenancy. Thus their income is also likely to be influenced by the landholdings they are operating (*Navin, et al. 1988,p.32*).

It is evident that the way inequality has been used to explain the persistent poverty of Bangladesh does not match with reality. Then, should we consider that inequality has nothing to do with poverty reduction in Bangladesh? There is no doubt that persistent poverty in Bangladesh is deep rooted into the existing high degree of inequality in the society. But, probably it is not only with the landholdings and income inequalities. *Ayres (1983,p.79)* mentioned that *"it is only valid to study poverty within the framework of some theory of income distribution and social inequalities in general...the causes of poverty are rooted in the same mechanisms that determines general inequalities prevailing in each society. To concentrate our attention on poverty should not become a substitute for the concern about inequalities in the distribution of welfare"*.

By definition, inequality refers to the condition in which people don't have equal access to social rewards like money, power, and prestige (*Smelser 1988,p.162*). So to address inequality it is essential to identify the available social rewards in a society, their sources and how they are being distributed among different groups of people. No doubt this has also important implications for the reduction of poverty. In true sense, Bangladesh is a very resource poor country. There is no other country in the world where so much people living in such a small area with little possibility of develop any more (*Maloney 1991, Galbraith 1979*). Anthropologist *Erick G. Jansen (1990)* nicely showed how too many people of Bangladesh are competing, both legal and illegal ways, for extremely scarce resources, particularly for land and job. If poverty reduction means increase in income, increase in savings, and increase in investment, it is a usual question that where the increased (saved) income would be invested. In rural Bangladesh, till today, as mentioned, land is the only option in this regard. As the amount of land is fixed in the country from where the land would come? It is not difficult to guess that some people need to sale it. Who are these sellers? Without any reservation it could be said that they are the marginal and small farmers. For them selling the

already insufficient amount of land for subsistence means becoming landless and hence poor. This process, thus, might not help to reduce the poverty level of the country at all. Nevertheless, it reveals that in a situation of extremely scarce resources, like Bangladesh, increase in income of some people might cause poverty for others. This implies the need for creation of asset or investment options. These should get the top priority for sustainable poverty alleviation programs.

Any way, with this scarce resources in the market, the true sources of rewards, whatever available, lies with the public sectors such as public facilities like education, health, etc.; natural resources such as Gas; employment facilities; and so on. Inequalities in the distribution of these facilities are the real causes of persistent poverty in Bangladesh. For example, permanent employment is the most sustainable way of escaping poverty. As the role of private sector is extremely limited in this regard in Bangladesh, public sectors are the most lucrative. Those who are rewarded by this are, undoubtedly, the most privileged groups in the society. It is already mentioned that people of Bangladesh are subjected to continuous crisis and insecurity. Contrary to this, this minor class always enjoys a stable income. They never face any income erosion. Not only that this groups¹ also enjoy lion-share of the services provided by the public agencies with almost full subsidy by the state. There are hardly any possibilities in near future to alter the situation, as this group, with the help of highly subsidized education system, built their next generation to fill the newly created and their vacant positions in future. It is this group who are solely responsible for the failure of decades of development and poverty alleviation programs because they are the researchers, they are the policy makers, and they are the implementers. However, such inequality hardly mentioned in explaining the persistent poverty of Bangladesh. This might be because of that the poverty scholars are also belonging to this group and as such enjoying all these facilities. *Sen (1983)* truly analyzed the

¹ It is worth mention here that among the different categories of employees there also exist severe inequalities.

poverty in terms of 'entitlement' which means one's command over available goods and services in the society.

Again, it is often blamed that the rural non-poor took away the benefits of all development works hindering the poverty reduction. This is also some kind of distortion of fact. The fruits of development might have gone to the rural non-poor than that of the poor. But the rural non-poor does have contribution in increasing the productivity in the society. That is, if the non-poor received more benefit that they did it by means of investment in agriculture sector. *Maloney* argued that:

It is not fair to malign the rural elite as a class. They are often accused of destroying all the rural development projects which are supposed to help the poor, and misappropriating resources as a matter of course. Many do. But the programs fail for many reasons and not just because of the rural elite. Bangladesh society charges those who control resources with responsibility to manipulate them for production and profit, and to help others through patronage. Probably on the whole the rural elite contribute as much to society as they take from it. (p.63).

Careful examination of the facts also reveals that such an allegation may not be considered as justifiable on several grounds.

Firstly, even if the above allegation is true it is the public officers who are responsible for the situation as they are the real holders of the power of distributing the facilities created under the development programs. *Maloney* showed that how the powerful (government officials and politicians) in the Bangladesh society make their own fortune through personalizing their authority. In discussing the degree of inequality in different societies *Gerhard Lenski (1970)* mentioned that government officials in an agrarian society have more power than officials in a simple society because they control a broader range of activities and caused to most marked inequality in such societies. Bangladesh is not an exception of that.

Secondly, if asset creation is considered as the prime concern for poverty alleviation, why those are to be blamed who are directly engaged in productive activities? The rural non-poor

groups invest on land. It associates high risk, as crop failures are frequent in Bangladesh. In addition, introduction of improved technologies has increased the production costs of agriculture significantly. It is very common in Bangladesh that the price of agriculture products often lower than that of the production costs when agriculture experiences good yield. Thus the farmers are, whether large or small, actually having a high chance of becoming poor over the time. In a nationwide study *Sen (1996)* found that with a span of only two years about 40% of the non-poor in rural Bangladesh fell in poverty. In such a reality why those who are engaged in risky investments in productive sectors are to blame leaving the most privileged groups, i.e., urban elite, untouched? This is the point where inequality matters for sustainable poverty reduction in Bangladesh. Urban based highly privileged groups of officials, politicians, so called industrialists and businessmen filch all the benefits of all social resources including the fruits of growth, if any. As *Maloney* Claimed:

Overall prosperity has been increasing in some respects-- in the past 5 years economic growth was 4% a year, while population growth was 2.4%. But the increment goes mostly to the richer minority, especially those in Dhaka, while condition of the 40% in absolute poverty is in some ways declining even further (1991,p. 7).

There is extreme scarcity of data about the share in public facilities, largely subsidized by the state, among the different groups of population. However, it could be assumed that the share of the poor in public facilities such as, education, health, employment etc. is extremely low compared to the privileged groups stated above. One instant evident could be that most of these facilities are concentrated in the urban areas and as such, remain beyond the rural population— where majority poor live. In the urban areas too, there is little evidence that the poor section is using these facilities. The following example could help us to guess the extent of such inequality. In addition to the fact of negligible public expenditure in education (under 3% of GDP in Bangladesh in the 1980s), the fact of subsidy in tertiary education, no doubt enjoyed by the urban affluent section, was more than 250%, while it was only 5.3 per cent to

primary schooling (see *ADB 1994,p.6*). *Gunnar Myrdal (1972)* mentioned that inequality within the occupations or sectors, rural urban expenditure is greater in the South Asian countries than that of the western countries (*p. 106*). Thus in true sense to explain the persistent poverty of Bangladesh it is necessary to re-examine the inequality in the society within the framework of general inequality prevailing in the society, particularly inequality in terms of access to public opportunities or in sociological terms in terms of social rewards, between the urban elite groups and vast rural population— the root cause of persistent poverty in Bangladesh. Probably that is why *Lipton (1977)* mentioned that:

The most important class conflict in the poor countries of the world today is not between labor and capital. Nor is it between foreign and national interests. It is between the rural classes and the urban classes. The rural sector contains most of the poverty, and most of the low-cost sources of potential advance; but the urban sector contains most of the articulateness, organisation and power. (p.13).

3.3.5. Epilogue

Above theoretical discussion gives us an understanding about the problem of persistent poverty in Bangladesh. Now, we can infer some assumptions regarding sustainable poverty alleviation. These will facilitate the discussion on poverty alleviation measures, so far, taken in Bangladesh.

Firstly: Although different scholars have explained the mass poverty of Bangladesh from different point of view, there are striking similarities among the explanations. Such a similarity is explaining the persistent mass poverty by the *culture* of the society. It closely resembles with the 'culture of poverty' thesis of *Oscar Lewis*. *Lewis's* thesis was mainly based on developed societies. He described the 'culture of poverty' as a 'sub-culture' within the broad culture of the society. While in developing societies, it appears that the 'culture of poverty' is not a sub-culture. In fact it is the main 'culture' of the society as majority of the population of developing societies live in poverty. In contrast, the culture of a minority, who hold the

distributive power in the society and enjoy the lion-share of the available social rewards, could be identified as a 'sub-culture'. Nevertheless 'culture' revealed as an important factor in explaining the persistent mass poverty of Bangladesh;

Secondly: The poor of Bangladesh have been caught within a vicious circle, where any income gain is demolished by the opposing forces, active in the society, for example, population increase, crisis, insecurity; etc.;

Thirdly: There exist severe inequalities in the Bangladesh society. This is particularly in terms of access to public facilities— the only source of social rewards in the society— among the minor urban based politico-bureaucrat-business group¹ and the mass rural population where majority poor live. The latter group severely deprived of all public opportunities causing chronic failure of the development and poverty alleviation programs and continuing persistent poverty. Hence, distribution of public opportunities in favor of the vast rural population is immediately necessary for sustainable poverty reduction;

Fourthly: As solution of the problem of poverty, both structural and individualistic approaches were suggested. Based on the discussion on approaches to poverty alleviation in Chapter-2, it appears that structural measures may not be able to ensure the well being of the society in the long run. Given the poor resource and industrial base of Bangladesh such a measure may also not be visible in the near future. *Reformist* or *liberal* approach to poverty alleviation; i.e., creation of new organization for the poor, channeling available social resources to the poor; would be appropriate measure in this regard;

¹ It is worth mention that the urban poor are also severely deprived of such facilities.

Fifthly: It appears that the poor lack resources; namely land, capital and employment¹; necessary for escape from poverty. Hence, the poor should be provided with land, capital— may be in the form of credit— and employment through migration in urban areas or outside the country. And for better employment access of the poor to public services— education, health, etc.— should be ensured for their effective human development.

Sixth: Creating opportunities for the poor do not mean that all of them will be able to use those successfully and come out of poverty. This could be the result of several reasons. *First*, the income diminishing forces (mentioned in second section above) that the poor face in the society could demolish their gains, if any. *Second*, there are differences in individual— age, skill, etc.— and family factors— family life cycle stage, family composition, etc.— among the poor.

¹ It is worth mention here that, as 'culture' is found one of the major contributing factor to persistent poverty, I do agree with *Galbraith* that escape outside culture, i.e., employment in industrial sector or migration to foreign countries, is the most practical way to escape from poverty. However, in practical considerations this might not be a viable way for alleviation of Bangladesh's persistent poverty in the near future for several reasons. *Firstly*, the number of migrants to foreign countries are very few considering the extent of poverty in the country; *Secondly*, due to increasing strict immigration laws in other countries, particularly in the developed countries, opportunity of migration is shrinking; *Thirdly*, those who are able to go to abroad, either legally or illegally, are again, mostly among the privileged urban groups; *Fourthly*, this (migration to foreign countries) has opened another avenue for the urban based privileged group to exploit the poor as those who are engaged in manpower business have come from these groups. It involves huge amount of money for applying to go to abroad. In most cases rural people arrange these money with lot of troubles, even by selling their last resource, land. There is no guarantee that even paying the full amount of money people will be able to go to abroad. And even, finally, if they able to left Bangladesh, it is common that they found themselves as exploited with fake contracts. They found themselves as illegal immigrants. It may assume that, this is also contributing significantly in increasing poverty. *Finally*, it is fact that out of the total immigrant's majority remain as illegal worker. It is inhuman and denial of the human rights in the sense that year after year these people are unable to visit their family and remain socially and politically in suspense. According to *Galbraith (1979)* "They live in a half world over which there continues to hover the possibility or the threat of going home. (p.126). It could also be noted here that, developed countries; such as U.S., Canada, Japan, European countries, Singapore, Malaysia, and so on; although benefited largely from the labor of these workers they are not extending the legal status to these unfortunate human beings. *Galbraith* noted that "The workers are seen to be indispensable. The time when they will not be needed can not be foreseen....The great Siemens plants in Berlin, among the largest in Europe, would close down... In 1976, some four-fifths of the assembly-line workers at the huge Cologne works of Ford were Turks... And life otherwise could become uncomfortable, even perilous. In Switzerland the effects would be worse. Construction work would come to a halt. Hotel guests would go unserved. And in physical peril would be great and real... In their sudden absence the patients would unwashed and unfed, and the bedpans would overflow (pp.129-30). These indicate that the developed countries, like the privileged groups in the home, are exploiting these huge numbers of unfortunate migrant workers. With these facts it seems that migration may not be viewed as a possible and expected way of escaping poverty in Bangladesh.

Industrial escape in Bangladesh remained most unrealistic as the contribution of this sector to national economy is still very low compared with the agricultural sector. Moreover, the situation of the urban poor, which is an obvious outcome of the rural poverty, is equally woeful, if not more, like the rural poor. Thus, according to *Galbraith's* theory 'escape within the culture' remain as the best way for solution of the problem.

Such differences would also cause differences in successes in using the opportunities created for them. For example, if provided with credit meant for investment by means of self-employment, all poor may not turn out as equally successful entrepreneurs. Hence, micro-level factors are equally important to ensure the sustainable poverty alleviation; and

Finally: Coming out of poverty, essentially, should be a guided process. Otherwise, the efforts of the poor to escape from poverty may end in failure causing the poor to be frustrated, a major contributing factor to persistent poverty. The role of the workers of the development and poverty alleviation programs is vitally important in this regard.

Now, we may look at the programs taken so far in Bangladesh to reduce poverty in the light of above theoretical assumptions to find out their potentials and possibilities. This has been discussed in the next chapter.

Chapter- 4

POVERTY ALLEVIATION IN BANGLADESH

4.1. In search for an Appropriate Strategy

In the last chapter an explanation of persistent poverty of Bangladesh and possible measures that could be taken to reduce it have been presented. In this chapter I shall discuss the poverty alleviation programs— their strategies, potentials and problems— so far tried in Bangladesh. Earlier discussion revealed that providing 'land' or 'capital' or 'employment' to the poor could help in reducing poverty. These could be provided, according to the poverty theories, by means of either 'structural' measures, i.e., redistributing the productive assets in the society, or by 'individualistic' measures, i.e., by increasing the social entitlements of the poor keeping the existing pattern of ownership of assets, or by both, i.e., 'reformist or 'liberal' approach, i.e., creating new institutions, more allotment for the poor, etc.

4.1.1. Land Distribution

Almost all poverty studies in Bangladesh mentioned 'landlessness' as the prime reason of mass poverty in Bangladesh. These studies also mentioned that high degree of 'inequality', in terms of ownership of landholdings, is responsible for mass poverty. Subsequently, their usual recommendation was distribution of land to the poor is necessary to reduce poverty. Land for such distribution could be made available through two ways, i.e., recovering the land from the present owners (means re-distribution) and *khas*¹ land under the ownership of the government. In this section possibility of poverty alleviation through land distribution in Bangladesh has been discussed. Given the land resource and socio-political structure, I argue that land distribution may not be a viable measure to reduce mass poverty in Bangladesh.

¹ This is a *Bangla* word means the land under the ownership of the government.

Re-distribution of land

Scholars often suggest that re-distribution of land, i.e., recovering it from the present owners and re-distribute among the poor, are necessary condition to reduce poverty in Bangladesh. However, facts of Bangladesh show that such a measure may not help to eradicate poverty. Several points could be discussed in this regard.

Is the Available Land Enough to Reduce Poverty

The first question that relates to poverty alleviation through land re-distribution is whether all people of the country would be able to escape poverty if all available land were equally distributed? According to *BBS (1996^c,p.127)*, in 1991-92, the Net Cropped area in Bangladesh was 18,892 thousand acres; Current fallow¹ was 1,643 thousand acres and Cultivable waste² was 1,098 thousand acres. If we assume that, by now, all the above categories of land have been brought under cultivation, it makes a total of 21,633 thousand acres³. The rural population of Bangladesh was 99,200 thousands in January 1997 (*GOB 1997*). This means that the per capita available land for cultivation was only 0.22 acres. As estimated by *BBS* the average per capita 'Rice intake' in Bangladesh is 183.0 kg. per year and per acre rice yield rate was 692 kg. (*BBS 1995^c,p.151*). This means that the available land per person could produce 152.2 kg. Rice per year. This is about 83.2% of the total yearly average rice intake per person in Bangladesh. This is the situation if only rice is considered. But in reality rice is not the only need for survival. There are other food and non-food items necessary for survival. Moreover, only rural population is considered in the above estimation.

¹ Current fallow is the area already brought under cultivation, but not cultivated during the year.

² Cultivable waste is the area suitable for cultivation but not cultivated during the year.

³ It could be mentioned here that actually, the total available land for cultivation have decreased over the years since 1990-91 (see *BBS 1996^c,p.126*).

Yet, it is clear that even if all the available land would be equally re-distributed, it might not help to reduce poverty. Theoretically, it could only increase the population in poverty by bringing the present non-poor into the threshold of poverty.

Again, re-distribution of land would also cause fragmentation of land which would decrease the productivity as application of modern technology is unsuitable in small pieces of land. In this regard, *Report of the Task Forces (1991, vol. 1, p.31)* commented that:

The scope for re-distributive land reform as part of the overall strategy of poverty alleviation through asset-redistribution appears to be extremely limited in the present agrarian context. Even allowing for a radical land reform programme which stipulates land-ceiling up to 10 acres, the total amount of 'surplus' land for redistribution would be about 2.26 million acres. If this amount of land is evenly distributed amongst the 6.18 million rural land-poor households currently belonging to the functionally landless (0.05-0.49 acre) and marginal farmers (0.50-0.99 acres), there would be on an average an addition of only 0.37 acres to the size of land currently owned by these households. Clearly, such a meager addition of land will be quite insufficient to elevate these groups to the level of 'small farmers' (1.49-2.50 acres) not to mention that the landless households will be kept totally outside the purview of such a land re-distribution programmes.

So, the above discussion clearly reveals that as a structural measure land re-distribution could not be a viable solution to the problem of mass poverty in Bangladesh.

Is Rural Land Only

Is it fair to recommend abolishing the land ownership in the rural areas only? What about the ownership of other assets, such as business, industry, land in the urban areas, etc.? In fact in terms of value and return urban land, business, etc. are much more lucrative than that of the land in the rural areas. The value of one decimal land in some areas of Dhaka, the Capital of Bangladesh, would be equal to 100 acres of land in some rural areas. One may not find a single rural landlord throughout Bangladesh whose income is more than a landlord in Dhaka.

Moreover, assets in the urban areas are enjoying more subsidized development inputs and services, for example, Electricity, Gas, Transportation, etc. The return (incomes) from the urban land could also be considered as stable. While, as I have already discussed in Chapter-3, income from rural land is very uncertain. Hence incomes of the rural landlords are also highly uncertain. Again, rural landlords are engaged in productive sector while investment in urban real state might be considered as in non-productive sector. Thus keeping those who possess more property, engage in non-productive investment and enjoy more subsidized facilities untouched, it may not justifiable to think of curtailing the land-ownership in the rural areas. In fact this could severely damage the culture of 'more production more savings more investment' in the rural area through discouraging the possibility of more investment in land, the only means of production in rural Bangladesh.

The question of losing land by the marginal and small farmers, which is very much in process in rural Bangladesh, obviously deserves special attention. Immediate measures are necessary to take to minimize the process of landlessness. However, it is a very critical question to address. One possible way is to limit the highest ceiling of accumulation of land. In fact that provision has already been in effect in Bangladesh. But that does not stop the sale of land by the marginal and small farmers as there is no scarcity of buyers other than the large farmers, for example, businessman, professionals, service holders, etc. The other way would be to put ban on selling land by marginal and small farmers. But that could threat their survival. Land is an asset. Sometimes, there may be no option except selling land for survival. In the absence of other sources of income, prohibition of land transaction means starve or death for the marginal and small farmers. Above all, it is already seen that executing the laws relating to land ownership is very difficult due to inefficient and corrupt land administration in the country (*ADB 1994*).

Does Access to Land Ensure Coming Out of Poverty

Asset, such as land, transfer to the poor does not mean that they would be able to use it properly and come out of poverty. If given, the poor may not be able to hold that land. In fact, earlier, it is commonly seen that, assets that were transferred to the poor have sold out in need for survival. For example, earlier CI sheets, Blankets, etc., were given to the poor. But I myself saw that the poor sold it out during crisis for survival. In the 1980s *khas* land and house building materials were given to the landless families under the program *Cluster Village*¹. Recently it is reported that people of these villages are selling land and CI sheets to get rid of poverty². These indicate that not only asset transfer it is also equally important to ensure stable incomes for the poor so that they can retain those.

Attempts to Recover and Re-distribution of Land

It revealed that land re-distribution may not be a viable means for reducing poverty, if not increase. And the matter is a question of overall private ownership of property in the society. Yet there were some half-hearted failed attempts to recover and re-distribution of land through different land reform acts in Bangladesh. As those attempts were not framed considering overall private ownership of the society they failed drastically. The first such attempt was made through the act of *State Acquisition and Tenancy Act of 1950*, which fixed the highest ceiling of 33.3 acres of land per family. The ceiling was raised to 125 acres in 1961 by an amendment. In 1971, this was again reduced to 33.3 acres by a Presidential Order. By the *Land Reform Ordinance of 1984*, the government re-fixed the ceiling as 25 acres in flood controlled areas and 33.3 acres in other areas for cultivator families and 10 and

¹ Details of the program follows.

² Reported in *The Independent*, Internet edition, Dhaka, Bangladesh , *Issue 225, March 24, 1998*.

12.6 acres, respectively, for absentee owners (*ADB 1994, p. 127-129; Hye 1996, pp. 78-80*).

The amount of land recovered through these acts was very disappointing. There was only 4,78,179 acres of land available as surplus in 1962. Most of this, however, belonged to the *Hindu* landowners who left the country after partition in 1947 (*Abdullah 1976*). Out of this only 33,325 acres (mere 7%) were distributed among the landless and small farmers (*Hye 1982*). In 1972, only 54,409 acres were surrendered of which only 31,250 acres were taken possession by 1976. The quality of the land surrendered was, in general, very poor (*Siddqui 1981*). And there is no figure available yet regarding the amount recovered and distributed among the poor after the *Land Reform Ordinance of 1984* was enacted. However, according to the past experiences, it is likely that the achievement would be very limited.

The failure of the land reform measures to recover land and distribute among the poor lies with the very socio-political structures of the society. Some of these are: *Firstly*: As I have already mentioned, it is completely unjustifiable to acquire land only from the rural landowners keeping the private ownership of land and other assets in the urban areas. *Secondly*: The units of ceiling in all land reform acts were 'family' or 'household'. However, family was not defined clearly. Family is a dynamic social institution, which changes over time. It could take several forms too. Thus, it is necessary to define family precisely before enacting such law(s). Otherwise it may arise confusion during implementation. For example, if there are four couples in a family do they all will be considered as one family? If a separate nuclear family could hold the highest ceiling is it justifiable to consider a joint family as a single unit? In addition the stage of the family in the family life cycle is also very important. If a family is in launching stage, i.e., children started to get married and form their own family of

procreation, it is likely that there will be more separate families in near future¹. At this stage if surplus land, if any, were taken away all these families may become poor. After the 1972 law, I myself observed that, for practical reasons, joint families in rural Bangladesh deliberately separated into nuclear families hurriedly to protect their land from being requisition. Such factors were not considered before the enactment of the laws. The obvious result was gross failures during implementation. *Finally*: The ill-trained, inexperienced and highly corrupted government staff in the land administration and others public agencies could be considered as the greatest obstacle to the proper implementation of any such law.

Two other provisions of 1984 land reform act were prohibition of accumulation of land beyond 20 acres for households who presently own less than that amount and provide security to the sharecroppers by the provision of occupancy right for at least 5 years and divide the total produce into three equal parts for sharecropper, landowner, and input. While, in practice, as I have discussed, due to the absence of precise definition of family or household, the prohibition of accumulation of land was never been implemented. On the other hand, this law actually shrunk the tenancy market, which works as a viable source of livelihood for the landless and small farmers² as large-scale eviction of sharecroppers occurred in the backdrop of this law (*Ahmad 1986*). *Finally*, examining the measures taken for land reform *Hye (1996,p.80)* concluded that:

Given the prevailing socio-economic and political power structure, prospects for major land reforms in Bangladesh are not bright. However, some help can be given to the landless, if the government-owned land is distributed among the landless and the near-landless.

¹ The subdivision of land among family members also seen as the major cause of the change in the size of distribution of holdings, even if there had been no other factors involved (*ADB 1994,p.16*).

² The incidence of tenancy in Bangladesh is quite high. More than 40 percent of the cultivators are engaged in tenancy cultivation. This works as an important means of survival for the small and landless farmers. This also moderates the consequence of land inequality (*ADB 1994,p.118*) in the society.

Above discussion clearly indicates that the probability of poverty alleviation through land distribution in Bangladesh may not be a feasible one. Now I shall discuss the possibility of poverty alleviation through distributing *khas*.

Distribution of Khas Land

Distribution of *Khas* land among the landless, as revealed may contribute, at least to some extent, to reduce poverty. So far, some measures were taken for the purpose. These have been discussed briefly in this section.

Direct Allocation of Land to the Poor

There was always provision for allotting *Khas* land among the poor families. But no systematic record in this regard was maintained. In addition, the condition of those who have been provided with land long ago never been examined. Thus, possibly, this provision also has not been able to contribute significantly in poverty reduction.

Management of Fisheries and Water Bodies

In Bangladesh, usually, the fishing communities are the lower cast Hindus and, as such, discriminated in the society. Thus, these families are mostly poor. There are huge numbers of water bodies under the government ownership, where, actually, these fishing communities are engaged in fishing. However, fruits of these fishing areas are also taken away by the influential in the society through leasing it from the government. To help the poor fishing community, provisions were made to render the fishing areas to the local governments and cooperatives or groups of poor fishermen through lease. However, this had no direct benefit for the poor as the local government bodies are represented by the local influential, it is almost impossible for the poor fishermen to avail the opportunity.

Adarsha Gram (Ideal Village) Project

This program was initiated as *guccha gram* (cluster village) in 1988. Under the project, landless families were organized and settled in a community on 20 acres or more adjacent *khas* land. There was also provision of providing arable land to the settlers wherever possible. The inhabitants in the villages were also provided with a two-roomed CI Sheet roofed house, a kitchen, a water sealed latrine per family, a tube well for 15-20 families and a tank/pond for common use for the whole community which could also be used for the purpose of pisciculture and duckery. There was also provision of organizing the settlers into savings and credit groups and extending credit service with the help of governmental or NGO agencies. So far, up to 1993-94, in 845 'Ideal Villages' throughout the country, 33,121 families were settled.

The project could be considered as a step forward towards land distribution to the landless poor. However, in most cases, the amount of land allotted to the settlers is very small. Allotment of cultivable land is also rare. Thus the land, allotted, is not enough for livelihood of the settlers. In this situation, other sources of income, such as horticulture, fisheries, poultry, are emphasized through credit programs. Success of the Ideal Village project now depends on the success of the development agencies engaged in extending credit and other facilities to the settlers. However, so far, these agencies have failed to provide alternative sources of income to the settlers so that they can come out of poverty (see *Hye 1996; Akbar et al. 1995*). It is already mentioned that some settlers of these villages have started to sale their land and CI sheet to get rid of poverty. This, again, indicates that only asset distribution among the poor won't be able to reduce poverty. The poor need to be guided throughout the process of coming out poverty. Finally, the coverage of the program is so negligible and the available land for establishing such Villages becoming extremely limited, hence, extension of the

program has already been stopped. Interest on the programs has also been faded with the change in the government. Hence, the program might fail to bring any positive impact over the mass poverty of the country.

4.1.2. Employment

Now, I shall enter into the other means of poverty reduction— providing employment to the poor. Employment is the key income source for everybody in the society. It is evident that the poor are poor because they are not gainfully employed. Thus, if provided, the poor could also earn their necessities through employment. Employment of the poor could be in self-employment sector or wage employment sector. In Bangladesh, about one third of the employed population of the country were self-employed over the years both in rural and urban areas (Table-4.1). Self-employment in rural area could be in agricultural sectors requires land— or other than agricultural sectors. Both require 'capital'. The poor severely lack both 'land' and 'capital'. Thus the proportion of the poor in self-employment could be assumed to be lower than that of other groups. This could be seen in Table-4.2. Around half of the extreme and moderate poor were self-employed while about three-fourth of the non-poor were self-employed in rural Bangladesh. Thus, wage employment remains as the best source of employment for the poor.

Labor is the only resource that the poor have. If provided wage employment, the poor could earn their livelihood¹. Wage employment could be as day laborers or as permanently employed in the rural sector or through migration in the urban and industrial sectors or in a foreign country². It is already discussed that due to lack of skill and access, the possibility of

¹ However it is worth mention here that even if wage employment is available, due to the low wage rate, which is usually the case in rural Bangladesh, the poor are likely to live under the poverty line.

² As reported by *GOB (1997,p.17)*, in April 1997, there were 190 thousands people migrated to foreign countries. This was only 0.3% of the total labor power of Bangladesh in 1995-96. And again, as I have mentioned earlier, the number of poor migrated to the foreign countries might be 'Zero'.

permanent employment of the poor in the formal sector or migration to foreign countries is almost Zero. Moreover, proportion of permanent employment is very low in Bangladesh, only around 7 percent¹ (Table-4.1) And no doubt, these are concentrated in the urban areas. Hence, for the rural poor, employment as day laborers in the rural informal sector is the only source of employment.

Table-4.1
Status of Employment in Bangladesh by Residence (%) for Different Years

Employment Status	1983-84		1989		1990-91		1995-96	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Self-Employed	39.2	35.9	29.1	33.8	25.5 ¹	33.2 ¹	28.6 ¹	34.3 ¹
Employees	13.3	47.1	6.4	35.0	7.6	32.1	7.4	35.8
Day Laborers	29.8	9.6	15.9	8.5	14.8	9.1	19.0	12.3
Unpaid Family Workers	17.4	6.9	48.6	22.7	51.6	24.9	45.0	17.6
Others	0.3	0.5	-	-	0.5	0.7	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹ Includes the category 'employer and own account work'.

Sources: Taken from *Statistical Pocket Books of Bangladesh—1986,p.191; 1992,p.102; 1994,p.124; 1996,p.162.*

Table-4.2
Employment Status of Different Rural Groups (%)

Type of Groups	Self-Employment	Wage Employment
Extreme Poor	40.9	59.1
Moderate Poor	55.7	44.3
Non-Poor	74.1	25.9
All	61.9	38.1

Source: Calculated from Table-III.4 of *Hossain, Hossain & Sen (1996,p.79).*

¹ This could again be the group who are not poor. This is supported by the Data in Table-4.2. There was no permanently employed poor reported in the nation-wide BIDS study.

The rural sectors, where the poor could be employed as day laborers, could be characterized as extremely limited, highly uncertain and underpaid. Thus, these sectors could hardly provide stable and enough income for the poor necessary for escaping poverty permanently. Moreover, creation of temporary labor employment opportunities could only reduce the extent of poverty for the time being. In no way it could help in reducing poverty permanently unless there is steady employment opportunity for the poor for the whole year.

Since early 1960s, there were direct programs to create job opportunities for the poor in the rural areas of Bangladesh, particularly during the lean seasons. As the payment is made in terms of wheat these programs are known as 'Food For Works Program' (FFWP)¹. Objectives of this program are targeting the poor and rural infrastructure development such as building earth roads, excavating canals, building schools, etc. For an average day, a worker can earn 4.5 kg. of wheat. Now, five government ministries and more than 60 NGOs are engaged in implementation of FFWP schemes. It generates about 72 million workdays annually². Apart from *bribe* required to be given to the government officials to pass a scheme and misappropriation by the project implementation committee³ (composed by the local elite) and its negligible share in the total job requirement, no doubt that these programs contributed

¹ There is another program named 'Vulnerable Group Development' (VGD). This programs exclusively targets the female headed distressed households with children. A household receives 31 kg. Wheat per month. It started simply as a relief measure or 'income transfer' in the backdrop of 1974 famine. However, now, this program has also been turned as development program since the 1980s. (See Hye 1996, pp. 114-119).

² This was only 0.5% of the total workdays required in rural Bangladesh. The total labor force in rural Bangladesh was 45.8 million in 1996. If 300 workdays per person per year is considered, 13,740 million workdays is required. Again, if the proportion of self-employed and permanent employee, i.e., 28.6% and 7.8% (Table-4.1), are excluded, this is only 2.5% of the total requirement. And finally, if only the proportion of day laborers, i.e., 19.0%, is considered it is only 8.3% of the total employment. It is worth mention here that a significant proportion of the self-employed population work as day laborer at different times in the year, such as during harvesting or economic crisis.

³ It is open secret that it requires about 10-25% of the total allotment of wheat to be given to the authorities concerned as bribe to pass a scheme and a certain proportion is being sold by the project implementation committee justified as to procure their expenses for the purpose. It is also very common that the labors are given less than fixed amount of wheat (World Bank 1996).

significantly to provide employment for the poor to keep them survive, at least for the time being. However, under any consideration, such programs won't help the poor to come out of poverty permanently as I have already mentioned.

4.1.3. Capital: Credit for Self-Employment

It is clear from the above discussion that the possibility of sustainable poverty reduction in Bangladesh through providing land and employment to the poor is extremely limited. Hence, supplying capital to the poor for self-employment remains as the only option for the purpose. It is already mentioned that credit has long been considered as an important tool for poverty alleviation in Bangladesh. Now, in Bangladesh, there are plenty of poverty alleviation programs implemented by different government and NGO agencies. *Report of the Task Forces (1991,pp.89-91)* mentioned 51 projects under 13 government organizations. *Malony (1991,p.12)* mentioned 215 Private Development Organizations and 600 Local organizations, and *Rahman, Mahmud & Haque (1988,p.88)* mentioned 200 odd NGOs were engaged in poverty alleviation efforts. These programs, work through individualistic approach of poverty, are engaged in raising the productivity of the poor. The common strategy for the purpose is to extend credit services to the poor for self-employment. Although the strategies of delivering the credit have been changed over time, credit remained at the heart of these programs. In general, groups are organized to deliver credit to inspire savings and to develop institutions. This is popularly known as *microcredit approach*, which is the principal consideration of this thesis and have been discussed in the following sections.

4.2. Microcredit Approach to Poverty Alleviation

Recently, microcredit has been increasingly in use as an effective tool for poverty alleviation throughout the world¹. In the face of the failure of earlier adopted *trickle-down*² approach to reduce poverty, the microcredit approach, being considered as *trickle-up*³ approach, has been able to create a new hope in poverty alleviation. This approach believes that the poor could be trustworthy and, if provided, they can use loans successfully in microenterprises to generate income. Thus, these programs provide small loans⁴ to the poor for self-employment to increase income allowing them to improve their standard of living, hence, coming out of poverty. Usually, microcredit programs, in addition to credit, offer a package of services and resources to the poor. These includes training, savings facilities, housing, family planning and health services, education, peer support, etc. Some scholars termed these programs as *credit plus or holistic* approach (*Amin et al. 1994, Berger 1989, Hossain 1988*). The Grameen Bank of Bangladesh is considered as the pioneer in this tradition. It has been proved highly successful, for the first time, in both banking with the poor as well as in alleviating poverty. Subsequently, the program has been replicating worldwide, both in developing and developed⁵ countries rapidly⁶. According to the *Microcredit Summit*

¹ See *Berger 1989, Goetz & Gupta 1996, Hulme & Mosley 1996, Johnson & Rogaly 1997, Microcredit Summit 1997, Noponen 1992, Khandker & Chowdhury 1995, Tandler 1989, Yunus 1994*.

² Trickle-down approach to poverty alleviation emphasizes economic growth of a country as a whole and believes that the benefits of economic growth would also go to the poor and, hence, reduce poverty level of the country (*Ayres 1983, Townsend 1984*).

³ This approach targets the poor directly, particularly through microcredit. It believes that growth should be initiated at the micro-level, i. e., from the poor, which would ultimately contribute to the growth at the macro-level (*Bornstein 1996, p.24*).

⁴ Such as, average Grameen Bank Loan is US\$150 (*Yunus 1997^b*).

⁵ Replication of Grameen Bank program in developed countries termed as 'First Third World technology transfer' (*Bornstein 1996, p.26*).

⁶ Grameen Trust listed 32 projects in 10 countries world wide as its partners as of January, 1996 (*Grameen Dialogue, No.26, April, 1996, p.16*). Weekly Newsweek, based on interview with Professor Yunus, the founder of Grameen Bank, mentioned that the minimum loan program of Grameen Bank spreads about 40 countries of the world including the USA, Russia, Norway (*Daily Vorer Kagoch, Dhaka, Dec.8, 1993*).

1997, although ten years ago in the U.S.A. there were less than ten programs, today there are approximately 300 programs empowering tens of thousands of people to start and operate their businesses. Microcredit summit mentioned that microcredit is a powerful anti-poverty tool that has demonstrated relevancy to the people of six continents and in nearly every country. The Summit ended with a commitment of reaching 100 million of the poorest families with microcredit by 2005.

4.2.1. Microcredit in Bangladesh: Integral Part of the History of Development Efforts

Poverty alleviation efforts in Bangladesh started under the purview of rural development¹. At the beginning of this century credit cooperatives were organized for protecting the poor peasants from the exploitation of the landlords and money-lenders and alleviating poverty of the rural people (*Rahman 1996,p.219*). Since then both *credit* and formation of *cooperative* or *group* for delivering services, including credit and savings, remain as integral parts of almost all development and poverty alleviation programs in Bangladesh.

The Village Agriculture and Industrial Development (V-AID²) program, the first large-scale rural development program launched in 1953, organized large number of '*Chand Tara*³ Clubs' and 'Youth Clubs' and encouraged the villagers to work on cooperative basis (*Hussain, 1996,pp.95-101*). The V-AID program abruptly abandoned in 1960 without any significant success except creation of awareness among the rural people about their problems and among the policy makers about the need for rural development as the pre-condition of national development.

¹ Proponents of rural development often defined it as a package of economic and social activities with the ultimate objective of upgrading the living conditions of the rural poor (*Rahman 1996,p.221*).

² For detail about V-AID program (see *Hussain 1996*).

³ *Chand* and *Tara* are to words used in Bangla Language means Moon and Star respectively.

The V-AID program was followed by the infamous 'Comilla Model' developed through a series of pilot research by the Bangladesh Academy for Rural Development (BARD) during the 1960s. 'Comilla Model' was also largely based on group approach and credit (*Hye 1996,p.121*). It was expanded throughout the country in 1971 as Integrated Rural Development Program (IRDP). Farmers were organized into two tier Cooperative groups. Credit, and other development inputs¹ were mobilized through these cooperative groups.

However, until Grameen Bank's innovative collateral free credit model was developed in 1975, the benefits of these credit services hardly reached the poor. In fact, as discussed earlier, most benefits had gone to the better off sections of the society. Grameen Bank, for the first time, successfully reached the poor with credit and other services through innovative small groups and successfully used both credit and group as powerful tools for poverty alleviation. In 1982, the government sponsored IRDP program, which even failed to reach the poor, was re-organized as Bangladesh Rural Development Board (BRDB) and it also started organizing landless poor men and women separately in cooperative groups. Now almost all government, semi-government and international, national and local NGOs, engaged in poverty alleviation efforts, have included microcredit² as the major component in their program.

4.2.2. Poverty Alleviation in Bangladesh: Depends on Success of Microcredit Programs

A large proportion³ of Bangladesh's about 60 million⁴ absolutely poor⁵ people are now

¹ Such as distribution of fertilizer, irrigation facilities, HYV seeds, etc. for increasing agricultural production.

² *Hye (1996)*, listed 151 NGOs engaged in poverty alleviation in Bangladesh. Among these 85 had credit component (*pp.251-258*). *Hye* also mentioned 20 government programs that had credit components (*p.249*)

³ *Report of the Task Forces in 1991* mentioned that such programs covered more than 2.5 million families, about one-third of the functionally landless households of Bangladesh (*p. 26*).

⁴ In 1991-1992 the proportion of the poor in Bangladesh was 49.7% (*Ravallion & Sen 1996,p. 773*) and the population of Bangladesh in 1991 was 111.4 million (*Country Paper Bangladesh 1995,p. i*).

⁵ The people whose income is below a poverty line of the price of a minimum food bundle required for 2112 calories and 35 percent of that food price for non-food necessities (*Ravallion & Sen 1996,p.769-771*).

participating in the microcredit programs in an effort to come out of poverty. Grameen Bank itself had 2.2 million (*Grameen Dialogue, No.32*) members in May 1997. This is about 21%¹ of the poor of the country. According to the 'Bangladesh Economic Survey 1997' (*GOB 1997, pp.85-87*), up to December 1996, the coverage of some prominent microcredit based poverty alleviation programs were, BRDB 3.73 million², Small Farmer and Landless Labour Development Project³ 0.05 million, BRAC⁴ 1.8 million, PKSF⁵ 0.55 million and *Shawnirvar* (Self-Reliance) Bangladesh 0.76 million. Coverage of some other such programs were found as: RSS⁶ 0.23 million (*Country Paper Bangladesh 1995*); *PROSHIKA*-Human Development Center, an NGO 0.7 million; Association for Social Advancement, an NGO, 0.34 million; and Rangpur Dinajpur Rural Service, another NGO, 0.18 million (*Hye 1996,pp.169-193*). Although many other government and non-government organizations⁷ are using microcredit and have organized a large number of rural poor, only the above mentioned ten programs together covered a total of 10.54 million poor people of Bangladesh. Assuming one member from one household, this is about 52.8% of the total households of Bangladesh⁸. These households are mostly rural. Thus it may be assumed that, if these programs have included

¹Only one person from one household is eligible to become member of Grameen Bank. The average household size in Bangladesh is 5.6 (*BBS 1996^c,p.25*).

²This is the number of the landless poor organized in *Bittahin* (asset-less) co-operatives. However, in total, the program organized a total of 7.5million members (also includes broad spectrum of farmers from marginal to medium sizes) up to 1994-95 (*BBS 1996^c,p.409*) into farmers and Landless cooperatives. These cooperatives also extend credit services to the members.

³Implemented by the Bangladesh Academy for Rural Development (BARD).

⁴BRAC (Bangladesh Rural Advancement Committee) is a large national NGO with international reputation.

⁵*Palli Karma Sahayak Foundation* (Rural Employment Facilitator Organization), a national NGO, works through participatory NGOs.

⁶RSS (Rural Social Service) program is implemented by the Ministry of Social Welfare, government of Bangladesh.

⁷In the editorial, *The Daily Independent* (internet edition), Dhaka, Issue 151, January 4, 1997, mentioned, in Bangladesh, there were about 1000 big and small NGOs engaged in micro-finance to alleviate poverty.

⁸There were 19.98 million households in Bangladesh in 1991 (*BBS 1996^c,p.25*).

their target population— the poor, all poor households¹ of Bangladesh could have already covered by these programs. Considering this extensive coverage of the microcredit based poverty alleviation programs, no doubt that poverty alleviation in Bangladesh greatly depends on the successes of these programs.

4.2.3. Impact of Microcredit Programs

Successes of the microcredit programs have been well documented in numerous studies (*Amin et.al. 1994; Berger 1989; Bornstein 1996; Fuglesang & Chandler 1993; Ghai 1984; Goetz & Gupta 1996; Hashemi, Schuler & Riley 1996; Hossain 1988; Hulme & Mosley 1996; Johnson & Rogaly 1997; Khandker & Chowdhury 1995; Khandker, Khalily & Khan 1995; Microcredit Summit 1997; Rahman 1995; Report of the Task Force 1991; and so on*). For Grameen Bank the success is exemplary. *Yunus (1997^b)* recently said that one third of Grameen Bank's borrowers have lifted themselves above the poverty line. The massive acceptance of Grameen Bank among the rural poor and its rapid expansion in Bangladesh as well as replication worldwide represent its excellent success. By now, it is the largest microcredit program in the world and is considered as the model in the field of poverty alleviation. Subsequently, Grameen Bank draws the attention of scholars and policy makers in a massive scale. Research on Grameen Bank system and its impact have already contributed in the development literature significantly. Some studies see Grameen Bank as a hope model for reducing poverty worldwide (*Fuglesang & Chandler 1993; Hossain 1984; Hulme & Turner 1990; Microcredit Summit 1997; Siddiqui 1984*). While

¹ The proportion of rural and urban poor in Bangladesh was 47.9 percent and 44.4 percent respectively in 1996. The population of Bangladesh was 124 million in Jan. 1997 and the proportion of urban population was 20 percent (*GOB 1997*). Considering these, the absolute number of rural and urban poor are approximately 47.5 million and 11.0 million respectively, together 58.5 million. As the average household size is 5.6, the coverage of above mentioned microcredit programs, in terms of population, stands at 59.02 million.

some others found the program as contributing significantly in the areas of alleviating poverty and increasing the resource base of the poor (*Khandker & Chowdhury 1995*); increasing income and productivity (*Hossain 1983,1988; Rahman & Khandaker 1995*); empowering women (*Hashemi et al. 1996; Mizan 1994; Shehabuddin 1992; Rahman 1995*); practicing family planning to reduce family size (*Amin, et al. 1994, Schuler & Hashemi 1994*); increasing health status (*Hossain 1988, Rahman 1989*) and so on. Yet, some studies have found its impact on community level characteristics, such as, change in the rural power structure in favor of the poor (*Rahman 1987*), increase in the wages of man and children (*Khandker, Khalily & Khan 1995, Shehabuddin 1992*).

Micro-level Impacts

In a recent study, conducted by the World Bank and BIDS, *Khandker & Chowdhury (1995)* has found significant improvement in different poverty related indicators among the participants of microcredit programs compared to the target group non-participants. Table-4.3 presents data of some indicators related to poverty of the three biggest microcredit programs in Bangladesh. Data show that incidence of moderate poverty is lower in the Grameen and BRDB program villages among the participants than target non-participants. While in the BRAC villages incidence of poverty was found higher among the participants. However, the incidence of extreme poverty was found significantly lower for the participants in all three program villages than the non-participants. Thus, it may be said that microcredit programs are having steady positive impact over extreme poverty. However, the low incidence of extreme poverty and slightly higher (BRAC has higher) incidence of moderate poverty in the non-program villages raises the question about whether poverty reduction has actually been caused by these programs or some other factors. Nevertheless, the contribution

of microcredit program is evident.

The proportions of access to Tube well drinking water were seen slightly higher for the program participants than non-participant target group in the program villages, it was higher for the target group in the non-program villages. However, access to other important indicator of health, latrine, was found higher among the program participants compared to both target group non-participants of program villages and non-program villages.

Table-4.3
Selected Indicators for Participants and Non-participants of Different Microcredit Program and Non-program Villages

Indicators	GB Villages		BRAC Villages		BRDB Villages		Non-program Villages
	Participant	Non-participant	Participant	Non-participant	Participant	Non-participant	
% of Moderate poor ¹	61.6	71.5	70.4	64.0	63.7	66.9	65.6
% of Extreme poor ²	10.3	17.1	13.7	16.0	10.3	21.5	9.7
% drinking Tube Well water	83.2	78.9	89.8	88.8	92.7	90.9	96.8
% with Toilet	62.6	48.8	56.0	49.6	60.0	44.6	41.7
Current Savings (Taka)	601.2	68.8	1273.5	617.3	1262.0	103.9	689.3
Total Asset	54561.6	37295.4	67185.7	59876.5	44218.9	20809.1	23613.5
Net worth	53591.6	36688.4	66901.4	59782.9	43410.1	19728.4	22563.1

¹ Those whose income is below a poverty line of Tk.5,270 per person per year.

² Those whose income is less than Tk.3,330 per person per year.

Source: Khndaker & Chowdhury (1995,p.51)

The important contribution of microcredit programs is seen in the areas of savings, assets and net worth (asset plus savings less loans outstanding). These were considered as indicators of sustainability of income and welfare of the poor households (Khndaker & Chowdhury 1995,p.20). These were all found significantly higher among the program participants indicating that microcredit programs significantly contributed to ensure the welfare of the participants in a sustainable manner.

Macro-level Impacts

The impact of microcredit programs on poverty at the macro-level has not yet been analyzed systematically. It is assumed that due to the positive impact of these microcredit programs proportion of the poor in Bangladesh has declined since the early 1980's (*Report of the Task Forces 1991,p.26; Osmani 1996,p.9*). However, despite the fact of increasing massive coverage of microcredit programs, the steady extent of poverty during the 1990s and its recent increasing trend weakens such assumption. *Yunus (1997)*, the founder of Grameen Bank, also recently expressed that these programs will have positive impact on the national economy soon. Nevertheless, so far, the impact of microcredit program at the macro-level is not evident. We may check the impact of microcredit programs indirectly by using the available data.

Microcredit programs are extending credit for self-employment to a large number of rural poor. Thus, it may be assumed that, proportion of self-employed population would increase in Bangladesh as the coverage of the microcredit programs has increased rapidly. *BBS* data, presented in Table-4.1 only partially supports this assumption. In fact the proportion of self-employment decreases from 39.2% in 1983-84 to 29.1% in 1989, and further to 25.5% in 1990-91. Then it increased slightly to 28.6% in 1995-96, but still well behind than that of the 1983-84 level. The data show increasing trend in both day laborer and self-employment during the period 1990-91 and 1995-96. But the increase was more for day laborer (about 4 percentage points) than self-employment (about 3 percentage points). Data from the nationwide BIDS study, presented in Table-4.4 also show almost same pattern. It is seen that employment of both poor and non-poor groups has significantly increased in 1994 than in 1990. However, the gain was more for non-poor group than poor groups. It is notable that, increase in self-employment was much higher for the extremely poor (25.1%) than the

moderate poor (only 3.5%) and non-poor (only 0.2%) groups. This might be considered as the effect of microcredit, as it extended to the poor only. However, more increase (28.2%) in other employment than self-employment (25.1%) for the poor again indicates that the latter is still not the major source of employment for the poor although the fact is that lots of poor receiving microcredit for self-employment.

Table-4.4
Change in Employment in Different Sectors During 1990-94 by Poverty Status

Employment (Days/Week)	Extreme Poor			Moderate Poor			Non-Poor		
	1990	1994	% Change	1990	1994	% Change	1990	1994	% Change
Self-Employment	1.87	2.34	25.13	3.39	3.51	3.54	4.17	4.16	0.24
Other Employment	3.44	4.41	28.20	1.96	3.04	55.10	0.66	2.39	262.19
Total Employment	5.31	6.75	27.12	5.35	6.55	22.43	4.83	6.55	35.61

Source: Hossain, Hossain & Sen (1996, p. 84). Data based on Analysis of Poverty Trends Project of BIDS.

Any way, it is clear that microcredit programs did have positive impact over poverty reduction. This is attributable to the fact that in contrast to the failures of a number of earlier programs, microcredit programs have been able to reach the poor successfully. It has been able to provide social resources as entitlement, for the first time, to the poor section of the society and to mobilize the long neglected and confined women of Bangladesh. These are great achievements. Although some factors, such as control over credit by male relatives of the female borrowers (*Goetz & Gupta 1996*), low profitability of the program due to high operational costs (*Hossain 1984, Khandker Khalily & Khan 1995*), problem of replication of the program on a large scale due to high operating costs (*Ahmad & Hossain 1985*), problem of securing stable demand and marketing of the goods produced by the participants of microcredit programs (*Rahman 1994*), high interest rates, and so on, have been mentioned

as potential limitations, till now, none of these has been able to affect the rapid expansion of microcredit approach throughout the world.

4.2.4. Women As the Focus of Microcredit Programs

I have already mentioned that women have become the focus of the development and poverty alleviation programs. This is particularly true for microcredit programs. These programs, now, exclusively extending credit to the women. For example, 94 percent of the Grameen Bank (*Grameen Dialogue, No. 27, p.16*); 92% percent of BRAC, an NGO (*GOB 1997, p.87*); 100 percent of ASA, an NGO (*ASA, 1996, p.3*); 70% of *Shawnirvar* Bangladesh, an NGO (*GOB, 1997, p.87*) are women. At the beginning of the microcredit programs the situation was not so. Since early 1980s microcredit programs increasingly targeted women. For example, although Grameen, since inception, exclusively focused on women, initially, the proportion of male membership was higher than female Grameen. It was in 1984, the 9th year of its operation, when the proportion of female members surpassed the male members (see Table-5.1). For BRAC the proportion of women member was only 34% in 1986 (*Goetz & Gupta 1996, p.46*). This has been increased to 92% recently. *Johnson & Rogaly (1997, p.12)*, found in five out of six microcredit schemes they studied, over half of the borrowers were women. Why increasing focus on women? Proponents of microcredit programs claimed that access to credit empowers women by increasing their income, hence, reduces gender inequality in the society. And if women have access in income, it ensures more improvement in health, nutrition and education of other household members. As a whole the living standard of the family increases more compared to men (*Fuglesang & Chandler 1993, p.28; Shehabuddin 1992, p.76-77*). However, as discussed in Chapter-1, it is claimed that targeting women by the microcredit programs is not for the interest of women's

empowerment but for the interest of efficient implementation of the program (*Rutherford 1995*). Any way, there is no doubt that credit to women would certainly help to bring some social changes in favor women in the society as they— both poor and non-poor— face discrimination in the society and in the market (*Kabeer 1996*). It would empower women by providing access to credit and formal organization, enhancing knowledge and skills in production and trade, increasing income and subsequent control over it, participation in household decision-making, participating in group activities, participation in community power structure, and in many other ways.

But 'gender inequality' is a broad term and applicable for both poor and non-poor in Bangladesh society. Even it is evident that women of the landowner groups, who are less poor, are less empowered than that of the women of the poor groups. Thus, issue of gender inequality in the society may not be well-addressed through microcredit only. Moreover, it is already evident that loans to women are actually control by the men and, hence, sometimes cause more sufferings for the women (*Goetz & Gupta 1996, Hulme & Mosley 1996, Johnson & Rogaly 1997*). Finally, it is not clear that whether there is any direct relationship between poverty reduction and extending loan to the women. Explanations of poverty, presented in chapter-2, didn't mentioned that too. In fact, it is assumed that, this increasing focus on women by the microcredit program might be the result of some other factors. *Firstly*, there was increasing pressure from promoters of gender-sensitive development¹ policy makers and aid donors for inclusion of women. And *secondly*, microcredit programs, from experience, found the women as good in program performances, particularly loan

¹ Women were targeted initially in the development arena by realizing that half of the population remains as unproductive force. A separate field, 'women in development', developed very quickly. At present, probably, women's empowerment is considered as the strongest agenda for both development and poverty reduction (*ADB 1994; Sandstrom, 1994*). *Sandstrom* concluded, "improving girl's access to education is probably the single most effective anti-poverty policy in the world" (p.32).

repayment. Nevertheless, as I have mentioned, such focus on women does have positive impact on the status women. As *Goetz & Gupta (1996,p.47)* wrote:

Whatever the reasons for targeting women, the tremendous increase of credit availability for women must be seen as a positive contribution to efforts to challenge gendered terms of access to productive resources and opportunities.

4.2.5. What Next?

It is seen that capital has reached to the poor, particularly to the poor women and they are participating in the microcredit programs in an effort to come out of poverty. Now, can we postulate that all these participants will be able to use the opportunity and come out of poverty? Does microcredit programs fulfill the theoretical requirements required to come out of poverty that has been outlined in the previous chapter based on sociological theories of poverty? It revealed from earlier theoretical discussion that the poor may experience failure in their effort to come out of poverty as their income gain would be demolished by the crisis and insecurity factors active in the society. In addition, it is also evident that microcredit programs depend on the poor themselves for their success in the process of coming out of poverty. Earlier I argued that the poor may not be able direct themselves all the way to come out of poverty, particularly in a situation where uncertainty and risk is very high. Thus, it is essential to guide the process of coming out from poverty of the millions of participants of microcredit programs so that they won't face failure.

It is also evident that the microcredit programs care little about the situation of the participants. How the participants, the actors, act in the programs is not a concern for these programs. I have showed that success in the program ultimately depends on the individual and family factors of the participants. Due to the variations in these factors success in the program would differ among the participants. For example, some participants are aged than

others, some are educated and some are not, some have children some have not, some are currently married and some are not, and so on. Again, there are also differences in the family characteristics of the participants. Family is the most important and immediate group for the individuals in a society like Bangladesh. As mentioned by *Safilios-Rothschild (1980,p.313)* "*In the developing countries people do not live alone. The overwhelming majority live, first and foremost, in families and in households.*" Some participants has more family member than other, some has more family resources than others, some are female headed households others are male, some families are at higher stage in the family life cycle than others, and so on. The needs and abilities of the participants also vary with the differences in above aspects. These differences in individual and family characteristics of the participants could affect participation or success in the program of the participants. As *Tallman (1979,p.470)* mentioned:

What is seen to be a positive development in one culture would not be in another; what may be positive for one spouse may be negative for the other; what might work to the advantage of the parents may work to the disadvantage of the children; what might be advantageous to the individual might not be so for the family...An asset for one family type might be a liability for another family type. The construction of new schools in the shums might be a boon to the urban family and a source of bitterness to a rural family.

It may not be exaggerated to say that, to have the best result, I mean to help the poor to come out of poverty, case approach is the best. This has already been proved spectacularly successful in the nineteenth century Britain initiated by *Chalmers* (see Chaper-2).

So, in conclusion, it could be said that it is necessary to consider the micro-level differences among the participants of microcredit programs to ensure their successful escape from poverty. So far, there are numerous poverty researches on microcredit but none of these

focused on such factors. This might have happened because of the mass nature of poverty. Much more importance had been given on the structural aspects of the problem and as the economists, who dominated the field, interested more about the macro-level factors than such micro-level factors. In addition, earlier, as most poverty alleviation programs failed to reach the poor, the question of the micro-level factors, even, did not arise. However, as microcredit programs are increasingly reaching to the poor individual and family level factors deserves increasing importance as it may cause differences in the success in poverty alleviation programs at the participants' level. There is enough evidence to believe that these factors would severely affect the poor people to avail the opportunity of coming out of poverty.

Again, as *Tallman (1979,p.470)* concluded that:

No programme will be beneficial to all families. Some families will benefit proportionately more than others, some may even find themselves absolutely worse off than previously, especially since programmes are usually predicated upon some form of re-distribution of social assets. The unintended and unforeseen outcomes will also result unequal benefits.

Thus, this study, for the first time, as stated earlier, focused on such factors. How these factors affect participants' success in the microcredit programs. I assumed that less importance has been given to the actors-- the poor-- and to his/her immediate environment, such as family and community, and to the need for proper guidance in the process of coming out of poverty. These may have caused participants' failure in the process. This could have objectively reflected through *dropouts* from the program. I studied the issue through looking into the problem of dropout of the world's largest and most successful microcredit based poverty alleviation program, the Grameen Bank of Bangladesh. Before going into the problem, in the next chapter, I have discussed the Grameen Bank program of Bangladesh.

Chapter-5

THE GRAMEEN BANK BANGLADESH: A SUCCESSFUL POVERTY ALLEVIATION PROGRAM

5.1. Grameen Bank: A Poverty-focused Women's Development Bank

Grameen (Rural) Bank is an autonomous, semi-governmental, special type of financial institution. It provides small credit, average US\$150 (*Yunus 1997*), for self-employment in simple terms (without any collateral) along with other socio-economic services to the rural poor, specially to women, of Bangladesh for their socio-economic upliftment. *Berger (1989,p.1021)*, denoted Grameen as a 'poverty-focused development bank'. As more than 94% (*Grameen Dialogue Vol.27,p.16*) of Grameen members are women we may call Grameen as a "poverty-focused women's development bank". Started by a University Professor *Muhammad Yunus* as project in 1976 and formally came into existence in 1983 through a government ordinance. The objectives of the Grameen reveal that its ultimate target is to achieve sustainable poverty alleviation for the vast poor of the country.

5.2. Expansion and Coverage of Grameen Bank

5.2.1. Rapid Expansion of the Program

Area Expansion

Data about extension of Grameen program, since its inception, have been presented in Table-5.1. From one village in one district in 1976, the program has been extended to almost all districts and more than half (36,420¹) of the villages of Bangladesh by 1996. Number of branches has also increased during the period from one to 1,079. The highest rate of increase is seen for both numbers of villages covered and number of branches in 1980, 2035.3% and 257.1%, respectively. Since then, the rate of increase gradually decreased to its lowest for

¹ There are 59,990 *Mouzas* (almost equivalent to village) in Bangladesh (*BBS 1997,p.3*).

number of branches (0.5%) in 1994 and for number of villages (1.8%) in 1995. However, after these, the rate of increase has increased again modestly for both in term's number of villages covered and number of branches to 2.5% and 2.3% respectively in 1996 (Table-5.1).

Membership Increase

With the increase in area, membership of Grameen has also increased tremendously during the period. In 1976 Grameen started with only 10 members, increased to 2,059,510¹ at the end of 1996. Unlike increase in area, increase in continuing membership, although is seen highest in 1980 (658.6%), started to increase rapidly since the very second year, i.e., 1977, of Grameen operation. Over the years, the rate of increase in number of continuing members has also declined, however, it is not continuous like the rate of increase in area covered, i.e., increase in number of branches and villages covered. It appears that, although the trends are in same direction increase in number of continuing members may have no direct relation with the increase in area covered (Graph-5.1). At the end of 1996, Grameen had 2,059,510 continuing members. This is about 25 percent² of the total poor of Bangladesh. This incredible expansion indicates the spectacular success of Grameen and its high acceptance among the vast rural poor of Bangladesh. It also casts shadow over the doubt of some scholars, for example *Ahmad & Hossain (1985,p.91)*, that the program may face problem in expansion due to its high operative costs and other reasons.

¹ This is the number of members continuing with the program. However, number of membership in the program is higher than this as some members have dropped out from the program.

² Population of Bangladesh was 124 million in January 1997. Of this urban population was 20 percent (*GOB 1997*). The proportions of rural and urban poor in Bangladesh were 47.9% and 44.4% respectively in 1996 considering these, the absolute number of rural poor in Bangladesh stands at approximately 47.5 million. As only one person from one household is eligible to become member of Grameen and the average household size in Bangladesh is 5.6 (*BBS, 1996,p.25*), Grameen's 2.1 million members' households consists about 11.8 million persons, which is about 24.8% of the total poor of the country.

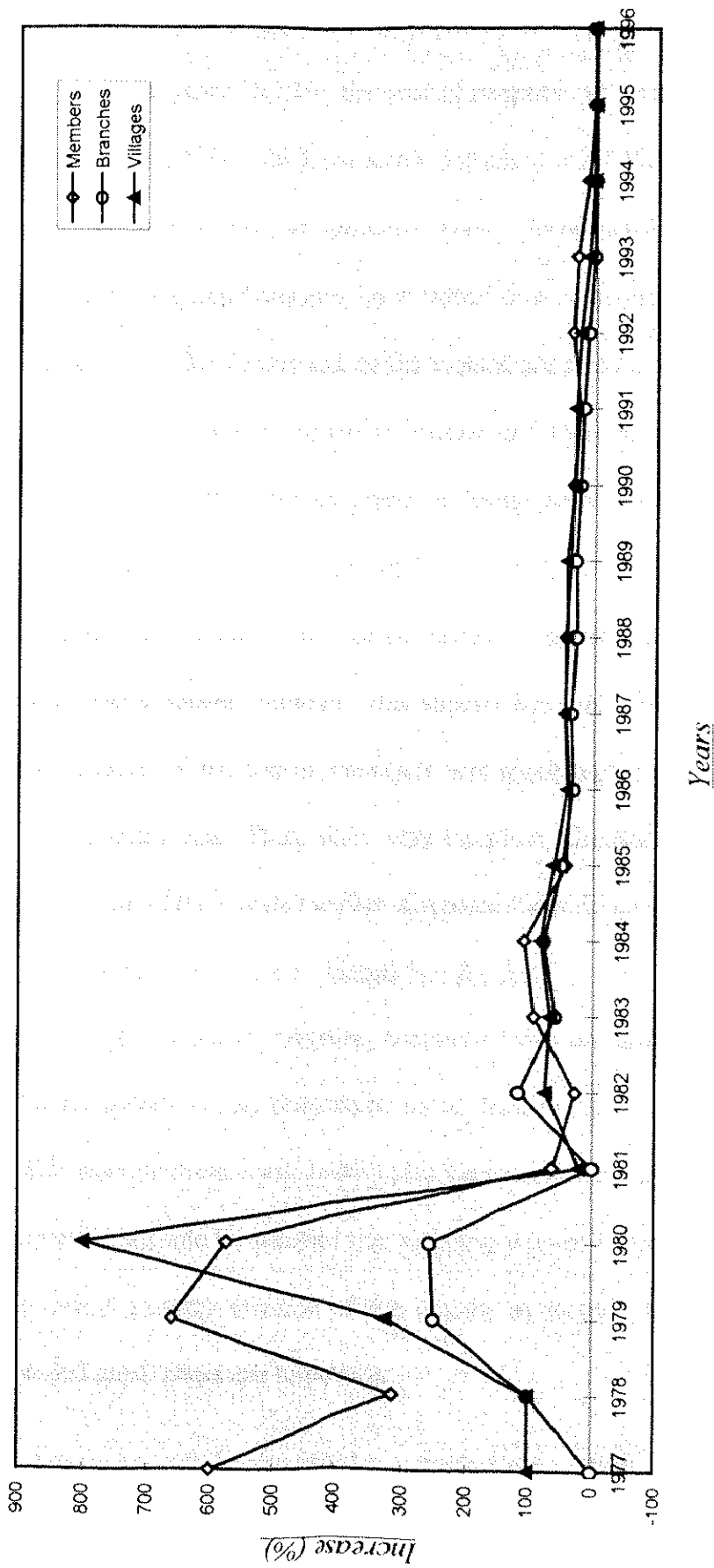
Table-5.1
Yearly Cumulative Number and Increase of Continuing Members by Sex, Branches and Villages Covered by Grameen Bank

Years	Female Members		Male Members		Total Members		Branches		Villages Covered		Loans Disbursed	
	Number	Incr. (%)	Number	Incr. (%)	Number	Incr. (%)	Number	incr. (%)	Number	Incr. (%)	Taka (mil.)	Incr. (%)
1976	2	100	8	100	10	100	1	100.0	1	100	0.01	100
1977	10	400.0	60	650.0	70	600.0	1	0.0	2	100.0	0.08	700.0
1978	70	600.0	220	266.7	290	314.3	2	100.0	4	100.0	0.34	325.0
1979	903	1190.0	1297	489.5	2200	658.6	7	250.0	17	325.0	3.1	811.8
1980	4655	415.5	10175	684.5	14830	574.1	25	257.1	363	2035.3	20.1	548.4
1981	9356	101.0	14772	45.2	24128	62.7	25	0.0	433	19.3	53.7	167.2
1982	11785	26.0	18631	26.1	30416	26.1	54	116.0	752	73.7	95.6	78.0
1983	26538	125.2	31782	70.6	58320	91.7	86	59.3	1249	66.1	194.9	103.9
1984	68045	156.4	53006	66.8	121051	107.6	152	76.7	2268	81.6	502.9	158.0
1985	112362	65.1	59260	11.8	171622	41.8	226	48.7	3666	61.6	948.5	88.6
1986	173885	54.8	60458	2.0	234343	36.5	295	30.5	5170	41.0	1496	57.7
1987	275600	58.5	63556	5.1	339156	44.7	396	34.2	7502	45.1	2446.7	63.5
1988	420965	52.7	69398	9.2	490363	44.6	501	26.5	10552	40.7	3897.1	59.3
1989	588820	39.9	73461	5.9	662281	35.1	641	27.9	15073	42.8	5902.1	51.4
1990	791606	34.4	77932	6.1	869538	31.3	781	21.8	19536	29.6	8389.2	42.1
1991	986373	24.6	80053	2.7	1066426	22.6	915	17.2	25248	29.2	11330.7	35.1
1992	1334285	35.3	90110	12.6	1424395	33.6	1015	10.9	30619	21.3	17093.7	50.9
1993	1707555	28.0	107361	19.1	1814916	27.4	1040	2.5	33667	10.0	29386.4	71.9
1994	1892287	10.8	120843	12.6	2013130	10.9	1045	0.5	34913	3.7	44639.8	51.9
1995	1948364	3.0	123297	2.0	2071661	2.9	1055	1.0	35533	1.8	59016.3	32.2
1996	1937348	-0.6	122162	-0.9	2059510	-0.6	1079	2.3	36420	2.5	71062.8	20.4

Source: Compiled from Grameen Bank Internet Home Page. URL: <http://www.citecho.net/grameen/bank/gstat.html>

Graph-5.1: Increase in No. of Branch, Village and Continuing Members of Grameen Since Inception

(Ref: Table-5.1)

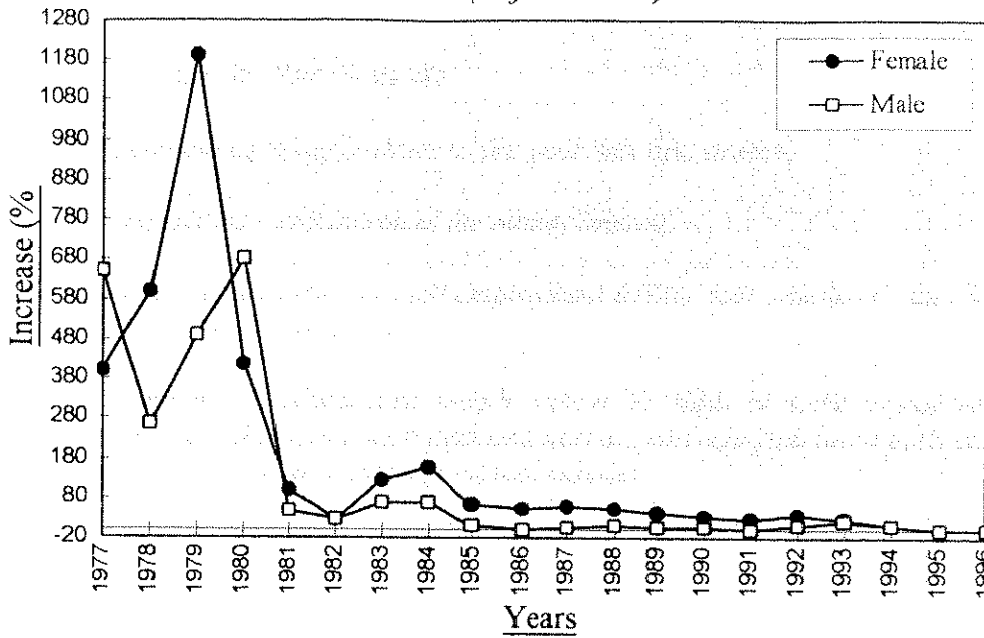


Increase in the Proportion of Women Members

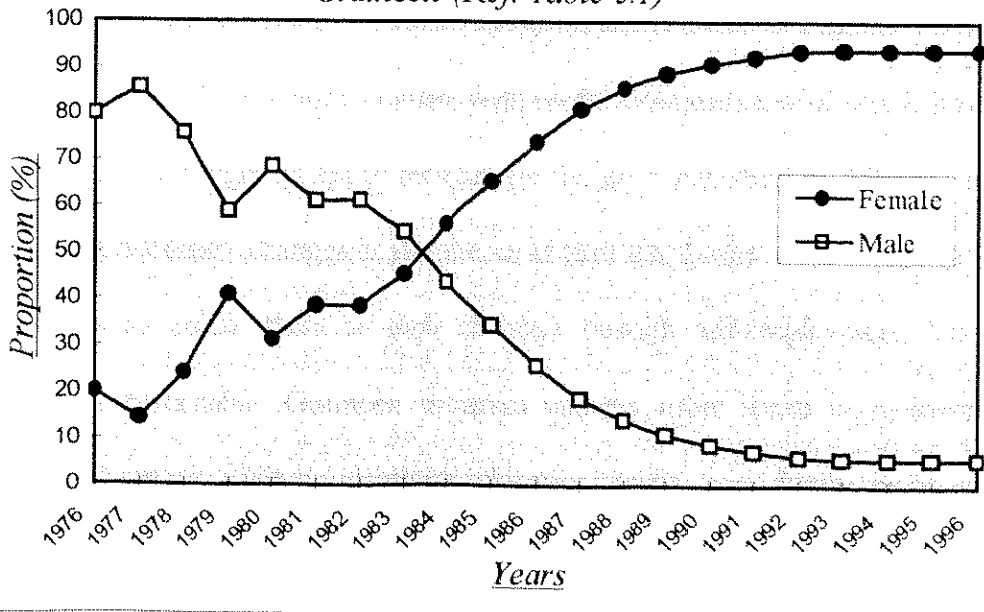
With the increase in coverage, the proportion of female members of Grameen has increased notably over the years. In 1976, the year of inception of Grameen, the proportion of women members was only 20%, which constantly increased to 94.1% in 1996. Thus, in true sense, Grameen has been turned as women's Bank. Some scholars have argued that microcredit programs, including Grameen, have shifted their focus on women as a response to the gender sensitivity of the donors and as the women are good in program performances (see Goetz & Gupta, 1996, Rutherford 1995). Rutherford, claimed that the real reasons for targeting women by the microcredit programs in Bangladesh are that they are seen as accessible (being at home during working hours), more likely to repay on time, more pliable and patient than men, and cheaper to service (as mainly female staff can be hired). This may be true in general. For Grameen, however, this appears not true. Grameen data show that, since inception, increase of the female members was much higher than that of the male members for almost every year. Thus, since very inception, Grameen focused on the poor women. The proportion of the female member surpassed the male after 1983— the year when Grameen formally recognized as a bank (Graph-5.2. & 5.3).

As I have already discussed, targeting women— who are already subject to severe discrimination in the society— may bring some social change in favor of women. However, it is yet to establish whether there is any relationship between poverty alleviation and targeting women. Nevertheless, it could be assumed that targeting women will also have some positive impact on the overall poverty situation of the country as women, in any society, are the poorest section and most vulnerable to poverty.

Graph-5.2 : Rate of Increase of Male Female Members in Grameen (Ref. Table-5.1)



Graph-5.3 : Proportion of Female Male Members in Grameen (Ref. Table-5.1)



5.3. Objectives of Grameen: Targeted to Bring Out the Poor Out of Poverty

The objectives of Grameen reveal that its ultimate target is to achieve sustainable poverty alleviation for the vast poor of the country. According to *Yunus (1982,p.11)*, the founder of Grameen, its objectives are:

1. *To extend the Banking facilities to the poor men and women;*
2. *To eliminate the exploitation of the money lenders;*
3. *To create opportunities for self employment for the vast unutilised and under-utilised manpower resource;*
4. *To bring the disadvantaged people within the folds of some organisational format which they can understand and operate, and can find socio-political and economic strength in it through mutual support*
5. *To reverse the age-old vicious circle of "low income, low savings, low investment, low income" into an expanding system of "low income, credit, investment, more income, more credit, more investment, more income".*

5.4. Program Components of Grameen: Holistic in Nature

To achieve the ultimate objective of poverty alleviation Grameen is using credit services as the main program component. *Yunus (1994)* described credit as a *human right*. Grameen approaches the poor, particularly women, with credit. Grameen's use of credit, however, is an innovative one. It designs its credit services for the poor according to different needs of the poor to bring necessary changes in all spheres of their life. Loans are provided to the poor in simple terms to enable them to their earnings through self-employment. To make this improvement sustainable, Grameen program includes other social components such as, functional education, savings, children's education, health care, family planning, housing, consciousness raising, leadership development, and so on. In 1984, Grameen, through a workshop participated by 100 representative women Center Chiefs, adopted '16-decisions', mainly related to different needs of the poor and smooth operation of the program. Some scholars have termed 16-decision as the 'social development constitution'

of Grameen (*Fuglesang & Chandler 1993, p.120*). Introduction of 16-decision is also seen as a key factor that made Grameen a full development program. For example, *Hossain (1988, p.27)* commented that "With the introduction of 'Sixteen Decisions'; the Grameen Bank has moved into an overall development program for the poor". All Grameen members are expected to practice the 16-decisions¹ in their lives. Professor *Yunus (1993)*, also described Grameen program as not only merely a bank but also a full system. It is also reported that professor *Yunus* emphasizes the bank's interest in the social development program (*Hossain 1988, p.27*). Independent researchers also tend to identify Grameen program as holistic² in nature (*Amin, et al. 1994, Fuglesang & Chandler 1993*).

¹ The 16 decisions of Grameen Bank are as follows (*Fuglesang & Chandker, 1993, p.121*).

- i) The four principles of the Grameen Bank— Discipline, Unity, Courageous and Hard Work— we shall follow and advance in all walks of our lives.
- ii) Prosperity we shall bring to our families.
- iii) We shall not live in dilapidated houses. We shall repair them and work towards constructing new houses at the earliest.
- iv) We shall grow vegetables all year round. We shall eat plenty of it and sell the surplus.
- v) During the seasons, we shall plant as many seedlings as possible.
- vi) We shall plan to keep our family small. We shall minimise our expenditures. We shall look after our health.
- vii) We shall educate our children and ensure that they can earn to pay for their education.
- viii) We shall always keep our children and the environment clean.
- ix) We shall build and use pit-laterines.
- x) We shall drink tubewell water. If it is not available, we shall boil water or use alum.
- xi) We will not take any dowry in our son's wedding, neither shall we give any dowry in our daughters' wedding. We shall keep the centre free from the course of dowry. We shall not practice child marriage.
- xii) We shall not inflict any injustice to, neither shall we allow anyone to do so.
- xiii) For higher income we shall collectively undertake bigger investments.
- xiv) We shall always be ready to help each other. If anyone is in difficulty, we shall all help him.
- xv) If we come to know any breach of discipline at any centre, we shall all go their and help restore discipline.
- xvi) We shall introduce physical exercise in all our centres. We shall take part in all social activities collectively.

² As Grameen increasingly emphasizes on credit compared to other components scholars also term it as 'minimalist' microcredit approach (*Hashemi, et al. 1996; Streefland, et al. 1993*). Such categorization also based on the fact that Grameen do not provide any training or support to its members in loan investments. However components other than credit, mentioned above, are still exist as integral part of the Grameen program. Training, education, workshops, regular supervision of investment activities, distribution of seeds, etc., were found in practice during field visit of the present study. Different types of loans provided by Grameen also address not only the need of capital for income generating activities but also for other needs such as housing, sanitation, etc. (*see following section*). The Zonal Manager of Rajshahi Grameen Bank mentioned that they were thinking of introducing 'educational loan' for the children of its members who would be able get admission into graduate courses at different Universities of the country. All these indicate that Grameen programs are still holistic in nature, although credit remains as the center of all services.

5.5. Types of Loans: Designed According to Socio-economic Needs of the Members

Out of experience Grameen has developed several types of loan according to the different financial and social development needs of its members. These different types of loan services are also reflecting the holistic nature of the Grameen approach.

i) General Loan: A member of Grameen has to start with this loan. Bulk of the loans distributed by the Grameen is of this category. As of August 1997, the proportion of general loan was about 92.7% (*Grameen Dialogue, No.32*) among the total loans disbursed. Members could borrow this loan for any economic activity for a period of one year with 20% interest rate. It rotates every year. At present the highest amount of this loan is Tk.10,000.

ii) Seasonal Loan: Initially this loan was for seasonal cultivation. Up to Tk.5,000 could be borrowed for a period of 6 months with 20% interest rate. However, later, operation of this loan has been modified and administered as general loan.

iii) Tubewell Loan: This loan covers an important health need of 'safe drinking water'. Up to Tk.3,000 could be borrowed for a period of 2 years with 20% interest.

iv) House Loan: This is another remarkable addition (since 1984) in the family of Grameen loans with the objectives of providing shelter as well as place for income generating activities for the poor. This is a long-term loan and for a period of 10 years with a soft interest rate of 8%. This loan comprised about 7.3% of the cumulative loan disbursement as of August 1997 (*Grameen Dialogue, No. 32*).

v) Sanitary Loan: This loan also covers one of the long and urgent health requirements in rural Bangladesh. Members can borrow up to Tk.400 to set up sanitary latrine for their family. This loan is to be repaid within 2 years with an interest rate of 8%.

vi) Leasing Loan: This loan is for procurement of new or higher technology and for larger enterprises. Usually the amount of loan is higher, such as may be Tk.100,000. The interest rate is 20%.

vii) The Family Loan: the family as a whole, i.e., husband, wife, and adult children could take this loan. However, ultimate responsibility of loan lies with the member herself. Up to Tk.30,000 could be borrowed. *Fuglesang & Chandler (1993,p.109)* commented about this loan that:

The loan can be an important "bridge" to joint or collective enterprises. The family is a social entity exhibiting stronger cohesion than a group of people who have joined together on a voluntary basis. The demand for the loan indicates also that it responds to the psychology of a family where the wife has been economically successful and the husband is lagging behind. It includes the husband at the same time as it empowers the woman further. If it can follow up with support to family-oriented technology such as leasing of power looms, the Bank is into a very interesting development.

viii) Collective Loan: Usually Tk.50,000-100,000 granted to the centers of 3 years or more of age that showed a well reputation to the Grameen's rules and regulations to take up larger common economic enterprises. However, the negligible disbursement (1%, in 1993) of this loan indicates that it is not popular among the Grameen members.

ix) Group Fund Loans: A member can take loan for different purposes such as, examination fees for children, medical expenses, etc., from her group fund¹ with or without interest, to be decided by the group. This loans serves the immediate consumption needs of the members so that they don't need to expend their capital for immediate consumption.

In addition to the above regular loans², Grameen also extends special loans; such as, food storage loans, capital recovery loans (including goats as loan), destitute loans, etc.; for the areas where its members affect by natural disasters, such as devastating floods in 1987 and 1988 in the *Rangpur* area.

¹ Detail of Group Fund follows.

² All these loans may not be extended in all branches at a time.

5.6. Program Implementation Strategy

5.6.1. The Organization

Grameen implements its programs through organizing the rural poor women into *groups* and *centers*— two vital organizations of Grameen.

The Group

Landless group is the grassroots level organization of Grameen. Its formation is the first necessary step to receive Grameen loans. Five like-minded landless homogenous (socio-economically) persons of same sex voluntarily form a group. The group has one Chairperson and one Secretary elected for a period of one year. This leadership rotates and no member can chair second time until all the other members have held it.

Criteria for becoming a member of a group

The specific criteria for eligibility of becoming a member of a Grameen group are as follows (*Fuglesang & Chandler 1993, pp. 255-256*):

1. *Only the landless poor will be eligible to form a group. Any member from a family (i.e. a household unit) owing less than 0.4 acres¹ of land will be considered to be a landless poor person.*
2. *A group shall be formed with five members.*
3. *All the members of the group must be inhabitants of the same village.*
4. *A group shall be formed with persons who are like-minded, are in a similar economic condition and enjoy mutual trust and confidence.*
5. *There shall not be more than one member from the same household in any one group. If more than one person from the same household become members of the landless groups, they can do so by becoming members of different groups².*
6. *It is not desirable to form a group with close relatives (e.g. father, brother, uncle, father in law etc.).*

¹ It should be mentioned here that, in practice, the upper limit of the landholdings is 0.5 acres.

² Since 1982 the policy has been changed in view of the experience that such households face difficulty in effective utilization of the loans and repayment of instalments. The present policy is to provide loans to only one member of a household, and preferably to a female member (*Hossain, 1988, p. 25*).

7. *There shall be a Chairman and a Secretary in each group. They shall be elected by the group members. Election will be held at the time when a group is formed and subsequently in the month of Chaitra (last month of Bangla calendar year) every year. Chairmen and Secretaries elected in the month of Chaitra will assume their offices from the first of Baishak (first month of Bangla Calendar Year).*

Process of Group formation

The process of group formation of Grameen, its subsequent recognition and loan allotment involves the following steps:

Step 1: 5 persons of same sex fulfilling the above criteria organize themselves into group and approach to the Grameen Worker.

Step 2: The Grameen personnel scrutinize the newly formed group.

Step 3: If everything is in order then the group members get training on Grameen rules, regulations, processes and functional education for at least 7 days by the Grameen workers. It may take 15 days or even for some a few months (*Fuglesang & Chandler 1993, pp.91-92*). During the training period a group elects a Chairperson and a Secretary. In these 7 days every member need to deposit Tk.1 per day as savings.

Step 4: After adequate training the Branch Manager gives a provisional recognition to the group; and

Step 5: Finally, after proper scrutiny, the Program Officer gives the group formal recognition.

After that, members of the group are eligible to propose for loan. First, two members, other than the Chairperson and Secretary, are to receive loan. And if they follow the rules and regulations properly, particularly repayment schedule, others would gradually receive loan.

Function of the group

As I have already discussed, since the history of development and poverty alleviation programs in Bangladesh, clients are approached through groups (*see Karim & Osada 1998*). Thus, approaching the poor through group by Grameen may not be a completely new one. Use of group by Grameen, however, is an innovative one. The Grameen groups work as 'social collateral' for its members. This has made possible to extend loan to the poor

who lack 'physical collateral' and as such remained out of the formal credit services. Grameen, for the first time, successfully extended credit services to the poor successfully by using the groups as social collateral. This could be considered as a historical breakthrough in the history of development services that, usually, excluded the poor.

The group is jointly responsible for each individual loan to its members. There is also the provision that if a member fails to keep the repayment records update other members of the group may not get loan (*Fuglesang & Chandler 1993, Hossain 1988, Johnson & Rogaly 1997*). Thus, if a member face any problem in repayment, other group members help or pressurise her to repay the loan. And if all these fail it is the responsibility of the whole group to repay the loan. By this way, group ensures the repayment, which helps to keep the rate of loan repayment of Grameen as high as 98% over the years¹ (*Hulme & Mosley 1996, Hulme & Turner 1990, Johnson & Rogaly 1997*).

Groups, organised through self-selecting process, also reduce the *screening* and

¹ In a recent study *Jain (1996)*, however, claimed that, when a borrower defaults in loan repayment, the joint responsibility is actually not practised. Instead, the Bank Worker follows such cases through individual visits. Loan recovery is the major problem for the credit institutions. This is the case not only for Grameen, but also for big commercial banks throughout the world. For example, Bangladesh Finance Minister, *SAMS Kibria*, recently told in the Parliament that there were 2,117 Bank defaulters with Tk 0.1 billion or more (US\$ 1 = Tk.46/-) till September 30, 1997 (reported in *News from Dhaka Bangladesh, March 5th, 1998*). Even, in Japan, recently, bad loan creates severe economic problems. In such a situation Grameen, so far, has been able to keep the repayment rate beyond 98%. This deserves highest appreciation. To keep this excellent performance, no doubt that Grameen need to put all out efforts in recovering loans. It is likely that Grameen uses all sorts of possible ways to recover the loans when a member defaults. During the present study, individual follow up by the Bank Worker to default cases, as claimed by *Jain*, was found as one of such strategies. And that is also one of the job responsibility of the Grameen Workers. However 'group pressure', out of joint responsibility, was also found working as a dominant strategy to recover the defaulted loans. For Example, one defaulted respondent claimed that, when she failed to repay the loan, other members of her center stormed to her house and took away the valuables. In fact, use of such force to recover the loans, nowadays, is subject to criticism. Any way, it proves that group pressure still works as the major factor behind the regular recovery of Grameen loans. Again, failing to repay the loan instalment in the public meeting is viewed as public humiliation for the members. This also works as an incentive to repay the loan (*Johnson & Rogaly 1997, p.40*). Finally, during the present study, I found that, in case of permanent default, allotting loan from 'group fund' to another member— who willing to receive loan and has the ability to use it— and use the interest as the repayment instalments of the defaulted member, was increasingly in use. The merits and demerits of such practice would be a matter of intensive study. However, there is no doubt that it helps to keep the repayment rate update. As group fund is used for the purpose no doubt that this has been possible only because of Group responsibility.

enforcement problems— two major problems often face by the formal credit institutions— through selecting the potential borrowers and screening out the possible defaulters. By these ways group helps to reduce implementation costs significantly which, again, helps Grameen to keep the interest rate lower (although higher than that of the formal Banks) and yet to be financially sustainable. Otherwise, heavy costs of operating small loans, which yield smaller interest or return, with intensive supervision, that Grameen does, would made it financially not sustainable or to set the interest rate at such a high level that would be impossible for the borrowers to pay.

The Center

Center is the heart of all Grameen activities. At least 2 and highest 8 groups together form a center. Thus, the number of members in a center could range from 10 to 40. There is elected one 'Center Chief' among the group Chairpersons and one 'Deputy Center Chief' among the group Secretaries for one-year term. A center must construct a shelter where all common activities, e.g., regular weekly meetings, loan distribution/repayment and socio-economic functions are carried out. All members must gather at the center for weekly meetings. The Grameen Worker also attends the meeting. In the meeting loan repayments, and loan disbursements are carried out publicly. Problems raised by the individual members are also solved. *Fuglesang & Chandler (1993,p.43)*, described the Center as:

To the members, the center house is the first tangible result of their collective effort. Once built, it becomes a symbol of their solidarity and meeting place for making decisions. After the meetings their children gather for school in the same shelter.

Earlier, there was a provision of using the center houses as school for the children. But, since 1995, the provision has been postponed. At present, as it appears, center houses are used only for the purpose of weekly meetings. The center, however, works as the real group entity for the members. All decisions are taken in the center meeting. In

case of any problem in repayment, the center, rather than group, moves as a whole, particularly if it requires force.

5.6.2. The Administrative Units

Chart 5.1
Organizational and Administrative Structure of Grameen¹

Unit & No.	Organizational Structure	Scope and Responsibilities
Board of Directors	Chairman and Directors-13: Govt.-3, Managing Director-1, elected landless borrower shareholders-9	Policy decisions and links with Govt. organizations
Head Office (1, located in Dhaka)	Managing Director (MD)-1; Deputy Managing Director-1; General Manager-1; Deputy General Manager-7; (Admn., Accounts, Training, Monitoring & Evaluation, Technology, Research & Dev., MD's Secretariat)	Highest administrative unit. Maintains liaison with other national and international organizations. Hires, trains and supervises Grameen staffs, carry out research and developmental activities
Zonal Office (12)	Zonal Manager-1, Principal Officer-1, Senior Officer-9, Officer-3, Senior Assistant-7, Bank Worker-7, Typist-2, Driver-2, Peon-cum-Guard-3	Supervise 12 Area Offices . Account supervision and loan approval and Social developmental activities
Area Office (115)	Area Manager-1, Program Officer-1, Senior Assistant-1, Typist-1, Driver-1, Peon-cum-Guard-1	Supervise 10-15 Branches . Loan approval, train trainee officers
Branches (1,093)	Branch Manager-1, Senior Assistant-1, Bank Worker-6, Peon-cum-Guard-1	Lowest Administrative unit. Supervises about 60 centers
Centers (63,655)	Center Chief-1 and Deputy Center Chief-1, elected by the Chairman and Secretary of the groups for one year term	Works as the heart of all Grameen activities and has 2-8 Groups . Loan distribution and repayments are made during weekly meetings. Must be attended by all members and the Bank Worker
Groups	Chairman-1 and Secretary-1, elected by the group members for a one year term	Lowest level of organization has landless 5 members of same sex. Works as social collateral of loans to its members

¹Information of this Chart has been taken from *Grameen Dialogue, No.32. Fuglesang & Chandler (1993), Hossain (1988)*.

Branch is the lowest administrative unit of Grameen. It is considered as the profit-responsibility unit. It could borrow money from Grameen Head Office with 10% interest and

disburse it to its members with 20% interest. An Area Office supervises 10-15 Branches and a Zonal Office supervises about 12 Area Offices. The Head Office, with Professor Muhammad Yunus as the Managing Director, is responsible for all operational activities. Finally, The Board of Directors works as the highest policy-making body. The Board of Directors is composed of 14 members, one Chairman and 13 directors. Among 13 directors 9 are the representatives of Landless Associations (*see Grameen Bank 1994,p.6*). Chart-5.1 shows the organizational and administrative structure of Grameen with latest statistics.

5.7. Sources of Grameen Funds

5.7.1. External Funds

Since inception, Grameen has been receiving resources from external and internal sources; such as, Bangladesh Bank, International Fund for Agricultural Development (IFAD), OECF (Japan), Ford Foundation, Dutch, Norwegian, and Swedish aid agencies, Canadian International Development Agencies (CIDA), etc.; as grants or loans at concessionary rates to meet the operational costs. Initially, Bangladesh Bank and the International Fund for Agricultural Development (IFAD) provided funds at 3 percent rate of interest to Grameen. *Khandaker, Khalily & Khan (1995)* estimated that, as of June 1993, the proportion of foreign funds amounted to 74.54 percent of total resources available for Grameen; 43.2 percent of total funds (Taka 2714.6 million) were provided in the form of grants, both for on-lending and revenue purposes¹.

¹ According to Grameen report, since 1986, it earned profit every year except 1992— caused by a nationwide salary increase in 1991. Grameen Bank's reported profit includes the grants and loans at concessionaire rates received from international and national donors as income. Thus it may not reflect the actual profit of the Bank calculated based on the interests it earned by lending money. *Khandker, Khalily & Khan (1995^b,p.137)* showed that, when revenue grants are not included, Grameen Bank incurred loss every year during the period 1987-93. In contrast, if operating profit is calculated without costs on these accounts and grants, Grameen can be shown as a profitable organization. These findings suggest that if institutional development were financed by donors or government, given its cost and revenue structures, Grameen could be a profitable organization (*ibid.*).

5.7.2. Internal Funds

In addition to the above funds there were also provision of raising several funds with the contribution of the Grameen members to carryout different activities.

Group Fund

All groups have this fund. 5 types of money are to be deposited in this fund:

- i) Individual Savings: Tk. 1 per day per member during the beginning one week and later Tk. 1 per member per week;
- ii) Group Tax 1: 5% of the loans received by the members from Grameen;
- iii) Group Tax 2: 5% of the loans received from group fund;
- iv) Penalty: Absence or late in meetings, disobeying Grameen's rules, regulations and discipline, or any other irregularities, are subjected to penalty. The Center Chief fixes it according to the extent of irregularity;
- v) Interest from Bank: The group fund is deposited in the Bank. The Bank gives 8.5% interest on it. This is also deposited in the group fund.

The Group fund is known as the members own *little bank*. Individual members can take loan from group fund for any purpose¹. The interest rate (may be without interest) is fixed according to group's own decision. As of May 1997, the cumulative amount of savings in group fund was 5671.27 million (*Grameen Dialogue*, 31,p. 16). This was about 7.3% of the cumulative amount of loan disbursed at that time.

Center Fund²

2 Types of funds are deposited in this fund:

¹ It is also imperative that if any member of the group becomes permanent defaulter the loan is to be recovered from the group fund. There was no report of such case in the study branch. However, in case of permanent default, arrangement to recover the loan is made by allotting loan from group fund to another group member— who is willing— with a provision that the interest of the loan will be used against the defaulted loan instalments.

² It could be noted here that, since 1995, provision of this fund has been cancelled.

i) Special Savings: Tk.1-5 per member per week according to the center's decision. Creation of this fund is necessary to have loan for joint enterprises. It could be used for other collective purposes too, such as, construction of center house. Loan is also given without interest from this fund to the members who fall in sudden crisis.

ii) Children's Fund: Tk.1 per member per week. This fund is mainly for members' children's welfare, such as school expenses, or income generating activities taken by the children.

Emergency Fund¹

This fund is kept centrally. Tk.5 per Tk.1,000 to be paid for excess of Tk.1,000 of loans received. It is basically an insurance coverage in case of default, death, disability, and other accidents. Money is given to the successors if any member deceased.

Individual Savings Deposits

Grameen inspires its members to save in their personal accounts. Which also contributes significantly to the Grameen's fund. As of August 1997, the balance of total savings (excluding group funds) was 713.27 Million Taka (*Grameen Dialogue, No.31, p.16*).

5.8. Loan Disbursement Procedure

*"With Grameen, the poor do not have to come to
the bank, instead the bank goes to the poor"*

Shams Khalid 1992,p.9.

The loan delivery system of Grameen is very simple and is at the doorstep of the poor people.

After the formal recognition of group there are 8 steps involved in the process. These are:

Step 1: The willing members make loan proposal to group Chairperson orally;

¹ Provision of this fund also cancelled since 1995. With this, the provisions of school and other social activities at the center have not been continuing any more.

Step 2: The group assesses the feasibility and agrees on the loan amount and orally proposes to the Center Chief;

Step 3: The Center Chief formally proposes by filling up loan proposal form in the center meeting with the Grameen Worker;

Step 4: The Grameen Worker scrutinizes the proposal and submit it to the Branch Manager;

Step 5: The Branch Manager recommends and sends it to the Area Office after discussing with colleagues and doing proper feasibility study;

Step 6: The Program Officer checks the proposal and recommends it;

Step 7: The Area Manager, gives necessary authorization to release the loan from the Branch Office; and

Step 8: The member receives the money from the Branch Office

The whole process, from proposal to disbursement, takes about only 3 weeks.

5.9. The Repayment procedure

One of the special features of the Grameen program is its loan repayment system. All loans are to be repaid in weekly installments started from the 2nd week of the loan issue. Grameen's loan repayment rate is about 98%, highest in the world. Several factors are aiding to this high level of return. *Firstly:* 'Group pressure and solidarity' are the most effective one, which I have discussed earlier. **Hulme & Turner (1990,p.209)** wrote about this as following:

Although, loans are made to the individuals, group members can only take out new loans if the other group members are up-to-date with their loan repayments. The group takes the responsibility for analysing the feasibility of each member's loan proposal and ensuring that every loan repaid, either through social peer pressure or social support if there is a risk of default.

It is widely recognized that Grameen invented this 'peer-group monitoring' system, which

not only ensures the regular repayment but also effectively, reduces lending risk¹. It is also popularly known as social collateral against the earlier system of physical collateral which the poor rarely possess (*Johnson & Rogaly 1997,p. 7*).

Secondly: The 'instalment system' which requires to pay a small amount of money each time. As stated by *Yunus (1994,p.11-12)*:

Our clients pay back loans in weekly instalment. When I first begun ... I was trying to understand what made people pay back without hesitation.

... Money is a very sticky substance; once it gets into some place it does not want to leave that place. People find opportunities to pay back. A psychological barrier comes into play. I have the money. I know the obligation. But I will wait for an opportunity not to pay you back...

... One idea came to my mind. I could make the payments very small – small enough so that the psychological barriers would not come into play...

... Then we did the next best thing – weekly instalments ... This makes it easy for people to pay back.

Thirdly, Provision of compulsory attendance in the regular weekly public meetings, which reinforce a culture of discipline, routine payments, and staff accountability, is also contributing to Grameen's high repayment rates (*Jain 1996*).

Fourthly, the role of the Grameen Workers is also significantly contributing to it. Their close supervision and regular field visits contributing to high repayment rates (*Jain 1996*). Extensive training and motivation make the Grameen Workers highly committed to work.

Finally, As I have already discussed, joint responsibility contributes significantly to high repayment rate of Grameen. The ultimate responsibility of the group to repay the loans to its members ensures the recovery by arranging and using the group fund in different ways, such as given to another member as loan and using the interest as repayment against the defaulted installments described earlier.

¹ However, there are also examples, such as Bank Rakyat in Indonesia, where individual character references and locally recruited lending agents are used successfully to reduce screening costs (*Chaves & Gonzales Vega 1996*).

5.10. The Success Story of Grameen

We have heard about Grameen 10 years before. Your success news has reached to the U.S. also. So I came here to see your success in my own eyes.

*U.S. First Lady, Hilary Clinton,
Weekly Robbar [Bangla]: 17:25: Apr.9,1995:P.20.*

This was said to the Grameen members during her visit to Bangladesh. *Weekly Robbar* also mentioned that, considering Grameen's contribution to poverty alleviation and women's empowerment U.S. President *Bill Clinton* recommended to nominate *Professor Yunus*, the founder of Grameen, for Nobel Prize.

The massive acceptance of Grameen among the rural poor of Bangladesh and its massive expansion within a short period throughout Bangladesh as well as its replication all over the world¹ alone represents the excellent success of Grameen. By now, it is the largest micro-enterprise program in the world (*Berger 1989*) and is being considered as the model in the field of poverty alleviation. Subsequently, Grameen draws the attention of scholars and policy makers in a massive scale. So far, hundreds of studies have been done on Grameen. Some of these are: *Ahmad & Hossain (1985); Amin, et al. (1994); Ambia (1995); Berger (1989); Ghai (1984); Gibbons & Kasim (1991); Goetz & Gupta (1996); Hashemi, et al. (1996); Hossain (1983,1986,1988); Hulme & Mosley (1996); Hulme & Turner (1990); Khandaker, Khalily & Khan (1995); Mascarenhas (1993); Mizan (1994); Schuler & Hashemi (1996); Shafiq (1990); Shams (1993); Shehabuddin (1992); Siddique (1984); Rahman (1994); Rahman, et al. (1992); UNO (1993); Yunus (1993^a);* and so many others.

¹At present the minimum loan program of Grameen spreads about 40 countries of world including the United States, Russia, Norway (See *Yunus's interview with Newsweek, Daily Vorer Kagoch, Dhaka, Dec.8, 1993. Grameen Dialogue (October, 1997)*, listed 50 programs in 19 countries as its partner organization.

5.10.1. Hope Model in Poverty Alleviation

As I have already mentioned, in the verge of chronic failures of the earlier adopted poverty alleviation programs, Grameen has been seen as extremely successful in reducing poverty. Some studies see Grameen as a hope model for overall development and reducing poverty, such as, *Siddiqui (1984,p.1)* wrote about Grameen that:

Most important to a growing number of development theoreticians and practitioners, Grameen Bank offers a 'hope model' for breaking out the vicious circle of poverty in Bangladesh and similar countries of the third World, with minimum social confrontations and upheavals.

Hulme & Turner (1990,pp.211-212) wrote about the success and replication of Grameen in other countries of the world as following:

Overall, then, there is considerable evidence that the Bank has developed a lending programme that successfully meets the needs of a group of poor borrowers who have not previously had access to formal sector credit.

...At the international level the Bank has had a major impact and entertains a constant stream of overseas visitors. Its success has led to a renewed interest in aid policies that target finance towards the poor. There are moves to replicate the Grameen in Malaysia, Sri Lanka, Malawi, Egypt and the Sudan...Throughout the 1980's the Grameen has served as an inspiration for many development workers. Its success has led to international experimentation and has encouraged a renewed interest in credit strategies.

5.10.2. Increase in Productivity and Incomes of the poor

In general, hundreds of studies recorded Grameen's significant contribution to increase the productivity and incomes of its participants— the poor women. It is true, at least in the sense that, Grameen, by providing loans to the poor women, who are historically out of the production system of the society, whatever the extent, has been able to increase their productivity. In addition, as the loans are invested in income generating activities, throughout the year, the poor— who, usually, face severe job crisis— have been able to use their labor in the self-employment projects, which helps to increase their productivity and incomes.

Hossain (1988) found that most Grameen members perceived that their participation in Grameen has improved their economic condition. More than 90% of the Grameen members reported that their income has been increased (Table-5.2). A very little difference in such perception among male (92.7%) and female (90.0%) members indicates that it was felt invariably by the members of both sexes.

Table-5.2
Grameen Members' Perception of Change in Their Economic Condition (%)

Economic Condition	Male (N=441)	Female (N=534)	All (N=975)
Improved	92.7	90.0	91.2
Unchanged	5.2	6.2	5.7
Deteriorated	1.4	2.2	1.9
No Response	0.7	1.6	1.2
Total	100.0	100.0	100.0

Source: Hossain (1988,p.64).

Hossain (1983,p.17) also found that yearly per capita income of the Grameen members increased to Tk.1,740 after joining with Grameen from Tk.1,037 before joining with Grameen. This was an increase of about 68% in per capita income over a period of about 2 years. To have a more optimistic impact of Grameen program on income, *Hossain (1988,p.66)* compared the income of Grameen members with other target group, e.g., from same socio-economic conditions, but non-participants of the Grameen villages as well as non-Grameen villages, and found significant differences in their incomes. It is seen that the incomes, both household and per capita, of the Grameen members are significantly higher than the non-participant households of same socio-economic groups of the Grameen and non-Grameen villages (see Table-5.3).

Table-5.3
Income (Tk.) and Differences (%) in Income between Grameen Participants and Target-Group Non-participant of Grameen and Non-Grameen Villages

Income Parameter	Grameen Members	Target-Group Non-participants		Differences in %	
	(Group-1)	Grameen Villages (Group 2)	Other Villages (Group 3)	Group-1 Over Group-2	Group-1 Over Group-3
Household	18,134	14,204	12,696	27.6	42.8
Per capita	3,524	2,900	2523	21.5	39.7

Source: Hossain (1984,p.67).

5.10.3. Impact On Poverty

As a poverty alleviation program, most important for Grameen is that how far it has been able to reduce the level of poverty. Among others, two empirical study by *Hossain* in 1988 and *Khandker & Chowdhury* in 1995 estimated the impact of Grameen program on poverty. Both these studies followed the same design. Moreover, the poverty line considered in these studies was also based on FAO recommended 2,112 calories per person per day. Thus, result of these studies could give a picture of the trend of impact of Grameen program on poverty over period. Data on incidence of poverty from these two studies have been presented in Table-5.4. It is interesting to see that the incidence of moderate poverty remained almost same among the Grameen participants between 1988 and 1995, 61.0 and 61.6% respectively. While moderate poverty decreases significantly among the non-participants of both Grameen and Non-Grameen villages, from 83.7% to 71.5% and 80.4% to 65.6% respectively, during the same period. Although, the incidence of extreme poverty is seen decreased by about more than four folds among the Grameen participants, from 48.0% in 1988 to 10.3% in 1995, the case is same for the non-participants too. Even, more interestingly, more decrease in the incidence of extreme poverty, 74.4% in 1988 to 9.7 in 1995, is seen among the non-participants of the non-Grameen villages. These findings indicate that although Grameen

intervention has been able to reduce the level of extreme poverty it contributes little to reduce moderate poverty. Moreover, more reduction in extreme poverty among the non-participants of the non-Grameen villages raises the question whether Grameen or other factors have caused the reduction in extreme poverty.

Table-5.4
Proportion of Poor Population Among Grameen Participants and Target-Group Non-participants

Poverty Status	Grameen Participants		Target-Group Non-participants			
			Grameen Villages		Non-Grameen Villages	
	1988 ¹	1995 ²	1988 ¹	1995 ²	1988 ¹	1995 ²
Moderately Poor	61.0	61.6	83.7	71.5	80.4	65.6
Extremely Poor	48.0	10.3	76.0	17.1	74.4	9.7

¹ Estimated by *Hossain (1988,p.68)*.

² Estimated by *Khandker & Chowdhury (1995,p.38)*.

5.10.4. Empowering Women

As Grameen extends loan services to the women, it is also found that Grameen is contributing significantly to empower women of rural Bangladesh (*Hashemi, et al. 1996; Mizan 1994, Schuler & Hashemi 1994; Shehabuddin 1992*). I have already mentioned that, as women are severely discriminated in every sphere in the society of Bangladesh, their participation in Grameen would certainly contribute to increase their status in the family and in the society. Recently, *Hashemi, et al. (1996)* also showed that Grameen has been able to have significant effects on eight different dimensions of women's empowerment. These are: mobility, economic security, small purchases, large purchases, major decisions, not dominated by family, political/legal awareness and campaign/protest (*p. 642*).

5.10.5. Promotion of Contraceptive Use

Population explosion has long been identified as a big problem for developing countries

Bangladesh is particularly vulnerable in this regard. It is already mentioned that Bangladesh is characterized by too many people live on a too small land. More children in the family is also mentioned as an important cause of poverty by the earlier scholars, such as *Malthus*. It is found that Grameen is contributing significantly to promote family planning among its members (*Amin, et al. 1994, Khandaker & Latif 1995, Schuler & Hashemi 1994*). *Amin, et al. (1994)* found the current contraceptive use rate among the Grameen participants as 60.3% for those who exposed to population education and 53.8% for those who had not exposed to population education. While this was only 38.4% among the non-participants (*p.560*). *Schuler & Hashemi (1994)* also found current contraceptive users as 59% among the Grameen participants in 1992, while only 43% for non-participants (*p. 72*).

5.10.6. Improving Health Status

Grameen's sanitary loan, tubewell loan and housing loans are directly related to promote the health status of its participants. *Khandker & Choudhury (1995)* found that 83.2% of the Grameen participants' source of drinking water as tubewell and 62.58% had some kind of toilet (*p.39*). By increasing the use of contraceptive, it is also ensuring the better health for both mothers and children. In addition to these, scholars have also reported improved nutritional status of the Grameen family members (*Chowdhury & Khandaker 1995, Hossain 1988, Rahman 1989*). *Hossain* found that yearly expenditure on health was Tk.225/- for Grameen members compared to Tk.210/- and Tk.170/- respectively for non-participants in the Grameen villages and target group in non-Grameen villages. He also found the expenditure on food by the above three groups as Tk.1,965/-, Tk.1,823/- and Tk.1,456 respectively. These clearly indicate the improved health status of the Grameen participants. *Rahman (1989)*, in his study of 'Impact of Grameen on the Nutritional Status of the Rural Poor' found that Grameen members were taking 96% of the required calorie intake (2,273

person/day) compared to 87% of the non-Grameen members (p.12). It appears that, in true sense, Grameen has been able to improve the health status of its members.

5.10.7. Community Level Impacts

Grameen's impact at the community level has also been showed in many studies. *Rahman & Khandker (1995)* found that Grameen has been able to improve the overall productivity in agriculture, non-agriculture and livestock production¹ (p.20). Positive impact of Grameen in the rural labor market, for example, increasing rural wage, particularly women and children, has been found in many studies (*Rahman 1986; Rahman & Khandaker 1995; Khandker, et al. 1995*). *Rahman & Khandker (1995)* found women labor force participation rate and employment per worker was higher among the target group population of Grameen villages than in non-Grameen villages (p.24).

The other important area where Grameen contributing is the increasing participation of the poor, particularly women, in the rural power structure— often considered as the vital factor to empower the poor required for sustainable poverty alleviation (*Rahman 1986, Karim 1998*).

Finally, *Shahidur R. Khandker (1994)*, from the experience of their extensive study on Grameen under a World Bank and BIDS project, summarized the impact of Grameen on the households of its participants as follows:

At the household level, the benefits from program participation include changes in income, employment, assets accumulation, networth, and other household welfare indicators (such as contraceptive use, school enrollment of children, etc.). Program participation has enabled members to enhance their assets and networth. For example, a program participating household owns 56 percent more resources and 51 percent more networth than a nonparticipating household. Program participation has also increased

¹ It is worth mention here that, *Rahman & Khandker* studied Grameen along with two other large microcredit programs, i.e., BRAC and BRDB, in Bangladesh.

calorie intake, especially among female household members. The incidence of poverty is substantially reduced among program participants. Labor force participation, especially among women, is higher among participants than non-participants; women's labor force participation is 66 percent among program participants compared to 52 percent for non-participants. The school participation rate of girls is also higher for participants (57 percent) than for non-participants (36 percent). Program participation also increases the use of contraceptives, better toilet facilities, and better drinking water. In addition, program placement generates income gains for the poor as a whole through its impacts on the local resource allocation. For example, the daily male wage is 23 percent higher in program villages compared with non-program villages. Even after controlling for village characteristics, the study finds that up to 11 percent of the 23 percent wage increase is due to Grameen program placement.

(HRO DISSEMINATION NOTES, World Bank, Education and Social Policy Department, Washington, D. C., Number 23, February, 1994)

5.10.8. Macro-level Impact

At the macro level, most studies expected that Grameen is significantly contributing to poverty alleviation as well as in women's emancipation. However, it has not yet been analyzed systematically. I have already discussed the possible impact of microcredit programs at the macro-level in the Chapter-1.

The massive expansion of Grameen in Bangladesh and its replication throughout the world indicate that, it has been appeared as a hope model among the development theoreticians and practitioners¹. As I have already mentioned, even at the highest level of criticism, nobody can ignore the positive impact of Grameen. It has been able to channelize entitlement, for the first time, to the poor section of the society successfully. It has been able to mobilize the long neglected poor women of Bangladesh significantly. These are great achievements. To continue this trend more effectively, long term success of the program is highly expected.

¹ Some scholars termed this trend as microcredit evangelism (*Rogaly 1996*).

5.11. Theoretical Underpinnings of Grameen Program

5.11.1. Grameen Develops through Practice

I got very frustrated with what I was teaching, the development economics and all those theories, where everything sounded so good and all problems had fail-proof solutions. But when you walked out of the class-room and faced the real world it looked so different... .

... I thought, what's the use of teaching this economics if I don't have faith in it? ... How can I inspire my students in the validity of its methodology? I wanted to learn economics the way it really is, the real world economics, not the make-believe economics which is given in the textbooks. I wanted to learn from the people.

(Professor M. Yunus, The Founder of Grameen, 1994^o, p.5)

The above statement clears it that Grameen emphasizes on practice rather than on theory. In fact the Grameen system, as it is now in operation, develops through practice and by trial and error method. *Bronstein (1996,p.41)* quoted *Yunus* about the starting of Grameen in the Jobra village of Chittagong, Bangladesh as follows:

The Jobra Landless Association was launched. It had no Formal structure, no members, no paid staff, and no operational procedures. "I didn't even know what I was doing," Yunus recalled. "I certainly had no intention of starting a bank.

Regarding size of the innovative small Grameen groups, initially loans were given to individuals, but proved uncontrollable for the staff. Then groups of 10 or more organized, but that size turned out to be very large. Later five members in a group proved as the most practical size (*Bornstein 1996,p.52; Fuglesang & Chandler 1987,p.57*).

The innovative weekly installment system was also developed through trial and error method. Initially to minimize the trauma of parting with a lump sum, daily installments were tried. But they proved unmanageable. Later weekly payment spread over 50 weeks was introduced (*Bornstein 1996,pp.44-45*).

Different types of loans, amount of loans, repayment systems, were also developed and changed based on the experiences achieved through practice over the years. In this process, the provision of 'emergency fund' and 'children's fund' have also been dropped since 1995.

5.11.2. Does Grameen Fall in the Premise of Theoretical Explanations of Poverty

Although the Grameen system has been developed through practice, and its proponents little believe on any established theory, as stated above, the assumptions that Grameen, like other microcredit programs, hold do fall within the premise of the explanations of poverty discussed earlier in this thesis. This could be seen in the very definition of poverty given by *Yunus* himself "*Poverty is away of life for a huge segment of human population who have learned to accept and live with it*" (1985,p.134). This definition is quite similar to the explanation of poverty given in the 'culture of poverty' thesis of *Lewis* and *Galbraith's* explanation of mass poverty in terms of 'accommodation'. Yet *Yunus* picked up the 'cycle of poverty' notion when he described that one of the objective of Grameen is to "*To reverse the age-old vicious circle of 'low income, low savings, low investment, low income' into an expanding system of 'low income, credit, investment, more income, more credit, more investment, more income'*" (1982,p.11). In an another place *Yunus* emphasized the individual action in poverty alleviation. As claimed (1987,p. 6):

It's individuals who are trying to get out of the poverty, hunger situation, so that you create more opportunities for people to do their things....

This highlights *Yunus's* preference over individualistic explanations of poverty. Any way, it reveals that Grameen does have theoretical underpinnings, which could be seen as nothing new in the field of sociological explanations of poverty. Long ago, the 'reformist

approach' to poverty alleviation did emphasize on creation of new institutions, allotting more funds for the poor. However, so far these were not seen in application. Grameen could be considered as such an organization that applies the already existed theories of poverty in practice successfully. Thus, Grameen approach could be considered as falls under the premise of 'reformist approach' to poverty alleviation, which believes that intervention from outside is necessary to bring out the poor from poverty and yet depends on the individual action as essential to come out of poverty.

5.11.3. Does Grameen Posses a Sound Theory

Putting the Theory into Action

"Attempting to alleviate poverty without having a theory about how to do it is simply throwing money at problems" (Ayres 1983,p.76). Does Grameen has any theoretical basis? Nobody so far looked into this aspect of Grameen. Earlier I have presented a theoretical sketch about the process of coming out of poverty. Now I shall examine whether Grameen does contain the components that revealed as necessary for sustainable escape from poverty through that sketch. It is clear that the main strategies, e.g., 'credit' and approaching through 'group', that Grameen follows are nothing new as both these components were present in the poverty alleviation and development programs in Bangladesh since long. However, it is notable that before Grameen's innovative use of these strategies, these were not reaching to the poor and as such didn't have had any impact in reduction of poverty. This might not be considered as the weaknesses of the theory. It is the weakness of putting the theory into action. Here lies the principal achievement of Grameen. It successfully put the theory into action in an innovative way. A poverty alleviation program which, even, does not able to reach the poor might not deserve to be considered as a poverty alleviation program at all. Thus, as

failed to reach the poor, in true sense, the earlier programs might not be considered as poverty alleviation programs. The necessity of new institutions, access to social resources, were clearly underscored in the poverty and poverty alleviation theories for effective poverty alleviation. Grameen, undoubtedly, such a new institution. As it has been able to reach the poor, probably, in real sense, Grameen is the first poverty alleviation program in Bangladesh. One of the major problem of earlier rural credit programs was loan default caused by adverse selection of borrowers due to lack of proper information, disability of lenders to enforce the loan contracts and production or business failures of the loan recipients (*Khandker, Khalily & Khan 1996,p.16-17*). Grameen has been able to overcome these barriers through introducing innovative group lending system as discussed earlier. In one hand group pressure monitors and enforces the loan contracts that help regular recovery of loan. On the other hand, group solidarity provides mental strength to the members and helps during any unexpected crisis, such as business failure. It is also claimed that peer pressure also helps to screen good borrowers from bad ones¹(*ibid, Johnson & Rogaly 1997, Hulme & Mosley 1996*).

The Role of Change Agent

Any way, it appears that Grameen does contain the most potential tool for poverty alleviation, 'credit'— as capital— in its program. And, now, it is reaching to the poor in a large scale. The next requirement for a successful escape from poverty, as revealed from my discussion, is that the process of poverty alleviation should be a guided process.

¹ This is an important condition for the success of a financial institution. However, this may not comply with the objective of poverty alleviation. A member may turn as bad borrower due to her inability to use the loan properly. In such cases, if they are excluded from the program, the natural question is how they will be able to come out poverty? There is no provision in the Grameen program for such cases to recover from setback. If it implies that there should be other programs for this group of poor in the society, it appears that Grameen, alone, won't be able to remove poverty from the society. In this sense Grameen might be considered a partial poverty alleviation program.

Because there are opposite forces in the society which could eliminate the gains incurred by the poor. Moreover the poor may not always be able to direct the process towards right direction due to lack of skill or unexpected intervention of individual, familial and social factors. Does Grameen have these components in its program? I have already stressed the need for a 'change agent' who should guide the poor to become successful in the process of coming out of poverty. No doubt Grameen Workers who work in close contact¹ with the members could be considered as such 'change agent'. The Grameen Workers are really having the potential of guiding the process if they are properly trained up and directed. However, it is important that whether Grameen consider the effort of the poor to escape from poverty should be a guided one or not? It appears that Grameen does not consider so. It completely left the matter with its members themselves. As reported by *Hossain (1988, p.23)*, Grameen started with the following hypothesis:

If financial resources are made available to the poor at reasonable terms and conditions, they can generate productive self-employment without external assistance.

It seems that Grameen considers 'self employment' as the only avenue to escape from poverty. It becomes more clear from *Yunus's* claim that:

When we go back in the history of economic pursuits, we see everybody did his own thing, make a living by doing things by himself, that is, by self-employment. What happened to the self-employment? In the entire economic literature you will never see a word called 'self-employment' (1991,p.11).

This emphasis resembles with our earlier theoretical analysis that self-employment, in the present context of Bangladesh, is the most potential way to reduce poverty. However, considering it as all in all, I mean it will be able to create a poverty free world, may not

¹ It could be mentioned here that Grameen Worker meets the members at least once in a week. One worker serves about 300 members. Thus, they are likely to have close interpersonal interactions with the members.

ultimately help to ensure the objective of eliminating poverty from the community. Moreover, the question of success in the process has been left with the poor themselves. It may not be expected that all poor would turn out as successful entrepreneurs. There must be a portion who fail as entrepreneur. The question of how they will come out of poverty has remained unanswered.

Will Women be Able to Lead the Family Out of Poverty

It is evident that Grameen assumes to bring the poor out of poverty through the avenue of extending loan and other services to women. However, as I have already discussed earlier, inclusion of women in Grameen program without any sound theory may actually limit the process of poverty alleviation. If women are included in the sense of empowering them in the society, that may also not be possible by keeping a large section of women (Other than poor), who are equally, if not more, less-empowered in the society. In this sense, Grameen appears to be a partial program. Any way, given the position of women in the family and society of Bangladesh, it appears that it would be much more difficult for the poor to get out of poverty in the long run through participating in Grameen. Initially, they may achieve some gain. However, due to the presence of income depressing forces in the society and as the knowledge, potential and access to other social facilities, of the poor are limited, it is likely that ultimately increasing number of poor, participating in Grameen, may find it difficult to get success in the program. Hence their effort may end in a *failure or dropout* from the program. And if it happens in a large extent it is impossible to eliminate poverty from the society leaving these dropouts behind? Thus, examine the extent of failure or dropout from Grameen had been one of the major objectives of the present study.

A Hypothesis

In the next Chapter, I have looked into the problem on the basis of empirical data collected from field as well as from published materials of Grameen. My broad objectives, as stated earlier, was to examine the extent of dropout from Grameen, its implications for the members and for the program, and the reasons of dropout. I assumed that there would be increasing dropout from Grameen mainly because of two reasons. *First*, within the program there is no provision of guiding the efforts of the poor to escape from poverty, though it revealed as a necessary condition for sustainable escape from poverty. And *second*, as the program does not consider the individual, family and other cultural factors that are also revealed as important for getting success in the process of coming out of poverty or in the program. In short, the principal actor— the poor— in the process has been ignored. As both dropout members and members continuing¹ with the program are from the same community and from the same socio-economic condition my hypothesis was that proportion of dropout differs with the differences in the individual and family level factors of the participants.

¹ I have considered these members as successful in the program

Chapter-6

STUDY OF DROPOUT PROBLEM OF GRAMEEN BANK

6.1. Theoretical Framework

6.1.1. The Problem

It is not unlikely that some participants of Grameen may leave the program over the period. I have termed these members as *dropout* from the program, which, usually, indicates the end of the effort of coming out of poverty from the part of the participants. Moreover, as I have already discussed, this is the reflection of the 'failure' of the participants in the process of coming out poverty. As revealed from earlier discussion, this destroys the spirit of future action of the poor to come out of poverty. In all considerations these are contrary to the broad objective of poverty alleviation from the society. Hence, dropout, if occurs in a large scale deserves utmost importance for sustainable poverty reduction in the society.

Implications of Dropout

For Grameen dropout could happen at two points, i.e., 'before' and 'after' coming out of poverty or economic graduation. Whenever happens it may adversely affect the participants as well as the program.

For the members, drop out 'before coming out of poverty or economic graduation' means losing the chance of coming out or, as mentioned, failure in the effort to escape from poverty. Obviously, this is contrary to the ultimate objective of poverty alleviation from the society. And, in case of drop out 'after coming out of poverty or economic graduation', the dropped out would be deprived of other services provided by Grameen. Again the sustainability of these graduated dropped out participants, if any, to remain beyond the poverty line also deserves special attention as crisis and insecurity are common in rural Bangladesh and

significantly contributing to increase the vulnerability of the rural people towards poverty (*Hossain 1995*). This emphasizes the need for continuous follow up of the participants in the programs for their sustainable escape from poverty.

From the program's side, dropout, both before and after coming out of poverty or economic graduation, would affect the program adversely. Dropout, even after coming out of poverty, ultimately leads to decline in the number of continuing member in the program which, in turn, would decline the amount of credit disbursement and, hence profit. The possible remedy is to recruit new members through replacing the dropouts or through expanding the program area. However, this could also affect the program in number of ways. *Firstly*, increasing the amount of loan per borrower is considered as a means of attaining both cost-efficiency and profitability of the program (*Khandker, Khalily & Khan 1995^a,p.100; Mizan 1994,p.152; Hossain 1988,p.74*). But this may not be possible with new members as they take smaller amount of loans compared to older members (*Khalily & Chowdhury 1995,p.25*). *Secondly*, the marginal cost¹ of new membership is high for Grameen. Hence, more new membership means more operational costs. Thus, in the question of financial sustainability, Grameen can not bear the high rate of dropout and subsequent new membership (*Khandker, Khalily & Khan 1995^b,P.71*). *Thirdly*, due to the fact of already extensive coverage of the microcredit programs there would be a scarcity of new eligible persons for new recruitment. All these could adversely affect the financial viability of the program, which, nowadays, has been turned as the prime goal of Grameen.

Dropout: Yet to Receive Proper Attention

It revealed that dropout from Grameen, by all means, is highly undeserved. And if it

¹ *Khandker, Khalily & Khan (1995^b, p.71)* estimated the marginal cost of mobilizing an additional participant of Grameen as Tk.138/-.

happens in a large scale, it could be a real problem for the microcredit program, which again, could undermine the wonderful successes, so far achieved, of Grameen. This could jeopardize the prospect of poverty reduction from the society, created through the innovative practice of microcredit by Grameen as well as numerous microcredit programs throughout the world. Thus, the problem of dropout deserves immediate attention. However, so far, very few studies looked into the matter¹. In Bangladesh, two leading microcredit organizations, e.g., ASA² and BRAC³ have identified the problem of dropout as the severe constraint to program implementation and conducted internal studies on the problem (see ASA 1996, Hassan & Mahmud 1995, Khan & Chowdhury 1995). In case of Grameen, so far, only Khandker, Khalily & Khan (1995^a, 1995^b) touched the problem under the broad spectrum of sustainability of the Grameen study. Although, these studies, in general, underscored the importance of dropout problem in microcredit program and give us important insights about the reasons of dropout, the methodology of estimating the extent of dropout⁴, followed by

¹ It is worth mention that given the worldwide coverage of microcredit programs toady, study on the problem of dropout or failure of the participants in the programs is extremely rare. So far, only *Noponen's* (1992) study could be mentioned in this regard. *Noponen*, in studying the model microcredit program of 'Working Women's Forum in Madras, India, discussed the problem of dropout. However, *Noponen* treated the problem only as one component of a broader framework of credit and gender perspective. Although, *Noponen* clearly mentioned that the wonderful success of the microcredit program might be undermined by the leftouts (dropouts) his study did not explained the cause and consequences of the problem in details.

² ASA (Association for Social Advancement), a national NGO in Bangladesh, organized about 0.7 million assetless poor women under its microcredit program as of January 1997 (Editorial, *The Daily Independent, internet edition, Dhaka, Bangladesh, Issue 151, January 4, 1997*).

³ BRAC (Bangladesh Rural Advancement Committee), an internationally reputed national NGO, is working with nearly 1.8 million poor under its microcredit program up to 1996.

⁴ The study conducted by ASA didn't estimate the extent of poverty at all.

these studies, seems fell short of appropriate objectivity¹. In general these studies considered the aggregate figures during a period when these programs were expanding rapidly. Every year, huge numbers of new participants were entering into the program. This might have pulled down the actual dropout rate. As a result, the proportions of dropout estimated by these studies suffer from underestimation. For example, *Khandker, Khalily & Khan* mentioned dropout as an indicator of the borrowers' viability and, as such, important for the economic viability of the program in their study. They estimated the dropout rate of Grameen Bank about 14 percent² in 1993 and concluded it as low (1995^ap.97). However, it seems that, the actual extent of dropout might have not been reflected in the estimation of *Khandker, Khalily & Khan*. They used the aggregate data of those years when Grameen was expanding rapidly. Every year large number of new members was taking membership into the program.

¹ In some cases, the methodology of estimating the extent of dropout is found highly ambiguous. For example, *Hassan & Mahmud (1995)* showed the extent of dropout from BRAC in one unit of its Rural Development Program (*Mattlab, Chandpur*) and all over Bangladesh, interestingly, as same, i.e., 1.13% (p.14). This seems extremely low. Their calculation was based on aggregate figures, yet not appropriate. They consider the cumulative (as appears) figure in case of total members while, in case of dropout, only the new dropouts for the respective year. These obviously caused the proportion of dropout to be lower. Again, in case of overall program, they considered the total cumulative continuing members up to June 1995 and dropouts between Jan.-Jun. 1995, then calculated the total rate of dropout (*ibid. p.14*). These do not help to get the actual extent of dropout. In an another study *Khan & Chowdhury (1995,p.5)* showed a declining trend of dropout from BRAC during the period 1992 to 1994. They showed dropout rate for BRAC as 15.3% in 1992, decreased to 10.9% in 1993 and 6.9% in 1994. It is worth mention here that denominators calculated from the rate of dropout and numerator (number of dropout), given by them by sex, does not add up to total for all the years. Again, according to *Khan & Chowdhury*, the total number of member in BRAC in 1994 was 948,000. However, the total no. of members was reported by *Hassan & Mahmud* as 430,934 up to June 1995 (1995,p.14). In both cases, the source of data was same, i.e., the Management Information System (MIS) of BRAC. The data appear highly inconsistent. Moreover, it indicates a decrease in the no. of member more than 50% within a period of only 6 months, which seems impossible, particularly in a situation when BRAC was expanding rapidly. Nevertheless, even, if this abnormal decrease is considered as fact, it again raises confusion because, the only way that could reduce the total no. of member in the program is dropout, whatever the reasons are, while *Hassan & Mahmud* reported the rate of dropout as low as only 1.3%. In conclusion, it could be said that these two studies not only suffer from numerator and denominator problems, but also from the inconsistent data.

² In an another report of the same study *Khandaker, Khalily and Khan (1995^b,p.124)* calculated the proportion of dropout as only 4.6% in 1994. In the first case they considered the cumulative nos. for both continuing members and dropped out members up to 1993 which seems more logical. While in the second case, they considered the cumulative number of continuing members up to a particular year while the new dropouts for that particular year which caused this difference in the proportion of dropout.

As dropout, usually, takes a considerable time¹ after taking the membership, these large numbers of new members pulled down the actual dropout rate. In fact, to measure the actual extent of dropout, panel data of particular years' memberships are necessary. If, among a particular year's memberships, new dropouts occur every year the actual dropout for that year's memberships would increase over the years. If the process actually occurs, the proportion of dropout from Grameen is likely to increase over the years. This situation would be further aggravated if recruitment of new members slows down due to the scarcity of the eligible persons or as the program approaches to its full capacity. Moreover, the proportions of dropouts were concluded as low and seen as may not adversely affect the economic viability of the microcredit programs. Whatever the extent no doubt that dropout is contrary to the objective of poverty alleviation from the society. Leaving these dropouts behind elimination of poverty from the society won't be expected.

The Policy Question

So far, Grameen has not felt dropout as a potential problem. This is, probably, because studies, such as *Khandker Khalily & Khan*, have showed the dropout rate as low and the program has not yet face any problem in recruiting new members against the dropouts and through program expansion. Thus, Grameen has no explicit policy yet to combat dropout from the program. However, Grameen does have policy regarding dropout. Grameen allows a member, unwilling to continue, to drop out. When a member drops out, the respective group can replace her by incorporating another eligible person as new member in the group. Earlier Dropout members were not allowed to receive their share of the group fund. But, since 1995, they are allowed to receive their share.

¹ I mean a member does not dropout immediately after taking membership. It usually takes some time, for example, one or more years.

The important policy question for Grameen regarding dropout seems what will happen to a member after coming out of poverty or graduation¹ as Grameen is a bank for the poor? If Grameen would like to continue as a bank exclusively for the poor, the graduated members are expected to quit the program. However, if it actually occurs, as discussed, in the long run, the financial viability, even the existence, of Grameen would be in question. Thus, for practical reasons, Grameen has no policy to inspire its members to quit the program even after coming out of poverty or graduation.

Dropout: Reflection of the Failure of the Participants in the Program

It is already evident that dropout deserves immediate attention for the sake of both participants' sustainable escape from poverty as well as for the viability of the program. Yet I have showed that dropout is the reflection of failure in the program, i.e., failure in the effort of the poor to escape from poverty. Again, as it is evident that Grameen has no policy to encourage its members to dropout from the program at anytime, dropout from the program clearly reflects the failures of the participants in their effort to escape from poverty.

So in the question of reducing poverty from society, in all considerations, dropout problem deserves highest attention, which is yet to be given. This study, for the first time, intended to address the problem.

¹ Bring the members out of poverty and their graduation is the most desired objective of the Grameen Bank program. To assess the poverty status of the members' family Grameen Bank has developed a 10-point criterion. A family is considered out of poverty if: i) Having a house roofed by CI sheet or its minimum value is Tk. 25000/-, members sleep on bed not on the floor; ii) Drinks safe water either from Tube Well or refining it through boiling, etc.; iii) All school-age children go to school; iv) The weekly installment is at least Tk.300/-; v) Uses sanitary latrine; vi) Having essential clothes such as Winter clothes, Mosquito Net, etc.; vii) Having the provision for extra income, such as vegetables cultivation around the house, so that the member can repay installment from that income; viii) Within last 3 years, the member did not turned as '52 weeks exceeded loanee' or defaulted willingly; ix) Has the ability to eat three times per day throughout the year; and x) Family members are conscious about health and has the ability to expend necessary money for treatment of member(s), if fall sick (*Grameen Bank, Circular No.-04/96, Jan. 24, 1996*). However, it was not seen in application in the present study branch.

Specific Objectives of the Study

As already mentioned in Chapter-1, the broad objective of the present study was to identify the potentials and problems of the microcredit programs, in this case Grameen Bank of Bangladesh, to eradicate poverty from the society. It is already appeared that Grameen has tremendous potentials in reducing poverty. It is, however, also evident that Grameen lacks a sound theoretical basis about how its participants will come out poverty. Thus, it might fell short of achieving the ultimate objective of bringing its participants out of poverty as well as sustainable poverty alleviation from the society. I have approached this through the problem of dropout from the program, which reflects the failure of the participants in the process of escaping from poverty. I have argued that, if dropout occurs in a large scale, objectives of both poverty alleviation and sustainability of the microcredit programs would be jeopardized. Thus, the major research questions of the study were i) how many drop out; ii) who drop out; and iii) why drop out. The specific objectives, related to the above research questions, of the study were as follows:

- i) To know the extent and trend of dropout from Grameen, i.e., how many drop out;
- ii) To identify the correlates of dropout, i.e., who are dropping out;
- iii) To identify the reasons of dropout, i.e., why drop out;
- iv) To examine the implications of dropout; and
- vi) To recommend possible solutions of the problem.

Assumptions

Based on the theoretical discussion on mass poverty made in the earlier chapters, following assumptions were made:

- i) There would be increasing number of dropouts from Grameen mainly because of two reasons. *First*, the theoretical analysis of the problem of poverty alleviation clearly revealed

that escaping from poverty should essentially be a guided process and the role of 'change agent' is crucial in this respect. Grameen's approach to poverty alleviation, however, has left the matter fully with the poor themselves. But the poor, as I have discussed, may not be able to direct the course of the process of escaping from poverty always in the right direction as they are subject to various odd situations, such as crisis and insecurity, lack of skills, etc., in the society. *Second*, although it appeared that, according to the explanations of poverty, Grameen follows the individualistic approach to poverty alleviation. In practice, however, Grameen does not consider the differences in the individual and family factors among the participants at all¹. However, in my earlier discussion it appeared that individual and family factors are vital in determining the success of the participants;

ii) Grameen members are women. Most of them never participated either in any such programs or in any income generating activities. Thus, their participation in the program creates new roles for them. Success in the program directly depends on how far these roles are played successfully. Given the position of the women in the family and society of Bangladesh I assumed that women might face difficulties to perform new roles as well as traditional roles. Although Grameen members are from same community and of same socio-economic status and maximum homogeneity is ensured, I assumed that there still remain differences in the individual and family situations among the participants, which cause differences in their success or failure in the program. Thus, dropout would be found significantly differs with the differences in individual and family factors;

iii) Finally, I assumed that, as individual and family factors are significantly related to dropout, the reasons of dropout are also embedded in these factors.

¹ It could be mentioned here that Grameen differentiates its members only in terms of ability to loan use, which seems to be purely economic and related to loan sanctions (amount, type, etc.) only.

6.2. Methodology

6.2.1. The Study Area

To achieve the study objectives, primary data, collected through interview and official records and published materials were considered. Field level data were collected from one branch of Grameen.

For field level data, one branch of Grameen bank was selected purposively. The branch, Parila Paba, is located in the northern Bangladesh under Paba Thana of Rajshahi District (see Map 6.1-6.3). The study area is 5 km. North from the University of Rajshahi, 5 km. East from Paba Thana head quarter, 7 km. South from another Thana HQ Mohanpur, and 7 km., West of a Sugar Mill. It is situated very close to one of the six divisional cities¹ of Bangladesh and the second largest University of the Country. However, it is purely a rural area. The branch covers a total of 38 villages² (1 full Union and 9 Villages of two other adjacent Unions) with an area of about 68 sq.km. There was 56,623 population in 10,780 households in 1991. Hence, the average household size was about 5.3. This is very close to the national (rural) average of 5.5. Some basic statistics of the study area and of rural Bangladesh are presented in Table-6.1. It is seen that the characteristics resemble in trends and there are not very much differences between the study area and rural Bangladesh. From these we may consider the study area as typical to the rural Bangladesh and assume that the findings of the study would represent rural Bangladesh.

¹ Recently the area has been included in the Rajshahi Metropolitan Area. However, it still functions as rural and contains the typical characteristics of rural Bangladesh and is not considered as full urban area but as other urban area (see *BBS 1993*).

² It could be noted here that these are actually the number of 'Mouzas'— the recorded formal geographical unit. Usually, *Mouzas* vary largely in size. And, often, there are more than one villages within the *Mouza*. For example, in the 38 *Mouzas* here, there were 49 villages recorded during the 1991 Census (*Bangladesh Population Census 1991: Community Series, Zila- Rajshahi, pp.94-101*).

6.2.2. The Data

The Sample

Panel data have been collected from the study branch, as it is essential to estimate the actual extent of dropout. There were 2,953 memberships¹ in 63² centers in the branch up to the end of 1996. With the closer of the lone male center in 1997, the branch is now completely a female one. So, this study considers the female members only. This would actually reflect the overall Grameen situation as more than 94% of Grameen members are women. All 2,953 memberships were followed up to the end of 1997 to know the latest membership status³ for measuring the extent of dropout.

At the beginning of membership, Grameen collects some basic socio-economic data of all members in its Form-1 *ka* (recently changed the name as Form-1). To identify the individual and family correlates of dropout, data of some selected variables were compiled from these Forms. As dropout takes some time after the membership, and as very few (only 5) of the memberships of 1997 dropped out by the end of 1997, those who took membership in 1997 were excluded. Hence all memberships (2,639) during the period 1989-96 were planned to include. However, during data compilation, Forms of those (531), who took membership during the year 1989, were not found. Thus, data of the rest 2,108 memberships (1990-1996) were compiled and analyzed.

¹ By 'membership', I mean those who took the membership in Grameen, irrespective of whether they are continuing with the program at present or not.

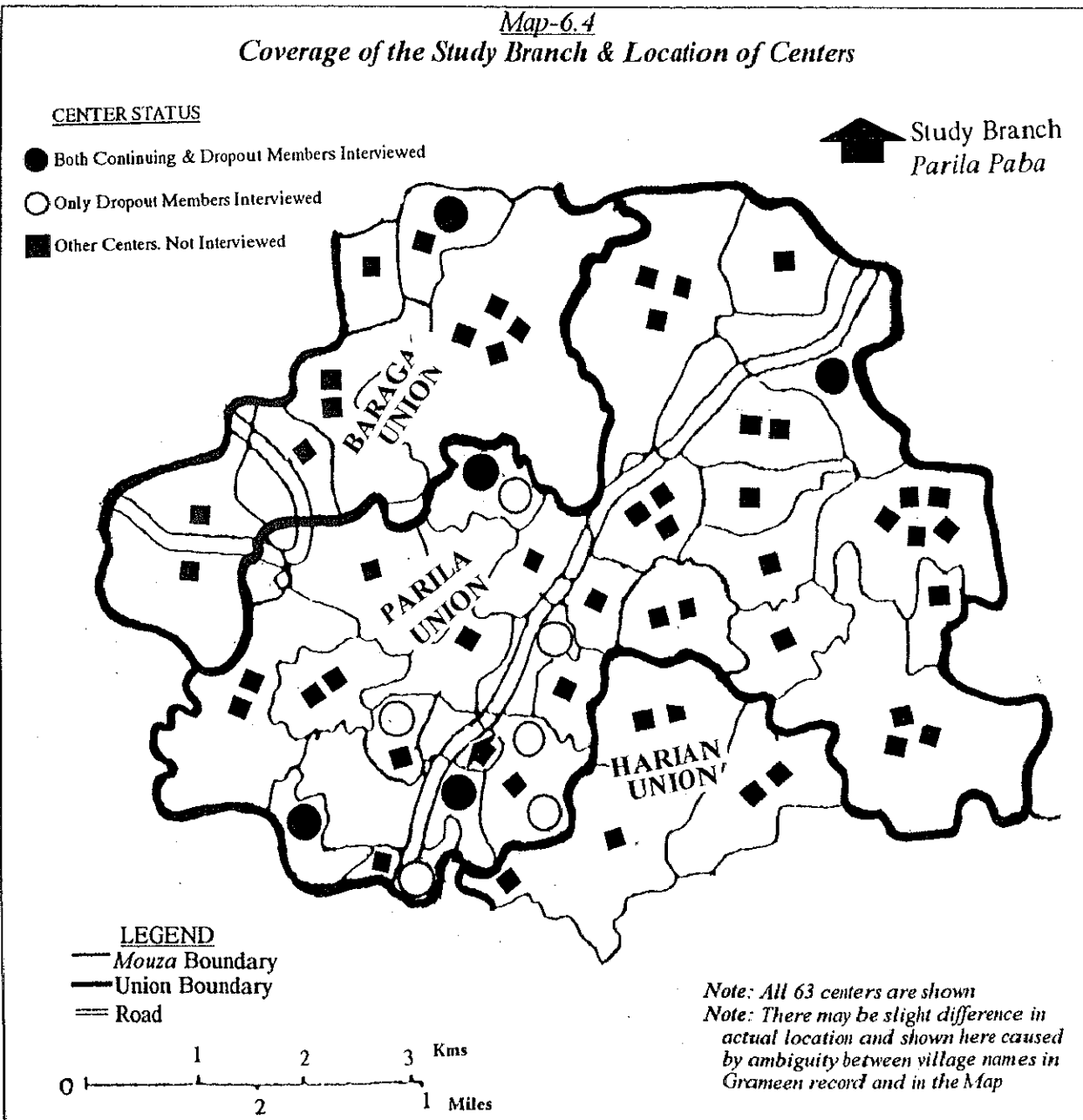
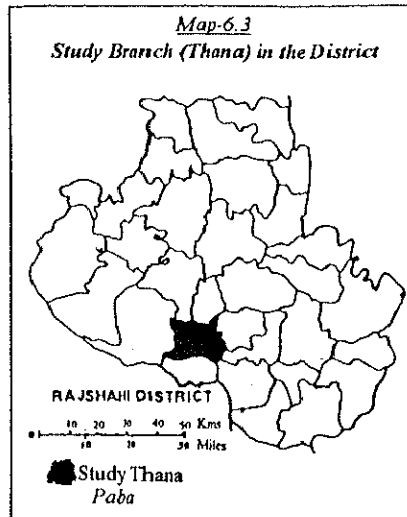
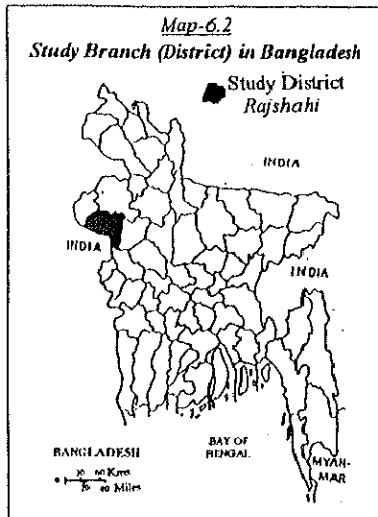
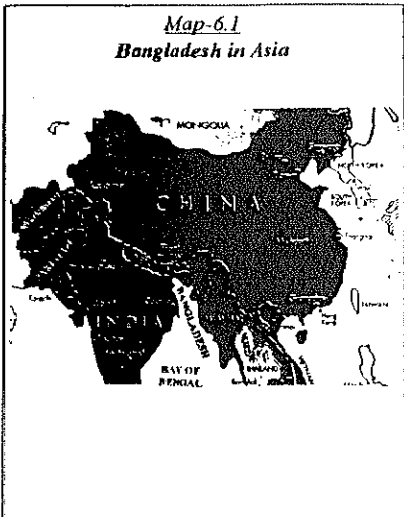
² There was only one male center, which has been closed down 1997.

³ The variable 'membership status' indicates Grameen participants' present status of membership or whether they are continuing with the program or have been dropped out. Thus, it has two categories, i.e., 'continuing' and 'dropout'.

Table-6.1
Some Statistics of the Present Study Area and Rural Bangladesh

Variables	Category	Study Area	Rural BD	Variables	Category	Study Area	Rural BD	Variables	Category	Study Area	Rural BD
Sex Composition	<i>Total</i>	37037	89.0m.	Marriage (10+ Yrs.)	<i>Never Mar</i>	41.8	41.1	Source of Drinking Water	<i>Tap</i>	0.0	0.1
	<i>Male</i>	51.4	50.7		<i>Married</i>	57.8	58.2		<i>Tube Well</i>	96.8	77.6
	<i>Female</i>	48.6	49.3		<i>Widow</i>	0.3	0.7		<i>Well</i>	3.1	10.6
Literacy	<i>Total</i>	19.8	21.2		<i>Divorced</i>	0.1	0.1		<i>Pond</i>	0.1	11.7
	<i>Male</i>	26.9	25.8	Marriage (10+ Yrs.)	<i>Never Mar</i>	24.9	23.9	Toilet	<i>Sanitary</i>	1.9	6.1
	<i>Female</i>	12.5	16.3		<i>Married</i>	62.4	65.7		<i>Other</i>	10.8	55.6
Age Composition					<i>Widow</i>	11.0	9.9		<i>No</i>	87.3	38.3
0-4 Years	<i>Total</i>	14.0	17.5		<i>Divorced</i>	1.7	0.6	Electricity	<i>Yes</i>	1.8	4.6
	<i>Male</i>	13.7	17.5	School Attending 5-9 yrs.	<i>Total</i>	26.8	39.2	Own Land	<i>Yes</i>	61.2	59.2
	<i>Female</i>	14.3	17.5		<i>Male</i>	28.2	40.6		<i>No</i>	38.8	40.8
5-9 yrs	<i>Total</i>	16.1	17.1	<i>Female</i>	25.3	37.7	Source of Income	<i>Cultivator</i>	47.7	44.6	
	<i>Male</i>	15.8	17.5	School Attending 10-14 Yrs.	<i>Total</i>	43.0		52.1	<i>Livestock</i>	0.5	0.5
	<i>Female</i>	16.4	16.8		<i>Male</i>	43.1		54	<i>Ag.Lab</i>	24.3	22.6
10-14yrs	<i>Total</i>	14.0	12	<i>Female</i>	42.9	49.8		<i>Non.ag.lab</i>	4.3	3.6	
	<i>Male</i>	14.8	12.7	Main Activity (10+ Yrs.)	<i>No work</i>	15.6		18.4	<i>Business</i>	9.5	9.7
	<i>Female</i>	13.3	11.3		<i>Looking</i>	0.2		1.1	<i>Construction</i>	0.3	0.8
15-34 yrs	<i>Total</i>	34.5	30.1		<i>HH Work</i>	39.9		39.4	<i>Transport</i>	2.2	1.5
	<i>Male</i>	34.4	28.1		<i>Agriculture</i>	32.1		27.2	<i>Employee</i>	3.7	5.6
	<i>Female</i>	34.5	32.1		<i>Industry</i>	0.6		0.94	<i>Other</i>	7.5	11.1
35-59yrs	<i>Total</i>	17.1	17.6		<i>Construction</i>	0.2		0.5	Religion	<i>Muslim</i>	97.8
	<i>Male</i>	17.0	18.0		<i>Transport</i>	0.5	0.6	<i>Hindu</i>		1.7	10.6
	<i>Female</i>	17.1	17.2		<i>Business</i>	3.4	4.3	<i>Other</i>		0.5	1.2
60+ yrs	<i>Total</i>	4.3	5.7		<i>Service</i>	0.2	0.6				
	<i>Male</i>	4.3	6.1		<i>Other</i>	7.3	7				
	<i>Female</i>	4.3	5.3								

Source: Compiled from Bangladesh Population Census 1991: Community Series- Rajshahi District (BBS 1993) & Bangladesh Population Census 1991: Volume 1- Analytical Report (BBS 1994).



To know the reasons of dropout 11 out of 63 centers were selected purposively, both close and far from the branch office to minimize the geographical distance factor in dropout (Map-6.4). In the selected 11 centers there were total 193 dropouts. All these were planned to interview. However, 69 out of 193 were not found available during the study period, even after multiple visits. Thus 124 available dropped out members were interviewed. To know the effect of the changes occurred at the individual and family level after taking the membership, which may have significant impact over the membership status, continuing members were also interviewed. 5 centers among the above 11 centers were selected for the purpose. There were 174 continuing members in these 5 centers. All of them were planned to interview. However, 38 out of 174, were not found available during the study period. Hence, 136 continuing members were interviewed. As mentioned, all centers were selected purposively. Centers of both close and far from the branch office were included so that effect of distance would be neutralized. Map- 6.4 shows the study area, location of all and selected centers in the study area. Finally, relevant data from official records of the branch and published materials of Grameen Bank and other sources were considered.

Data Collection

Data were collected through interview. Interview schedule was finalized through pretest. Data from the official records were compiled in the pre-structured Forms. Six female interviewers graduated in the Social Sciences, collected the data through face to face interview from the respondents. I myself supervised the whole fieldwork. To supplement the field level I discussed the program and dropout related matters several times with the Branch Manager, Area Manager, Program Manager and the Zonal Manager of Grameen. In addition, I observed the activities of the branch regularly for about one a half month period, made frequent field visits and participated in the workshop held in the branch during the study

period in presence of the Zonal and Area Officials and Foreign Visitors from Germany. The whole fieldwork was conducted during the period August and September 1997. However, to update the data of membership status up to the end of 1997, Investigators visited the branch during February 1998.

Data Analysis

The data were analyzed through computer. I myself entered all the data. Data has been presented in Tables mostly in the form of comparing between 'continuing' and 'dropout' groups. Descriptive and inferential statistical tools were used to analyze and interpret the data. Microsoft Excel and SPSS Softwares were used for the purpose.

The following chart shows the summary of the methodology of the study.

*Chart-6.1
Different Level of Analysis with No. of Cases (N) in the Study*

Data About	No. of Sample	Source of Data	Data Presentation
Extent of Dropout <i>(All memberships during '89-'96)</i>	2,953	Compiled from official and published materials	Tables
Correlates of Dropout <i>(Memberships during '90-'96)</i>	2,108	Interview	Compare between continuing and dropout members
Reasons of Dropout <i>(Dropout members)</i>	124	Interview	Table
Changes in the Family and Individual factors <i>(Continuing members)</i>	136	Interview	Compare between continuing and dropout members

Chapter- 7.1
EXTENT OF DROPOUT

7.1.1. Memberships and Coverage of the Study Branch

The study branch, Parila Paba of Rajshahi District, was started in January 24, 1989. There were 2,953 memberships in 437 groups in 63 centers up to the end of 1997. Table-7.1.1 presents the membership data of the branch. According to *Bangladesh Agriculture Census 1983-84*, 63.1% (*BBS 1995^c, p.143*) of the rural households of Rajshahi District had less than 0.50 acres (principal criteria for becoming Grameen member) of land. The total household in the area covered by the study branch was 10,780 in 1991. Thus, the number of households to be eligible for Grameen membership is about 6,802. Hence, by the end of 1997, the branch has covered about 39% (assuming one member from one household– the Grameen rule) of its target population of the area. According to the job assignment of Grameen, each Worker is supposed to look after 10 centers. In addition, the Bank Assistant, beyond his regular official work, is also supposed to look after four centers. As the study branch had six Workers and one Bank Assistant, it may operate highest 64 centers, which the branch has already organized¹. Thus, the branch has reached to its full capacity.

Among the 2,953 memberships, highest proportion (24.6%) took membership in the 2nd year, i.e., in 1990, of the operation of the branch. This was followed by the year 1989 (20.1%), 1992 (28.5%) and 1993 (7.7%). Since 1993, the new membership in the branch has been slowed down (Table-7.1.1). This has happened because of that the branch had been approaching to its full capacity.

¹ The branch had organized 64 centers but the lone male center has been closed down in 1997. Thus, now the branch has 63 centers.

Table-7.1.1
Yearly Memberships in the Study Branch

Years	Membership	%	Cum.%
1989	531	18	18
1990	650	22	40
1991	328	11.1	51.1
1992	489	16.6	67.7
1993	203	6.9	74.5
1994	73	2.5	77
1995	190	6.4	83.4
1996	175	5.9	89.4
1997	314	10.6	100
Total	2953	100.0	

7.1.2. Extent and Trend in Dropout

Increasing trend in dropout

National Level

At the national level, up to 1994, among 2,367,339 memberships of Grameen up to 1994, 354,209 (15%) have been dropped out by 1994 (Table-7.1.2). The aggregate proportion of dropout constantly increased from 4.4% in 1985 to 15% in 1994 with a slight decrease in 1993 (12.6%) than in 1992 (13.4%). The important point is that, during the period 1985-94, the total increase in dropouts (4356.6%) was more than three times higher than the increase in memberships (1218.3%). The increase in dropout rates were constantly higher than increase in membership rates except in 1993² (Table-7.1.2 & Graph-7.1.1). Form the findings, it appears that, if this trend continues, number of continuing member in the program would decrease in the future.

² This might be considered as an effect of intensifying the expansion and performance of the program to cover up the loss experienced in 1992, caused by a nationwide salary increase in 1991.

Table-7.1.2

Yearly Cumulative Membership and Increase in Membership and Dropouts by Sex, Bangladesh

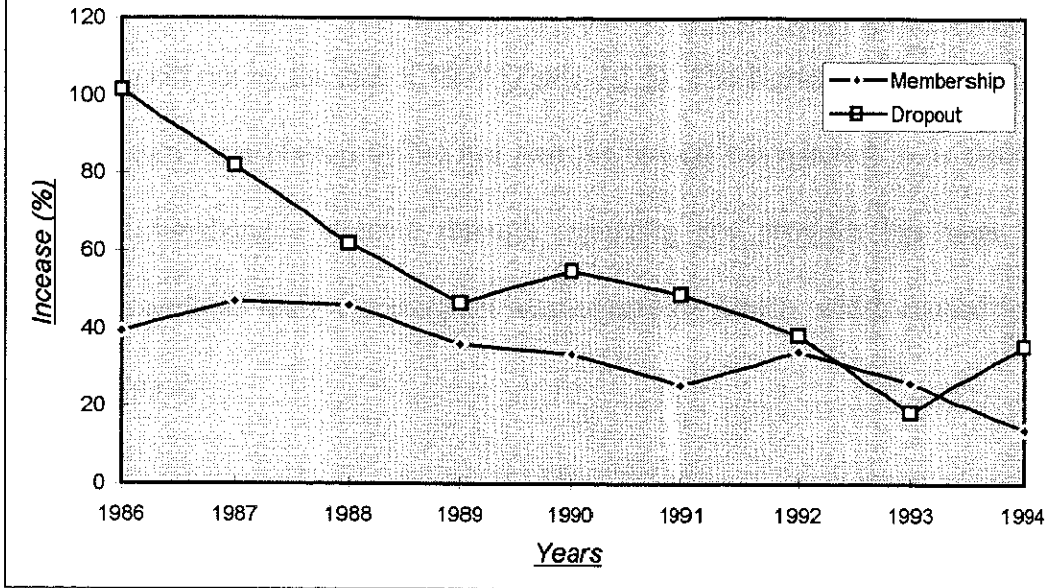
Years	FEMALE						MALE						TOTAL					
	Membership			Dropout			Membership			Dropout			Membership			Dropout		
	No.	% of sex	% ¹ of Increase	No.	% ¹ of Increase	% cum. mem.	No.	% of Sex	% ¹ of Increase	No.	% ¹ of Increase	% cum. mem.	No.	% ¹ of Increase	% cum. mem.	No.	% ¹ of Increase	% cum. mem.
1985	116480	64.9	--	4098	--	3.5	63110	35.1	--	3850	--	6.1	179570	--	7.9	7948	--	4.4
1986	183747	73.4	57.8	9862	140.7	5.4	66621	26.6	5.6	6163	60.1	9.2	250368	39.4	6.4	16025	101.6	6.4
1987	295962	80.4	61.1	20362	106.5	6.9	72319	19.6	8.6	8763	42.2	12.1	368281	47.1	7.9	29125	81.9	7.9
1988	457337	85.1	54.5	36372	78.6	8.0	80157	14.9	10.8	10759	22.8	13.4	537494	46.0	8.8	47131	61.8	8.8
1989	645508	88.3	41.1	56706	55.9	8.8	85890	11.7	7.2	12429	15.5	14.5	731398	36.1	9.4	69135	46.7	9.4
1990	884122	90.5	37.0	92516	63.2	10.5	92499	9.5	7.7	14567	17.2	15.8	976621	33.5	11.0	107083	54.9	11.0
1991	1128503	92.1	27.6	142130	53.6	12.6	97283	7.9	5.2	17230	18.3	17.7	1225786	25.5	13.0	159360	48.8	13.0
1992	1535435	93.3	36.1	201150	41.5	13.1	109483	6.7	12.5	19373	12.4	17.7	1644918	34.2	13.4	220523	38.4	13.4
1993	1947973	93.8	26.9	240418	19.5	12.3	128210	6.2	17.1	20849	7.6	16.3	2076183	26.2	12.6	261267	18.5	12.6
1994	2217945	93.7	13.9	325638	35.5	14.7	149414	6.3	16.5	28571	37.0	19.1	2367339	14.0	15.0	354209	35.6	15.0

Source: Calculated from Table 7.1 of Khandker, Khalily, and Khan (1995^a, p.149 and 1995^b, p.124)

¹ calculated over the previous years cumulative number

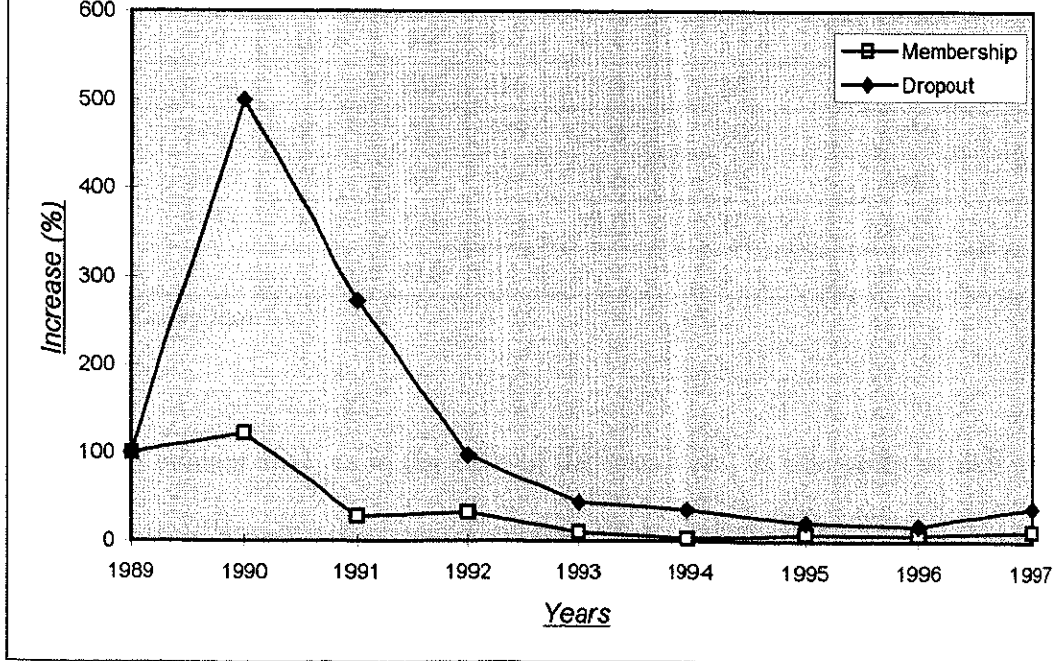
Graph-7.1.1: Increase in Membership and Dropout, Bangladesh

(Ref. Table-7.1.2)



Graph-7.1.2: Increase in Membership and Dropout, Study Branch

(Ref. Table-7.1.3)



Study Branch

In the study branch, if the aggregate figures are considered, the rate of dropout is found higher than that of the national level. 818 (27.9%), among 2,953 memberships up to 1997, dropped out by the end of 1997 (Table-7.1.3). The higher dropout rate found in the branch could be explained by the fact that the branch has reached to its defined full capacity and membership increase through expanding the program has been halted³. While, at the national level, the program was expanding rapidly which caused lowering the rate of dropout.

Table-7.1.3
Memberships, Dropouts and Continuing Members in the Study Branch

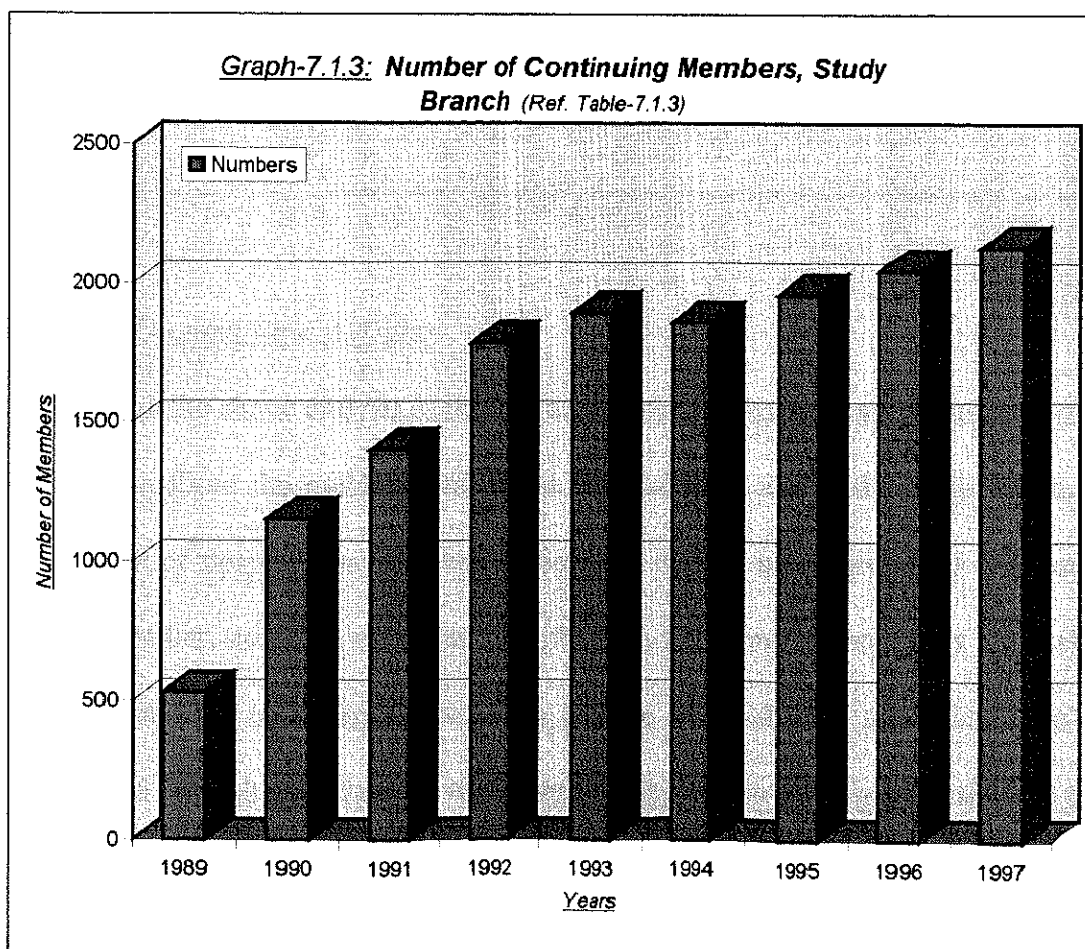
Years	Memberships			Dropouts				Continuing Members	
	New	Cum.	% Increase	New	Cum.	% Increase	% Cum. Member	Cumulative	% Increase
1989	531	531	100	1	1	100	0.2	530	100
1990	650	1181	122.4	28	29	2800.0	2.5	1152	117.4
1991	328	1509	27.8	79	108	272.4	7.2	1401	21.6
1992	489	1998	32.4	105	213	97.2	10.7	1785	27.4
1993	203	2201	10.2	94	307	44.1	13.9	1894	6.1
1994	73	2274	3.3	109	416	35.5	18.3	1858	-1.9
1995	190	2464	8.4	89	505	21.4	20.5	1959	5.4
1996	175	2639	7.1	89	594	17.6	22.5	2045	4.4
1997	314	2953	11.9	229	823	38.6	27.9	2130	4.2
Total	2953			818					

Source: Own Data

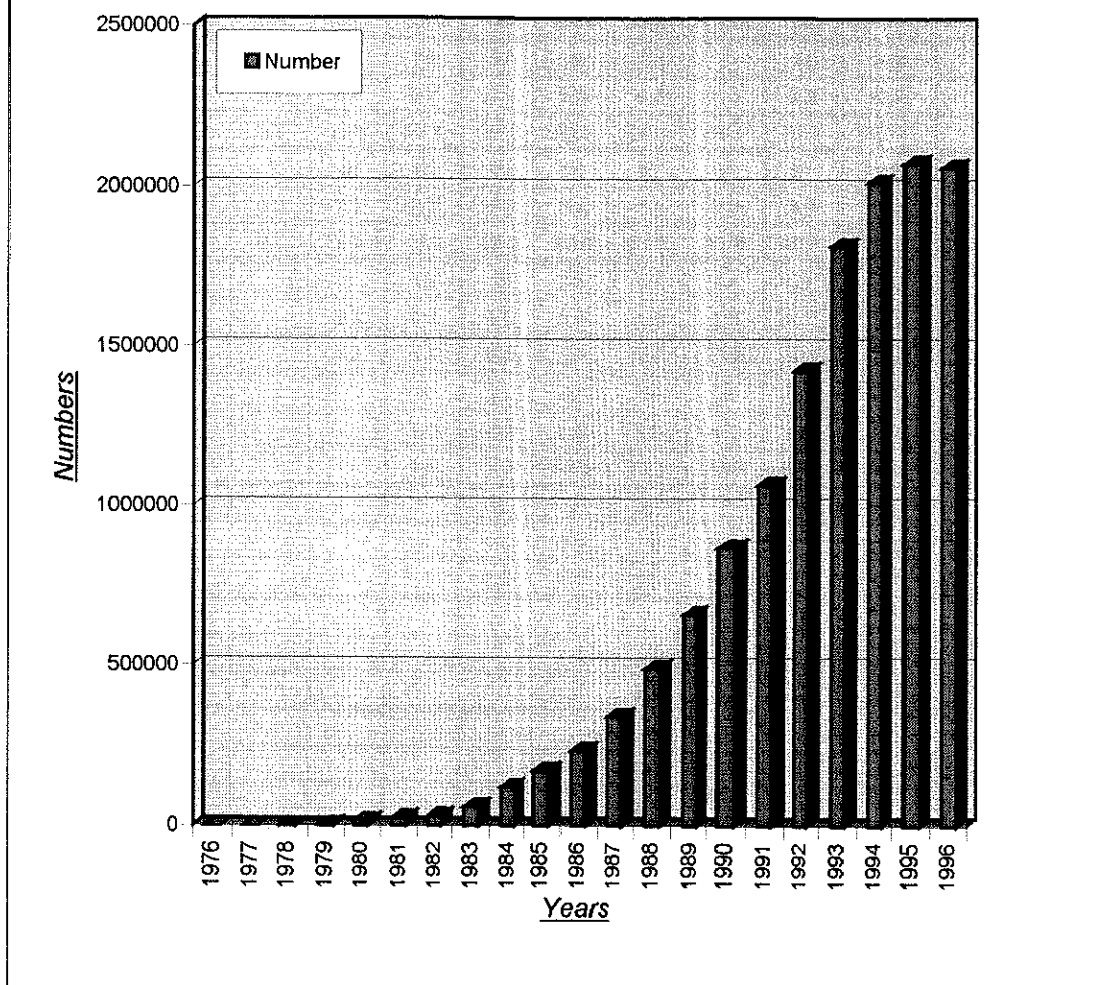
It is also evident that, as in the case of national level, in the study branch too, the rate of increase in dropout was almost always higher than that of the rate of increase in memberships (Table 7.1.3 & Graph-7.1.2). These findings indicate that as soon as new membership increase slows down or stop, either through program expansion or replacing

³ Slowing the increase in memberships might also happened due to the fact of scarcity of eligible persons caused by already vast coverage of the microcredit programs and increasing competition among these programs.

the dropouts, the number of continuing members in the program is likely to decrease. This is already evident in the study branch in 1994 and at national level in 1996. In the study branch, in 1994, when increase in new memberships was the lowest, number of continuing members decreased by 1.9% to 1,858 from 1,894 in 1993. Since then as the new memberships has increased at a higher rate, the number of continuing members has also increased. But it is still far less by about 16% than 2,520, the branch could have in its 63 centers already in operation (Table-7.1.3 & Graph-7.1.3). This is likely to be caused by the scarcity of eligible members in the area to replace the large number of dropouts from the program. At the national level, although, in a small scale, the number of continuing members of Grameen Bank have also decreased to 2,059,510 in 1996 from 2,065,661 in 1995, a decrease by 0.3% in one year (see Table-5.1 & Graph-7.1.4).



Graph-7.1.4: Number of Continuing Members, Bangladesh
(Ref. Table-5.1)



The Actual Dropout Rate is Higher

Although the above analysis of the extent of dropout, based on aggregate data, gives us some idea about the problem both at the national level and at the study branch, the actual extent of dropout has not been depicted in it. The actual extent of dropout, as mentioned earlier, could be estimated only through following the members after taking their memberships, or through panel data. At the national level such data were not available and difficult to collect. In the study branch, however, all memberships (2,639) during the period 1989-97 were followed up to the end of 1997 in this study. The data have been presented in Table-7.1.4.

Table-7.1.4
Year of Membership by Year of Dropout in the Study Branch

Year of Membership		Year of Dropout									Total Dropout	Total Membership	Present Cont.
		1989	1990	1991	1992	1993	1994	1995	1996	1997			
1989	No.	1	27	32	35	27	29	23	7	44	225	531	306
	%	0.2	5.1	6.0	6.6	5.1	5.5	4.3	1.3	8.3	42.4	100.0	57.6
	Cum.%	0.2	5.3	11.3	17.9	23.0	28.5	32.8	34.1	42.4	42.4		
1990	No.		1	46	50	29	22	27	31	57	263	650	387
	%		0.2	7.1	7.7	4.5	3.4	4.2	4.8	8.8	40.7	100.0	59.3
	Cum.%		0.2	7.3	15.0	19.5	22.9	27.1	31.9	40.7	40.7		
1991	No.			1	15	15	18	14	14	33	110	328	218
	%			0.3	4.6	4.6	5.5	4.3	4.3	10.1	33.7	100.0	66.3
	Cum.%			0.3	4.9	9.5	15.0	19.3	23.6	33.7	33.7		
1992	No.				5	21	37	16	21	53	153	489	336
	%				1.0	4.3	7.6	3.3	4.3	10.8	31.3	100.0	68.7
	Cum.%				1.0	5.3	12.9	16.2	20.5	31.3	31.3		
1993	No.					2	2	6	7	18	35	203	168
	%					1.0	1.0	3.0	3.4	8.9	17.3	100.0	82.7
	Cum.%					1.0	2.0	5.0	8.4	17.3	17.3		
1994	No.						1	2	3	6	12	73	61
	%						1.4	2.7	4.1	8.2	16.4	100.0	83.6
	Cum.%						1.4	4.1	8.2	16.4	16.4		
1995	No.							1	4	9	14	190	176
	%							0.5	2.1	4.7	7.3	100.0	92.7
	Cum.%							0.5	2.6	7.3	7.3		
1996	No.								2	4	6	175	169
	%								1.1	2.3	3.4	100.0	96.6
	Cum.%								1.1	3.4	3.4		
1997	No.									5	5	314	309
	%									1.6	1.6	100.0	98.4
	Cum.%									1.6	1.6		
Total	No.	1	28	79	105	94	109	89	89	229	823	2953	2130
	%	0.0	0.9	2.7	3.6	3.2	3.7	3.0	3.0	7.8	27.9	100.0	72.1

Source: Own Data

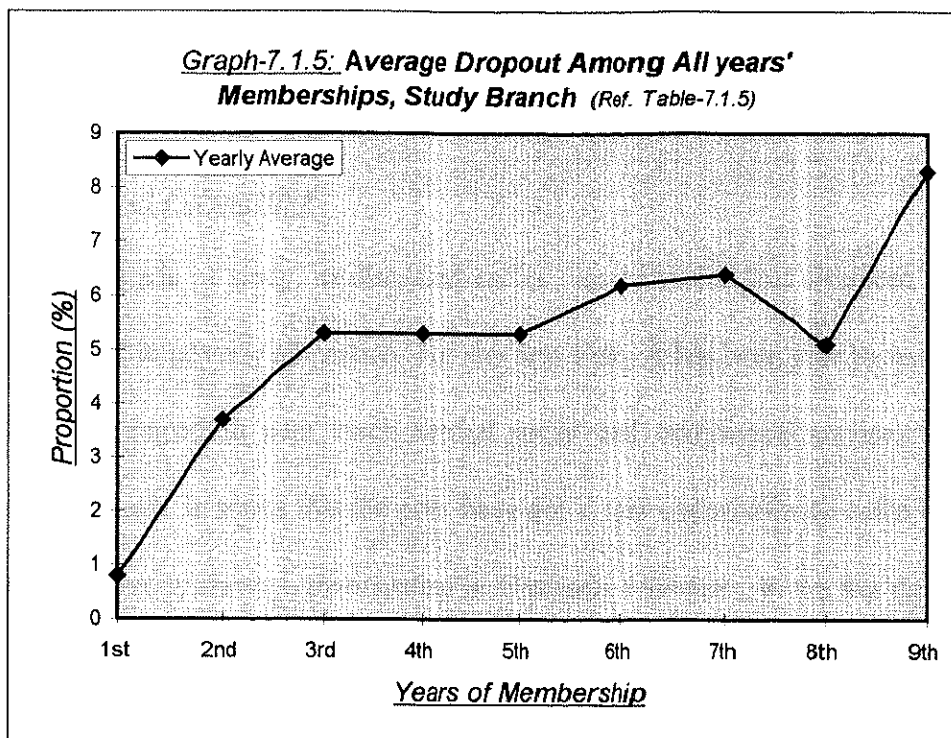
As assumed, the proportions of dropout for all years' memberships have increased with the increase in the duration of membership. It is found that as high as 225 (42.4%) among the 531, who took memberships in 1989, have dropped out by the end of 1997 or by the 9th year of their membership. Moreover, the highest percentage (8.3%) of dropout among them in 1997 indicates the possibility of more dropout in the following years which would, obviously, increase the proportion of dropout. Not only for 1989 memberships, but also for all years' membership, highest proportion of drop out is seen in

1997. These indicate the increasing trend in dropout. There is no particular pattern seen in the trend in increase of rate of dropout with the increase of duration of membership. However, an increasing trend in the proportion of dropout in the very first year of membership, which is very unlikely to occur, could be seen from the data. Up to 1994 it constantly increased to 1.4% from a mere 0.2% in 1989. Then it decreased to 0.5% in 1995 but, again, started to increase from the following year (1996) and reached to its highest 1.6% in 1997. All these findings indicate that dropout from Grameen is in the verge of increase.

If the average yearly proportions of dropout are considered, it also reveals, more or less, an increasing trend. As discussed, proportion of dropout in the first year of membership was very negligible (average only 0.8%). The proportion then increased to 3.7% in the second year and then again to 5.3% in the 3rd year of membership. Then it remains static, i.e., 5.3% for the next two years, i.e., in the 4th and 5th year of membership. Then it increased again to 6.2 and 6.4% respectively for the 6th and 7th years. It decreased to 5.1% in the 8th year, but again increased to 8.3%, higher than that of the 7th year, in the 9th year. The average cumulative proportion of dropout is found increases by almost 5-6 percentage points in each year (Table-7.1.5 & Graph-7.1.5).

Table-7.1.5
Average Yearly and Cumulative Percentage of
Dropout in Different Years of Duration of Memberships

Type of Average	Year of Duration of Membership								
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th
Yearly Average	0.8	3.7	5.3	5.3	5.3	6.2	6.4	5.1	8.3
Cumulative average	0.8	4.4	9.9	15.6	20.6	27.6	32.8	37.4	42.4



Above findings clearly indicate that, as assumed, the extent of dropout from the Grameen program is alarming and increasing rapidly over the years. As such the role of the Grameen in poverty alleviation is likely to be overshadowed by these large numbers of dropouts in the near future, unless, appropriate measures are taken to reduce it.

Chapter-7.2
INDIVIDUAL DIMENSIONS OF DROPOUT

7.2.1. Theoretical Perspective

So far hundreds of study, as discussed earlier, have showed that Grameen program is highly successful in poverty alleviation. For the first time, it has been able to reach the vast poor of rural Bangladesh with much needed social and economical services through an innovative approach. It seems that the poor have got a real opportunity to come out of their long-standing poverty through participating in Grameen. However, in the last chapter it has become evident that increasing number of participants are leaving Grameen. Why these increasing number of poor giving up the chance of escaping from poverty? This question becomes more important as there is no policy in the part of Grameen to encourage its members to dropout even after coming out of poverty. In the first hand, this increasing number of dropout could be identified as that, these poor participants had been failed to get success in the process of coming out of poverty by using the opportunity created by Grameen. Earlier it revealed that, the process of coming out of poverty should be a guided process as the poor may not be able to direct the process into right direction due to lack of skill or adverse situations they face at the individual and family level or in the society. Grameen, however, contrary to this, leaves the matter completely to the poor themselves. Thus, this increasing number of dropouts may be considered as natural outcome of the absence of the provision of proper guidance in the process of escaping poverty.

Then, the natural question arises is why a group of poor are dropping out or failing while another group continuing with success? What makes the differences among them? Individualistic explanation of poverty that I have discussed in chapter-2 could provide us important insight in this regard. This explanation focuses on the characteristics of the poor and generally believes that focusing on the characteristics of the poor could reduce poverty.

Given the fact that both the groups of dropout and continuing participants of Grameen are from same socio-economic background of same community¹, we could assume that individual and family factors might be causing these differences. In this chapter I have examined some individual factors to identify whether they have significant relations with dropout or not.

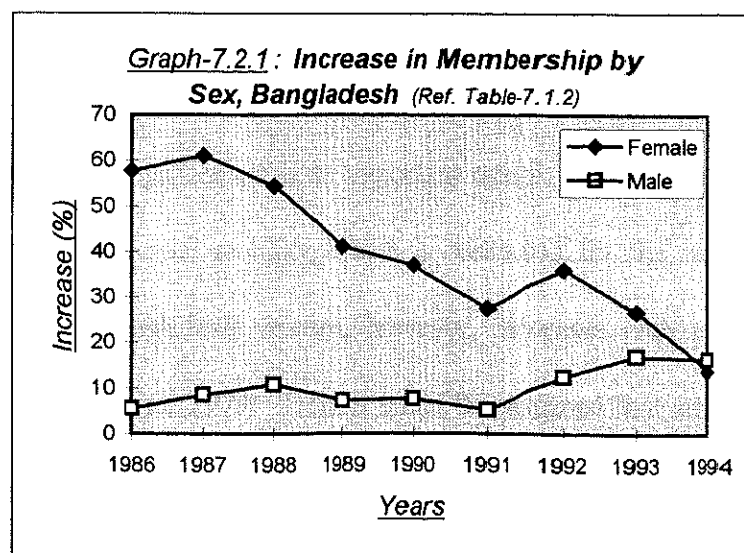
7.2.2. Gender and Dropout

It revealed that microcredit program in general, particularly Grameen, increasingly prefers to target women as their client. Studies, that discussed the problem of dropout, also tended to show that male participants dropped out more than female participants. For example, Study by *Khandaker, Khalily & Khan* on Grameen showed that the cumulative dropout rate for male was 19.4% and for female was 14.1% (1995^a, p. 149). Studies of *Khan & Chowdhury* (1995, p. 164) and *Hassan & Shahid* (1995, p.14) on BRAC microcredit program also claimed that male members dropped out more than that of the female members. It appears that these conclusions were made only to reinforce the claim that targeting women, probably to meet the donors' requirements, is appropriate for the microcredit poverty alleviation programs. While the policies of the programs themselves emphasize on women, it may not justifiable to consider the gender differences in dropout. Because, it is certain that, increasing emphasis on women likely to lessen the dropout among them. At the same time, less emphasis to men is likely to increase dropout among them. Thus, increasing dropout among the male, if it happens at all, may be considered as the natural outcome of the policies of the microcredit programs.

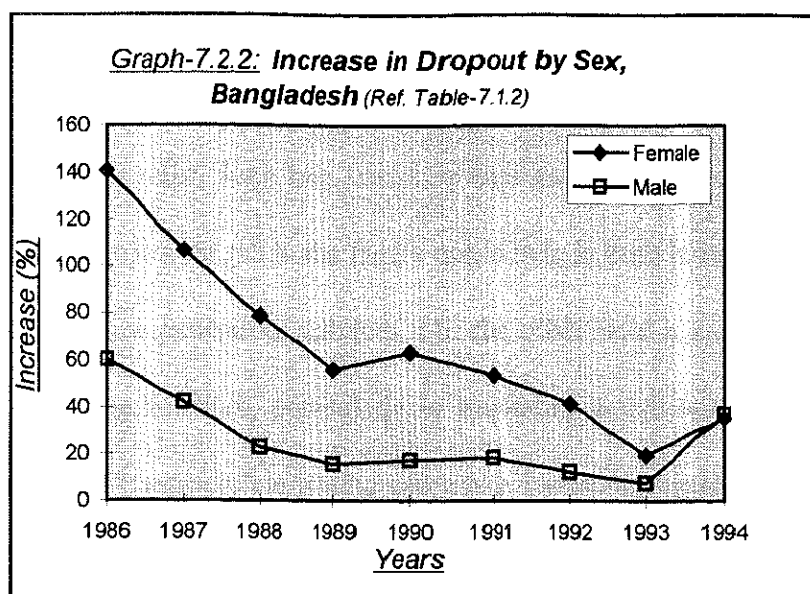
I have already discussed the methodological ambiguities of the studies that discussed the dropout issue. Yet examining the Grameen data show that male members may have not dropped out more than female. It is already seen that a member does not drop out

¹ It could be again mentioned that Grameen tries to ensure highest homogeneity during formation of group.

immediately after taking the membership. Thus, if new membership increases in a higher rate it would cause the dropout rate to be lower. Actually this may have happened in this case. Male membership increased slowly than female membership¹. Data presented in Graph-7.2.1 clearly show that, since 1985, increase in the rate of female membership was always higher than male, except the year 1994. This higher rate of increase of new memberships of the females could have contributed to lower the rate of dropout among them, while, in a reverse order, the lower rate of increase for male could have caused to increase in the rate of dropout among them. This could be further supported by the fact that the rate of increase of dropout of female members over the years was always higher than that of the male members (Graph-7.2.2). Hence, it may not be concluded that male members dropped out more than females. Rather, the situation might be opposite, i.e., dropout might have happened more among the females.



¹ This is also an expected outcome of the policy of putting more emphasis on women.



7.2.3. Age of the Participants and Dropout

Success in the program directly depend on how far the Grameen members are able to perform their new roles, i.e., 'program participant' and 'income earner'. Performing these roles are likely to be influenced by the position of the women in the family and society, which is defined and influenced by the individual characteristics of the participants. Among individual characteristics, age of the participant is an important one in many respects. *Firstly*, both the above roles require substantial mobility, which is restricted for the women in Bangladesh society. Mobility, for Bangladeshi women, however, increases with age (*Abdullah 1976, Todd 1996, Whyte & Whyte 1979*). Thus, it could be assumed that success in the program would also increase with increase in age or dropout would decrease with increase in age. *Secondly*, our earlier discussion also revealed that childbearing might also adversely affect the performance of these roles. Younger women are most likely to be in the childbearing stage. Thus, dropout could be more among the younger participants. *Thirdly*, unmarried, divorced and separated members of young age are also likely to dropout more because of marriage or re-marriage which, usually, requires migration to husbands' house— far from natal house. This

will surely cause her losing the membership, as it is essential to stay within the project area to retain Grameen membership. *Finally*, it revealed that women might need help in her traditional as well as new roles. Such help could be best assured if there is any grown up children in the family¹. Grown up girl in the family could help in both household activities as well as home based income generating activities. On the other hand a grown up boy could help in income generating activities, particularly in marketing activities— the most crucial barrier for the women of Bangladesh in getting success in income generating projects (*Goetz & Gupta 1996*). This again could help— to retain control over the loans by the women as children are likely to act according to mother's advice and protect mother's interests than that of the father. It is likely that more the age more the chance of grown up children in the family. Thus, again, older women are more likely to get success in the program than the younger ones. From this discussion, it could be assumed that age of the participant is negatively related to dropout, i.e., higher the age of the participants lower the proportion of dropout.

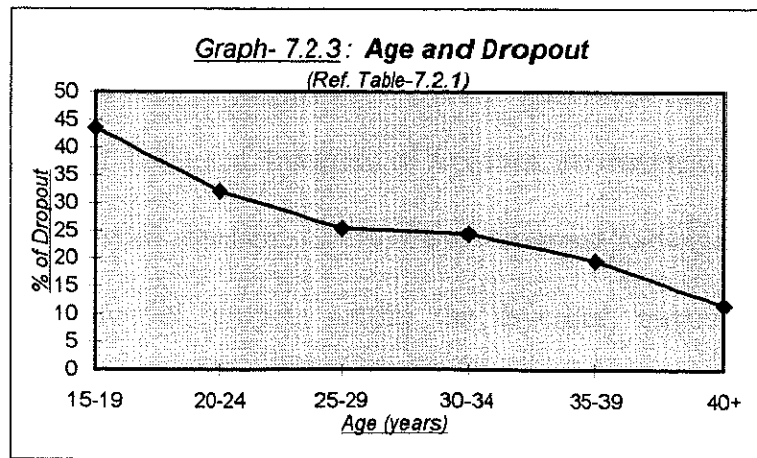
Data presented in Table-7.2.1 clearly support the above assumption, i.e., age of the participants is strongly and negatively related to dropout. The proportion of dropout constantly decreased from 43.6% for the age group 15-19 to only 11.6% for the age group 40 and more (Graph-7.2.3). The relationship is statistically significant at 0.00 significance level with a Chi-square value of 43.59 and 6 degrees of freedom. The low, only 26.1 year, average age indicates that the Grameen members are very young. This is supported by the fact that, nearly three-fourth (69.6%) of the Grameen participants were less than 30 years of age. As already revealed that participants of younger ages may face more obstacles in performing their both new and traditional roles in the process of getting success in escaping poverty, these findings indicate that more dropouts would occur in the coming years.

¹ Given the fact that most Grameen members are from nuclear family. *Mizan (1994,p.108)* found 76% of Grameen families as nuclear and only 13 percent as joint. As such, possibility of the presence of any extended kin, who could help in household works, is extremely low.

Table 7.2.1
Age of the Member and Membership Status

Age (Years)	Membership Status				Total	
	Continuing		Dropout		Number	%
	Number	%	Number	%		
15-19	101	56.4	78	43.6	179	8.5
20-24	474	67.9	224	32.1	698	33.1
25-29	440	74.6	150	25.4	590	28.0
30-34	271	75.5	88	24.5	359	17.0
35-39	160	80.4	39	19.6	199	9.4
40+	69	88.4	14	11.6	83	3.4
Total	1515	71.9	593	28.1	2108	100.0
Mean = 26.10			Std. Deviation = 6.0			
Chi-square = 43.59		DF = 6		Significance = 0.00		

Source: Own Data



7.2.4. Marital Status and Dropout

Marital status of the participants is another important factor, which can influence the role performance of the women participants. For example, unmarried participants may be in a better position compared to the married women as they have more mobility¹,

¹ In the natal village women can move more freely, than in husband's village, in Bangladesh society.

they have no chance of child bearing, less burden of household activities, etc. These may help them to perform their new roles of 'program participant'. However, as the participants of Grameen are above 15 years' of age (average age of the unmarried members in this study is found 20.3 years and highest 26 year) they are likely to get married soon as, in Bangladesh society, marriage is universal¹. Subsequently, these members have to migrate to their husbands' village, which is, usually, far from her natal house and as such lose the membership of Grameen. Thus, dropout is expected to be highest among the unmarried members. The young divorced, separated and widowed women are also likely to remarriage and loose the membership for the same reason. Any way, it could be assumed that, proportion of dropout is likely to vary among the participants of different marital status.

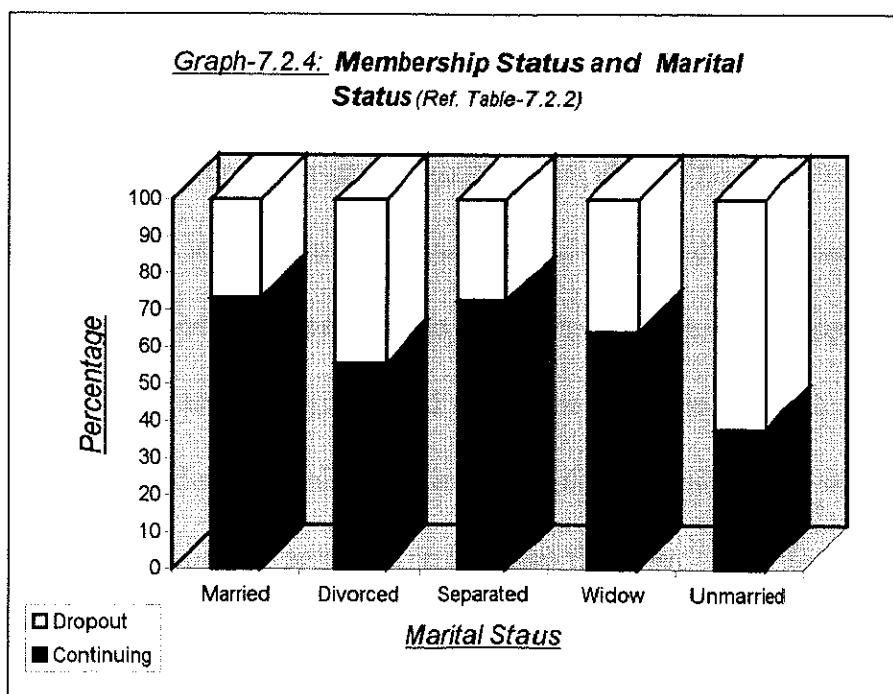
This has been evident from the data presented in the Table-7.2.2 & Graph-7.2.4. Dropout is seen strongly related to the marital status at 0.00 significance level with a high Chi-square value of 32.03 and 4 degrees of freedom. As assumed, dropout is seen highest among the unmarried members. 62.1% of the unmarried participants have already been dropped out. However, dropout among the divorced, separated and widow participants is also seen considerably higher (44.3%, 27.3% and 35.9% respectively). These findings indicate the limitation of the role of Grameen in poverty alleviation, as it is universal that women of these groups are more vulnerable to poverty than other groups. It appears that more vulnerable section of the poor might be leaving the program. This deserves special attention.

¹ Only 0.35% females were reported never married in the age group 45-49 years in 1991 (*BBS, 1994,p.89*).

Table-7.2.2
Marital Status by Membership Status

Membership Status	Married		Divorced		Separated		Widow		Unmarried		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Continuing	1398	73.4	49	55.7	16	72.7	41	64.1	11	37.9	1515	71.9
<i>Dropout</i>	<i>507</i>	<i>26.6</i>	<i>39</i>	<i>44.3</i>	<i>6</i>	<i>27.3</i>	<i>23</i>	<i>35.9</i>	<i>18</i>	<i>62.1</i>	<i>593</i>	<i>28.1</i>
Total	1905	90.4	88	4.2	22	1.0	64	3.0	29	1.4	2108	100
Average Age	26.0		23.8		25.9		35.0		20.3		26.1	
Chi-square = 32.03 DF = 4 <i>Significance = 0.00</i>												

Source: Own Data



Data in the Table-7.2.2 reveals that, among the ever married participants, dropout is lowest among the married women. It indicates another possible factor of success in the program, that is, the presence of an able male member of the family who could invest the loans received. Married women do have their husbands in the family, who may have used the loans in income generating activities and hence dropped out less. On the other hand, divorced, widowed and separated participants may lack of able male member in the

family who could use the loans, and hence, they had no alternative than drop out. I shall discuss this in more details in chapter-7.3.

7.2.5. Education and Dropout

Education is considered as the most potential human endowment. Hence, educated women are likely to get more success in the process of coming out of poverty in Grameen. However, although not statistically significant, slightly more dropout (28.8%) could be seen among those who had formal education of one or more years than those who (28.0%) had no formal education (Table-7.2.3). It should be noted here that only 16.5% of the participants had formal education and the level of education was also extremely low, average only 1 year and maximum 10 years. This low level of education may have no practical implication for the purpose of economic emancipation. The other possibility is that the educated participants might have found better opportunities than that of the Grameen and hence, dropped out from Grameen to avail those chances. Nevertheless, it is evident that education may not play significant role in the success of the participants in microcredit programs, in this case Grameen.

*Table-7.2.3
Education by Membership Status*

Membership Status	No formal education		Formally educated		Total	
	Number	%	Number	%	Number	%
Continuing	1268	72.0	247	71.2	1515	71.9
Dropout	493	28.0	100	28.8	593	28.1
Total	1761	83.5	347	16.5	2108	100
Chi-square = 0.08 DF = 1 Significance = 0.76						

Source: Own Data

7.2.6. Involvement in Income Generating Activities and Dropout

Members' involvement in income earning activities might be considered as the most facilitating factor in success in Grameen. Participants, who had been engaged in any type of income earning activities prior to join Grameen, are likely to have more advantage in performing the new roles, particularly the role of 'income earner', in all respects than those who were not engaged in such activities earlier. In case of occupations other than day labor, there is a good possibility to invest the loans received from Grameen into that sector.

The involvement in income earning activities prior to join Grameen, however, has been found very low, only 4.1% (Table-7.2.4). It could be noted here that housework is universal for all rural Bangladeshi women. Whatever they do to raise the income of the family that could be considered as an addition to their usual housework responsibilities. Nevertheless, as mentioned, it is those who were involved in income earning during entrance in Grameen are likely to get more success in it as Grameen requires immediate investment of loans in income earning activities and encourages its members (women) to take such enterprises themselves. However, contrary to this assumption, it is interesting to see that, those who were involved in income generating activities during entrance in Grameen dropped out more than those who didn't, 34.9% and 27.8% respectively. The difference is statistically significant at 0.11 level (Table-7.2.4).

Table-7.2.4
Whether Involved in Income Earning Activities during Entrance in Grameen and Dropout

Membership Status	Not Involved		Involved		Total	
	Number	%	Number	%	Number	%
Continuing	1459	72.2	56	65.1	1515	71.9
Dropout	562	27.8	31	34.9	593	28.1
Total	2021	95.9	86	4.1	2108	100
Chi-square = 2.52 DF = 1 <i>Significance = 0.11</i>						

Source: Own Data

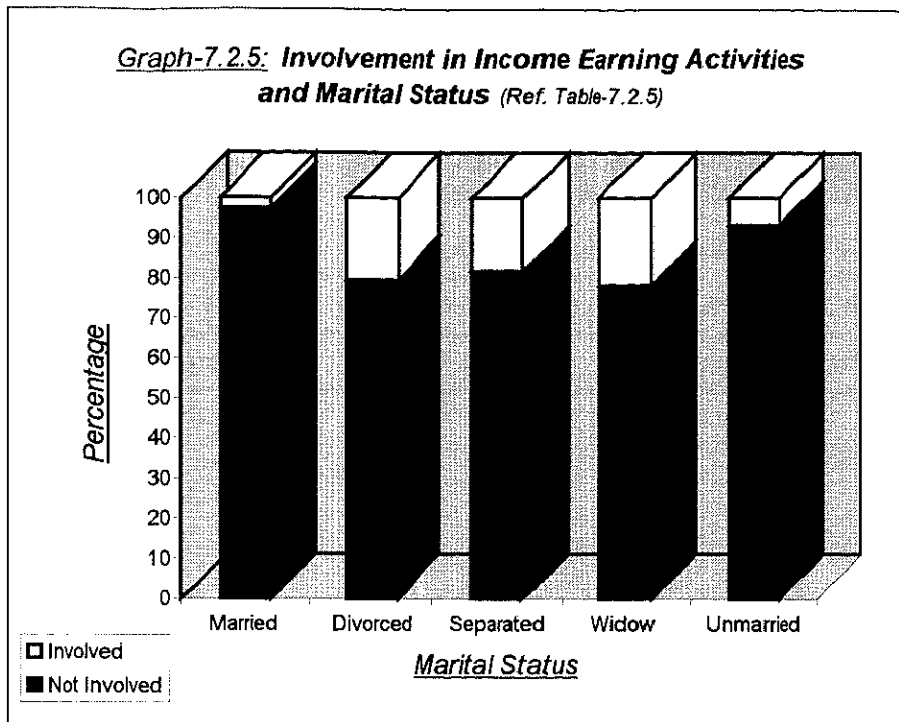
Again, in rural Bangladesh, usually, women do not take part in income earning activities unless compelled by economic hardship¹. It could be worth mention here that all these activities are in informal sector and highly uncertain both in terms of permanency and security. Any way, as the widow, divorced, separated women who usually lack of male earner in the family and as such face economic hardship — are bound to work as the breadwinner of the family, it is likely that they are engaged more in income earning activities. Data in Table-7.2.5 & Graph-7.2.5 confirm this. It is seen that only 2.6% married members were engaged in income earning activities compared to 20.5%, 18.2% and 21.9% respectively of divorced, separated and widowed members. The difference in income earning activities is statistically significant at a high level (0.00) with a very high Chi-square value (133.42) with 4 Degrees of freedom. As already seen that divorced, separated and widowed members dropped out more (Table-7.2.3) and as they were more engaged in income earning activities these findings resembles to each other. As the women of these groups are the poorest and also most vulnerable to poverty in rural Bangladesh, it again indicate that poorest participants of Grameen may have been leaving Grameen, limiting the role of Grameen in poverty alleviation from the society.

Table-7.2.5
Marital Status and Involvement in Income Earning Activities

Involvement	Married		Divorced		Separated		Widow		Unmarried		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Not Involved	1856	97.4	70	79.5	18	81.8	50	78.1	27	93.1	2021	95.9
Involved	49	2.6	18	20.5	4	18.2	14	21.9	2	6.9	87	4.1
Total	1905	90.4	88	4.2	22	1	64	3	29	1.4	2108	100
Chi-square = 133.42 DF = 4 Significance = 0.00												

Source: Own Data

¹ It is also reflected from the fact that only 4.1% of Grameen participants were involved in income earning activities during their entrance into Grameen.



Nevertheless, data in [Table-7.2.6](#) depict that participation in Grameen has increased the involvement in income generating activities among its women participants. The proportion of involvement in income earning activities is found increased to 21.9% during the survey of the present study compared to only 4.1% during entrance. It is also found that, dropped out participants were more (26.6%) involved in income generating activities than that of the continuing members (21.4%) during the survey ([Table-7.2.6](#)). The difference is statistically significant at 0.08 level with 1 degrees of freedom. These findings are almost same as depicted from the data collected during the entrance of the members of Grameen (see [Table-7.2.4](#)). All these findings indicate that although participation in Grameen may have significantly contributed to income earning involvement among its members, involvement in income earning is negatively related to dropout, i.e., more dropouts among those who involved in income earning activities.

Table-7.2.6

Whether Involved in Income Earning Activities during Survey and Dropout

Whether Involved in Income Earning	Continuing		Dropout		Total	
	No.	%	No.	%	No.	%
Not Involved	112	78.6	91	73.4	203	78.1
Involved	24	21.4	33	26.6	57	21.9
Total	136	100.0	124	100.0	260	100
Chi-square = 3.05 DF = 1 <i>Significance = 0.08</i>						

Source: Own Survey Data

7.2.7. Confidence in Bringing Economic Improvement of the Family and Dropout

To assess the role of individual factors in dropout I examined the confidence of the members about the improvement of the economic condition of their family, how they would like to achieve that improvement and with the help of whom and whether these have any relationship with dropout. I assumed that dropped out members would be less confident about the improvement of family's economic condition as it revealed that they are the most vulnerable section and, as such, may be tapped in a hopeless situation. Data in this regard have been presented in Table-7.2.7. It is seen that majority of the respondents (92.3%) believe that they would be able to improve the economic condition of their family. Although, only 7.7% of the respondents think that they won't be able to improve their economic condition, the difference between the dropped out members and continuing members is statistically significant at 0.04 level. Only 4.4% of the members continuing compared to 11.3% of the dropouts reported that they have no confidence. When we look into how the respondents are intended to achieve economic improvement, it is seen that for both continuing and dropout members highest proportion (56.9% and 65.5% respectively) hope to achieve it through either husband or herself or both. God's help, total 23.8% (Table-7.2.8), followed this. This indicates that a significant proportion

of the rural women depend on God– an indication of strong religious affiliation– for their economic improvement. And more proportion (25.4%) continuing members than dropouts (21.8%) indicates that religiosity may have no influence over the success in poverty alleviation programs.

Table-7.2.7

Whether Would be Able to Improve the Economic Condition of the Family

Whether Or Not	Continuing		Dropout		Total	
	No.	%	No.	%	No.	%
No	6	4.4	14	11.3	20	7.7
Yes	130	95.6	110	88.7	240	92.3
Total	136	100.0	124	100.0	260	100
Chi-square = 4.32		DF = 1		Significance = 0.04		

Source: Own Survey Data

Table-7.2.8

How Hope to Achieve Economic Improvement

Membership Status	Self/husband		Son		GB/NGO help		God's help		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Continuing	74	56.9	16	12.3	24	18.5	33	25.4	130	54.2
Dropout	72	65.5	22	20.0	9	8.2	24	21.8	110	45.8
Total	146	60.8	38	15.8	33	13.8	57	23.8	240 ¹	100

Source: Own Survey Data

¹ 20 respondents reported 'not be able to achieve economic improvement' are excluded.

Note-1: Multiple response (highest 2).

Note-2: Percentages are based on number of respondents.

As expected more continuing members (18.5%) hope to achieve economic improvement by the help of Grameen or NGOs. However, in total, a mere proportion (13.8%) of the respondents' dependence on Grameen or NGO for economic development indicates that although a vast majority of the poor are participating in such programs, till

now, very few participants think that they would be able improve economically through the help of these organizations. This has important implications for successful escape from poverty and dropout from these programs. Unless the poor find that these organizations as their own, i.e., they could rely on these organizations for their economic improvement and prosperity, dropout would not be reduced. Finally, a considerable proportion (15.8%) of the members hope to bring economic improvement of the family through their sons indicates their reliance on their grown up children. The difference among the continuing and dropout members shows that more dropout members depend on their sons in this regard.

From above findings it may be concluded that in terms of individual factors younger participants are more prone to dropout as they lack necessary help in household work from family and mobility necessary for performing the roles of 'program participant' and 'income earner'. Moreover, childbearing role of the younger women may have also contributed to their more dropouts. It is also evident that more vulnerable members, i.e., divorced, separated and widow, are dropping out more. Education or involvement in income earning activities has no influence over dropout. Members dropped out have less confidence in improving the economic condition of their family. However, their dependence on husband and son for the purpose indicates that family factors would be more important for success in microcredit programs. In the next chapter I shall examine whether family factors contribute to dropout or failure of the participants of Grameen.

Chapter-7.3
FAMILY DIMENSIONS OF DROPOUT

7.3.1. Family Factors in Understanding Poverty

The real explanation of why the poor are where they are is that they made the mistake of being born to the wrong parents, in the wrong section of the country, in the wrong industry, or in the wrong racial or ethnic group. Once that mistake has been made, they could have been paragons of will and morality, but most of them would never even have had a chance to get out of the other America.

Michael Harrington, 1963,p.21.

The above statement reveals the real source and dynamics of poverty. This is true for all society. A person is poor because he or she is from a poor family. A child is poor because he or she has born in a poor family, though, he/she, in no way, responsible for it. He/she is poor by birth and would remain poor unless his/her family would be able to escape from poverty. And the poverty of his/her family would certainly adversely affect his/her socialization bearing implications throughout his/her life. By this way, family plays the most crucial role in reproducing poverty in the society— mentioned in the 'culture of poverty thesis' of *Lewis (1964)*. Thus, the relationship between family and poverty is beyond question. This crucial role of family in poverty has got proper emphasis in the developed countries. Most poverty alleviation programs in these countries focus on family, for example, Assistance for Families with Dependent Children (AFDC) in the U.S.A. In developing countries, however, family has been neglected in explaining the persistent mass poverty and in formulating poverty alleviation policies. Perhaps that led *Safilios-Rothschild* to write the paper titled *The role of the Family: A neglected Aspect of Poverty* in 1980. In this paper, *Safilios-Rothschild* outlined the importance of the family processes in explaining the problem of poverty and poverty alleviation in developing countries. She wrote (*p.313*):

In the developing countries people do not live alone. The overwhelming majority live, first and foremost, in families and in households.

Thus, anything goes to any individual is likely to bearing upon his/her whole family. Numerous aspects of family have been mentioned as important for poverty and poverty alleviation by the family scholars. For example, *Safilios-Rothschild (1980,p.319-343)* discussed the following issues related to family as important for poverty and poverty alleviation¹:

- 1) *Family power and decision making;*
- 2) *Intra-familial allocation of labor and resources: patterns of inequality, such as division of labor, intra-familial distribution of food, intra-familial allocation of resources for health care, interactions between malnourishment, disease, poor mental development and learning ability, and low productivity, and intra-familial allocation of resources for education; and*
- 3) *The mediating role of kinship and the family in the access to the bases of agricultural productivity, such as access to land, access to credit, agricultural skills and information.*

It is clear that poverty is a family phenomenon. This indicates poverty alleviation approach also needs to be family oriented. Without taking family factors into consideration poverty alleviation efforts might not yield the expected result, i.e., sustainable escape from poverty.

7.3.2. The Family and Poverty Alleviation

Family Strategies to Adapt with Poverty or Crises Situation

It is evident that poverty is a family phenomenon. When family faces poverty or crisis situation it moves as a whole to resolve that crisis. Scholars have mentioned that during poverty or crisis family, as an institution, adopts several strategies to cope with the situation. For example, *Safilios-Rothschild (1980,pp.344-48)* mentioned five strategies that family

¹ For a detail discussion on these issues please see *Safilios-Rothschild (1980,pp.319-343)*.

adopts to cope with poverty. These are: i) Use of children as labor pool and social security; ii) Female headed households, to claim help from the keen; iii) Flexibility in household organization, for example, children may be farmed out or addition of a physically capable kin in the family; iv) Trying and using several sources of income and several income-earning members; and v) Migration of a single member or the whole family. *Robinson (1990,pp.1-2)* found three common income-generating strategies used by the families of the nineteenth and early twentieth century Indianapolis. These were: i) the wife could take a job; ii) wife could take in paying boarders; and iii) the children could seek employment. *Elder (1974)* illustrated two adaptive strategies of the family during crisis, i.e., i) Curtailed expenditures: goods and services, earlier purchased from market, are acquired through family labor such as, food preparation, making cloth, home repairs etc. These increase the utility of children's labor in the family; and ii) Developed alternative sources of income, that is, family efforts to supplement income including activities in which children earn money on jobs in the community. The job involvement of the children could be viewed in two ways, e.g., a) It might be an outcome of parental demand and encouragement; and b) It is a logical response from the children to personal needs and an awareness of family requirements. *United Nations (1986,p.19)* cited that:

In times of stress, which may be either episodic or continuous, however, it is customary for family members and indeed families themselves to undergo role shifts. Thus in some countries in times of economic crisis almost all family members, except the very youngest, may be required to engage in some productive or income-generating activity as part of a family survival strategy, thereby often impairing the education and health especially of the younger ones.

Family Factors in Poverty Alleviation

Undoubtedly above strategies, taken by the family to adopt with poverty, are important

for poverty alleviation programs too (*Safilios-Rothschild 1980,p.355, United Nations 1986,p.46*). *United Nations (1986,p.46)* noted about poverty reduction policy that "The first task of policy should be the safeguarding and sustaining of the different sources from which a family's income or livelihood is derived". Scholars also mentioned the important role of family factors in poverty alleviation and more broadly in the development process (*Safilios-Rothschild 1980, Kanter 1977, United Nations 1986*). Such as *Kanter (1977,pp.25-50)* has identified three ways in which families have affected the work process in the society. The *first*, may be due to workers' cultural traditions, which can shape their decisions regarding work and enable them to resist some of the pressures of the work place. A *second* way is through the personal and family influences of entrepreneurs who control the enterprise, whether a small stores, a farm or a transnational corporation. *Third*, participation of several members of a family in work can have a strong impact either on the work or on attitudes towards it, especially when a spouse becomes important to and involved in certain aspects of a job. *Safilios-Rothschild (1980,p.355)* listed following aspects of family as important for reducing poverty. These are:

- i) *Understanding family structure;*
- ii) *Understanding family patterns and dynamics;*
- iii) *The strategies used by the families to combat poverty must be understood and strengthened;*
- iv) *Recognizing the importance of mother's education.*

Finally, *Safilios-Rothschild (1980,p.360)* summarized the strategies for poverty alleviation as follows:

- i) *Maximize the chances the new generations of boys and girls to use their abilities and to obtain skills that help them overcome poverty;*
- ii) *Strengthen or stimulate family strategies that effectively cope with poverty;*
- iii) *Decrease the dependency of women on men and or on their sons, and help them to establish autonomous income generating activities, and to be able to control their own income.*

The Family: Important but Neglected Aspect in Poverty Alleviation

Above theoretical discussion clearly depicts the centrality of family factors both in understanding poverty and in poverty alleviation. Such clear theoretical importance on family, however, concerned the policy makers of poverty alleviation programs very little, so far. As revealed from our earlier discussion on poverty alleviation approaches in developing countries, family factors have not been considered in the poverty alleviation programs at all. The microcredit programs— the new wave in the poverty alleviation— are nothing different from this trend. These programs have successfully reached the poor, particularly to the neglected women in the society, but the family situations— how it affects or affected by the program participation— of the participants have seldom been considered. The obvious outcome of this could be failure in the efforts of these participants to escape poverty and, again, could be reflected in the dropouts from the program. I have examined some of the family factors of the Grameen members in this regard. I assumed that there would be significant differences in the proportions of dropouts among the participants according to differences in their family factors.

Implications of Family Life Cycle for Participation in Microcredit Program

Another important point becomes evident from the above discussion is the importance of family labor, particularly the labor of women and children, to overcome poverty or crisis. As microcredit goes to the family as an effort to escape from poverty we may assume that unused labor pool in the family, i.e., labor of women and children, would become helpful in successful use of loans received from Grameen. Thus, availability of family labor becomes important in getting success in microcredit programs. Now, which families have such labor pool? Family theories could provide important insight in this regard. Family scholars have mentioned that amount of available family labor varies with the stages of the life cycle of the family. They have also mentioned that poverty of the family also varies with the stages of family life cycle (*Rowntree 1906, Loomis 1936, Tuttle 1989*). Hence, it may also likely that

proportion of dropout would also vary with the life cycle stages of the family. I have also examined the relationship between the family life cycle of the participants and dropout from microcredit program, considering the family life cycle as an important indicator of the role of the family in poverty alleviation. But first I present some important family factors, how they affect dropout from Grameen.

7.3.3. Sex of the Family Head and Dropout

Female-headed Family: The Other Face of Poverty

Regardless of the reasons for which female-headed households emerge, they all share a common characteristic: they are poorer than male-headed households. This circumstance arises because female-headed households usually include fewer income-earning adults, since they lack the important economic and labor contributions of men. In addition women's wages are less, and women have much less access to land than do men, except as mediated through their sons.

Safilios-Rothschild (1980,p.351)

The above statement is true for all societies, either developed or developing. It clearly indicates that a family's poverty status is directly related to the sex of the head of the family. For example, *Hamid (1995^a,p.181)*, based on the data of a nationwide study in Bangladesh, conducted by Bangladesh Institute of Development Studies (BIDS), showed that 96% of the female-headed households were poor and the rest 4% were moderately poor in Bangladesh. It indicates the pervasive extent of poverty among the female-headed families. Does poverty alleviation efforts of a family in the poverty alleviation programs, for example microcredit programs, are affected by the sex of the head of the family? There is no study answering this question. It is, however, likely that success in microcredit program is to be affected by the sex of the head of the family. It reveals in the above quotation that female-headed families¹ are the

¹ In the family literature, there is another term 'single-parent' family. These are the families where children live with one parent— either mother or father. In the developed societies there might be some cases where children live with father. In the developing countries, however, in the single-parent families children, usually, live with mother. Thus these families are invariably female-headed families.

poorest in the society because they lack labor contribution of men. This particularly causes the family to be extremely vulnerable to poverty, as employment, wage and other income related opportunities are lower for women in the developing societies, like Bangladesh, compared to men¹.

Grameen Members from Female-headed Families: Facing Difficulties in Getting Success

It is already revealed that Grameen women members, usually, invest loans received from Grameen, through their husbands. Because, in rural Bangladesh society, women, usually do not have required mobility and market access for being successful as entrepreneurs. Thus, absence of husband in the female-headed family may be considered as a limiting factor for success in the microcredit program, in this case Grameen. Not only that, usually, the workload of the women heads are much higher than that of the wives of male-headed families because they need to perform the additional responsibilities (such as, breadwinner) which could have been otherwise done by male head. Thus, these overburdened members of Grameen may face problem in continuing with the program, which, usually, requires extra time and effort. Hence, it may be assumed that there would be more dropouts among the members from female-headed families.

The above assumption has become evident from the data presented in Table-7.3.1. Out of total 108 (5.1%²) members from the female-headed families 42 or 38.9% have already been dropped out. This proportion is more than that of the members dropped out from the

¹ *Hamid (1995,p.141)*, estimated that the daily average cash wage of women of Bangladesh during *Aman* season (main crop harvesting season) was only Tk.7.0 compared to men, more than double, Tk.18.2.

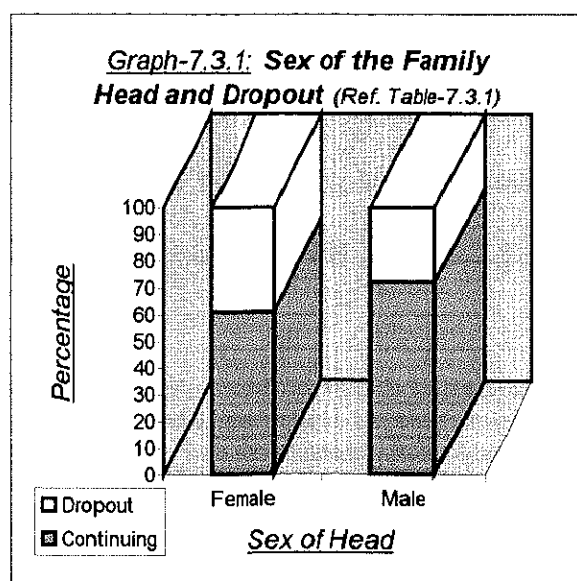
² It is worth mention here that it is difficult to estimate the trend and incidence of female-headed family in Bangladesh. Although, there are several estimations, due to difference in definitions used, incidence of female-headed families varies in different studies. For example, The Demographic Sample Survey 1982, conducted by Bangladesh Bureau of Statistics, estimated female-headed households as 15.4% (*BBS 1988,p.27*), while the Bangladesh Labor Force Survey estimated it as 7.2%. *Hamid (1995)* estimated from a nationwide sample survey that 9% of the rural households of Bangladesh as female-headed. *Hamid's* definition, however, included those families as female-headed whose male head is away from house for time being for the purpose of work, etc. These families are actually not fully female-headed as the male head, although away from home, is the principal breadwinner and he is taking major family decisions. In this sense *Hamid's* estimation suffers from overestimation. *Rahman (1980)* based on study on one village estimated female-headed households as 5.7%. This is close to the one (5.1%) found in the present study.

male-headed families (27.6%). The difference in the proportion of dropout between these two groups is statistically significant at 0.01 level. These findings clearly support that more vulnerable participants of Grameen are dropping out in a higher rate than that of others.

Table-7.3.1
Sex of the Family Head and Membership Status

Sex of the Family Head	Female		Male		Total	
	No.	%	No.	%	No.	%
Continuing	66	61.1	1449	72.5	1515	71.9
Dropout	42	38.9	551	27.6	593	28.1
Total	108	5.1	2000	94.9	2108	100
Chi-square = 6.52 DF = 1 Significance = 0.01						

Source: Own Data



Dynamics of Female-headed Families

How female-headed families emerge? Clearly, in the female-headed families are those whose husband is not present as a result of divorce, or separation/desertion, or death, i.e.,

widowhood¹. In the last chapter it was seen that divorced, separated and widowed members, who have no husband in the family, dropped out more than married and unmarried members (see Table-7.2.2). These findings fully resemble with the findings from the data presented in Table-7.3.2. It is seen that almost all (95.0%) of the participants of the female-headed families were either divorced or separated or widowed contrary to only 3.6% participants' from the male-headed families were either married or never married. These findings also reflect the reality of rural Bangladesh society. In rural Bangladesh, husband in case of married couple and father or brother in case of never married women², as head of the family are almost universal.

Again, 58.6% of the family of the divorced, separated and widowed members were female-headed compared to only 0.3% of the married & Unmarried members (Table-7.3.2). It appears that if there is the presence of any adult male in the family, it is almost certain that the male will be the head of the family. This is further supported by the fact that among the 72 (41.4%) male-headed families of 174 divorced, separated and widowed members, 61 were headed by father, 5 by brother and 6 by son. It is, however, seen that, in case of presence of adult son (s) in the family, the mother would still be the head of the family. In the present

¹ *Hamid (1995, pp.178-179)* defined female-headed households for Bangladesh as *de jure*, i.e., those with no males over 18 years of age in the household, and *de facto*, i.e., the male head of the household live outside for work or other purposes and occasionally visit the household. In the later case, the female-head manages the day to day household matters in absence of the male head. The major household decisions, however, probably, being taken by the absentee household head. Thus, in true sense, these female-headed households might not be treated as actually headed by women. And these women are also not playing the role of principal breadwinner of the household. It appears that the *de jure* female-headed households, mentioned by *Hamid*, are the real female-headed households. Again, in this category, *Hamid* excluded those who had male member over 18 years in the family. It seems that her ultimate emphasis might have been on who is the principal breadwinner in the household. And in doing so, she may have assumed that if a male over 18 years of age is present in the family he is the principal earner, hence the actual head of the family. This definition, however, has limitations, in the sense that, even if there is adult male member (particularly son) in the household, the head would be female, i.e., mother. This is particularly true for those women who are, divorced, separated or widowed. In the present study, among the 108 reported female-headed families, 18 or 16.7% had son (s) over 18 years of age in the household. Widows who are in charge of the household in spite of the presence of an adult son also mentioned as a major type of female-headed household by *Islam (1991)*.

² It could be mentioned here that out of 29 never married members only 6 were found female headed. Among these 5 were headed by mother and 1 by the member herself.

study, among the 108 reported female-headed families, 18 or 16.7% had son (s) over 18 years of age.

Table- 7.3.2
Marital Status and Sex of the Family Head

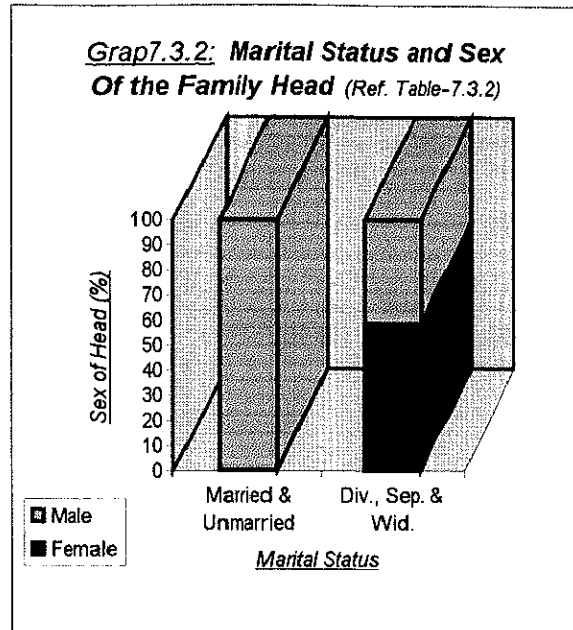
Marital Status	Female		Male		Total	
	No.	%	No.	%	No.	%
Married & Unmarried	6	0.3 (5.0)	1928	99.7 (96.4)	1934	91.7
Divorced, Separated & Widow	102	58.6 (95.0)	72	41.4 (3.6)	174	8.3
Total	108	5.1	2000	94.9	2108	100
Chi-square = 1116.67 DF = 1 Significance = 0.00						

Source: Own Data

Note: Percentages in the parenthesis are the column percentages.

Any way, it is evident that female-headed families are mostly poverty stricken in any society. Hence, success of any effective poverty alleviation program largely depends on how far this group has been benefited from the program. Contrary to this it is, however, seen from the findings of the present study that more members from female-headed families¹ are dropping out. This is surely undermining the role of Grameen in poverty alleviation in the society. Not only that, as Grameen requires immediate loan investment in income generating activities and female-headed families lack male adult— essential condition for successful investment in Bangladesh society— in the family, escaping poverty by participating in Grameen might not be possible for the participants from the female-headed families. These, findings also indicates that, in general, more vulnerable section among the Grameen members might have been dropping out from Grameen.

¹ It could be noted here that, as the reasons— particularly divorce and separation— are increasing, the number of female-headed families are also increasing throughout the world, particularly in developing societies (*United Nations 1987, Safilios-Rothschild 1980*). *Safilios-Rothschild* claimed that large majority of women-headed households in Asia and Muslim countries and a considerable number in Latin America and West Africa are widows and most of them are landless and poor (*ibid.p.351*). *Safilios-Rothschild*, again claimed that, despite underestimates, which are often serious, female-headed households still constitute from about 25 to 35 percent of all households in developing countries (*ibid.p.349*). It is worth mention here that Bangladesh are pre-dominantly a Muslim country. 88.3 % of the population of Bangladesh were Muslim in 1991 (*BBS 1996,p.32*).



7.3.4. Education of the Family Head and Dropout

It is already seen in the last chapter that education of the participants of Grameen has no significant relationship with dropout. The reasons might have been the fact that most loans from Grameen are used by the family heads whether, male or female, and overwhelming majority (94.9%) families were headed by male (husband, son, brother, etc.). Thus it may not unlikely that education of the family heads– who are the actual investors of loans– may have significant relationship with dropout. The relationship between the education of the family head and dropout, however, strikingly resembles with the relationship between the education of the participants and dropout, i.e., in both cases there is no significant difference in dropout among the literate and illiterate groups (Table-7.3.3). These findings firmly confirm that education may have no influence in success in Grameen or in poverty alleviation efforts, as discussed in the last chapter.

Table-7.3.3
Education of the Family Head by Membership Status

Membership Status	No education		Education		Total	
	Number	%	Number	%	Number	%
Continuing	1175	72.0	340	71.6	1515	71.9
Dropout	458	28.0	135	28.4	593	28.1
Total	1633	77.5	475	22.5	2108	100
Chi-square = 0.03 DF = 1 Significance = 0.87						

Source: Own Data

7.3.5. Number of Family Members and Dropout

More members in the family means more labor available¹. Earlier analysis revealed that if more family labor² is available that could be helpful to invest the loans received from Grameen. This means more success in Grameen and fewer dropouts. In the context of the theoretical standing of the present study, we may assume that more the family member less the dropout from Grameen.

In the line of the above assumption it is seen that number of family member is negatively related with dropout, i.e., proportion of dropout decreases with increase in number of family member. The relationship is found highly statistically significant with a Chi-square value of 20.92 and at 0.0 significance level with 4 Degrees of Freedom. The proportion of dropout is seen highest (37.4%) for those who had up to 2 family members. Then it continuously decreases to 29.9% for those who had 3, 29.1% for those who had 4, 23.2% for those who had 5 and finally 22.9 for those who had 6 or more members in the family Table-7.3.4 & Graph 7.3.3. These findings clearly indicate that those participants who had more labor, i.e.,

¹ This has become more evident with the fact that, in rural Bangladesh, children start partial productive activities by age 6, and by age 13, children work as long as or longer than adult (*Cain 1977*)

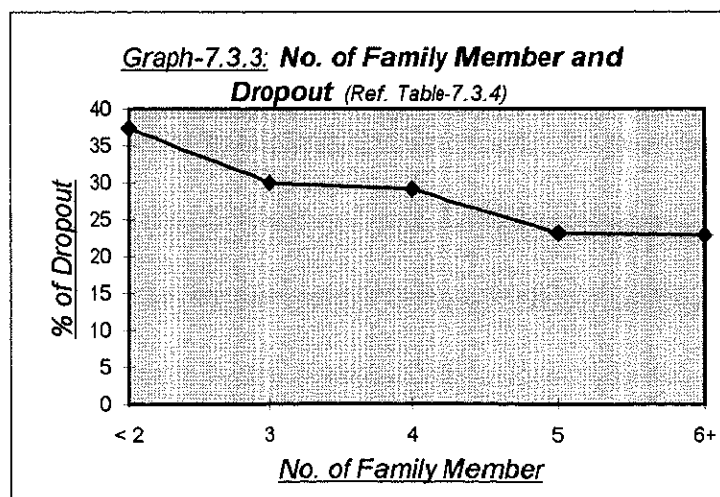
² I have already showed that both male and female children can help the Grameen participants in performing their both traditional and new roles— emerged through joining Grameen. Sons can help in investment activities, particularly in marketing, while daughters can help in housekeeping activities as well as in home-based income earning activities.

more family members, in the family would get more success in microcredit poverty alleviation programs.

*Table-7-3.4
Number of Family Member by Membership Status*

Membership Status	Up to 2		3		4		5		6+		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Continuing	154	62.6	385	70.1	400	70.9	334	76.8	242	77.1	1515	71.9
Dropout	92	37.4	164	29.9	164	29.1	101	23.2	72	22.9	593	28.1
Total	246	11.7	549	26.0	564	26.8	435	20.6	314	14.9	2108	100.0
Mean = 4.07						Standard Deviation = 1.38						
Chi-square = 20.92				DF = 4				Significance = 0.00				

Source: Own Data



Overall, the average family size (4.07) of the Grameen participants of the study branch, compared to the national average (5.5) as well as study area average (5.3), is seen lower. It is very difficult to compare this with the overall Grameen situation because of scarcity of such data at the national level. These findings also resemble with the findings seen earlier in the present study. It was seen that the participants are mostly younger in age (see [Table-7.2.1](#)). As most Grameen members are from nuclear family, it may be concluded that, as young,

these women participants having less number of children. In addition, Grameen members are all landless poor. In rural Bangladesh poor do have less number of living children¹ than those who own land and better off in the society. Thus, smaller family size of the Grameen members might be considered as expected.

7.3.6. Amount of Land Owned by the Family and Dropout

Like labor, 'land' is also an important asset for family. In fact, in rural Bangladesh, land is the only means of production. Thus, amount of land possesses by the family directly determines the poverty status of the family. *Sen & Ravallion (1992)* showed that that poverty is strongly related to the amount of land owned by the family. More the land posses by a family less the chance to be poor. Thus, it could be assumed that those who have less land are more vulnerable to poverty or the poorest in the society.

It is earlier mentioned that, the principal criteria to become a Grameen participant is that the family does not own more than 0.50 acres of land. It appears that there is less chance of being large differences among the Grameen members in terms of landholdings. There may be, however, differences could occur in several respects. *Firstly*: some Grameen participants may posses more land than that of 0.50 acres; *Secondly*, There may be significant differences among the participants in the amount of land owned even within the limit 0.50 acres; and *Finally*, there may be some families who could have access to land through tenancy arrangements, such as share cropping. Any way, as land is an important asset, it is likely that success in Grameen loan use may also vary with differences in the access to amount of landholdings. If a family has access to land, the loans received from Grameen could be invested in land. Moreover, in terms of increasing the productivity and employment of the

¹ This is actually caused by the fact that due to nutritional problems poor women are less fertile and child mortality is higher among the poor because they lack proper health care provisions.

women, investment in agriculture is found positive in this regard. For example, *Rahman & Khandker (1995,pp.19-20)* estimated that the marginal productivity of female labor is positive and significant in agriculture, while the marginal productivity of male labor is positive and significant in non-agriculture enterprises. All these indicate that more the land possessed more positive impact in terms of poverty alleviation in Grameen program. Based on the above facts, this could be assumed as that higher the access to land lower the dropout.

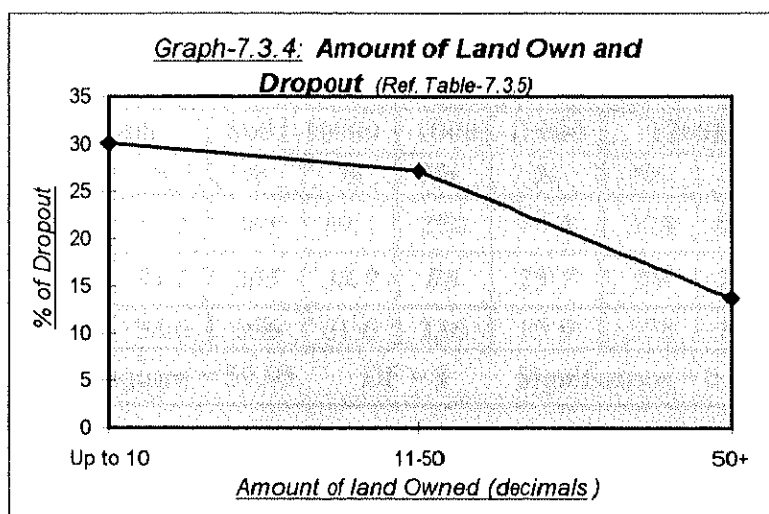
Data of the present study show that only a mere proportion (2.8%) of the members had more than 0.50 acres of land (Table-7.3.5). It reveals that Grameen has been spectacularly successful to confine its memberships among the target people. Any way, as discussed, amount of land owned is seen important for the members for their success in Grameen. Dropout happens more among members who own less amount of land. The proportion of dropout decreases with the increase in the amount of land owned. 30.1% of those who had up to 10 decimals of land dropped out which decreased to 27.1% for those who had 11-50 decimals of land and further decreased to only 13.8% for those who had more than 0.50 acres of land (Table-7.3.5 & Graph-7.3.4). One thing is clear that those who are beyond the target group of Grameen remaining more with Grameen. The difference in the proportion of dropout among the different landholdings groups of participants is statistically significant at 0.02 significance level with 2 DF.

It is already evident that poorest and more vulnerable groups are leaving Grameen, these findings also clearly support that. This, again, seems to be the most important concern for Grameen if it likes to fulfill its ultimate target of sustainable poverty alleviation from the society.

Table-7.3.5
Amount of Land Own by the Family and Membership Status

Land Own (Decimals)	Up to 10		11-50		50+		Total	
	No.	%	No.	%	No.	%	No.	%
Continuing	656	69.9	809	72.8	50	86.2	1515	71.9
Dropout	282	30.1	303	27.2	8	13.8	593	28.1
Total	938	44.5	1112	52.8	58	2.8	2108	100
Chi-square = 8.06 DF = 2 Significance = 0.02								

Source: Own Data



7.3.7. Family Income and Dropout

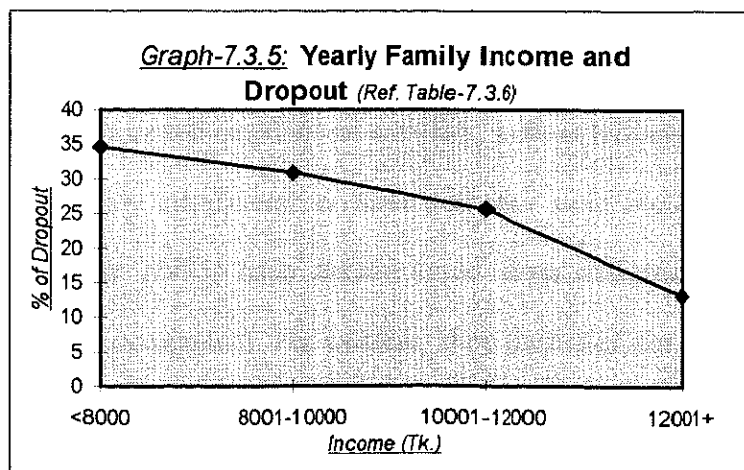
It does not need any prove that income of the family is directly related to the poverty status of the family. It is imperative that more the income less the poverty. It has already appeared that poorest and vulnerable groups are leaving or dropping out more from Grameen. If these findings are true, it clearly implies that, income of the participants will be negatively related to dropout. That is, more the income less the dropout in case of this study. Data on income of the members of the study branch clearly support this assumption. A clear negative relationship between yearly family income and dropout could be seen in the data presented in Table-7.3.6. Proportion of dropout constantly decreased from 34.7% for the

members who had an yearly income of less or equal to Tk¹8,000/- to 30.9% for Tk.8001-10,000 and further to 25.7% for Tk.10,001-12,000 and then drastically to only 13.2% for those who had incomes more than Tk.12,001 (Graph-7.3.5). The relationship is statistically significant at high level (0.00) with high Chi-square value of 59.95% and 3 DF. These findings, again, firmly establishes that the poorest members of Grameen are leaving Grameen leaving a big question on its role in poverty alleviation from the society.

Table-7.3.6
Total Yearly Income by Membership Status

Yearly Income(Tk.)	≤8000		8001-10000		10001-12000		12001+		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Continuing	476	65.3	461	69.1	250	74.3	328	86.8	1515	71.9
Dropout	252	34.7	205	30.9	86	25.7	50	13.2	593	28.1
Total	728	34.6	666	31.6	336	15.9	378	17.9	2108	100
Chi-square = 59.95 DF = 3 Significance = 0.00										

Source: Own Data



¹ Tk. (Taka) is the name of Bangladesh Currency. 1 Taka = \$ 48.35 approximately.

7.3.8. Occupation of the Family Head and Dropout

Occupation of the family head¹ could be a good indicator of the family's economic status. For example, no doubt that the landless day laborers and who have nothing to do or who have no particular occupation is the poorest of the poor among all. Thus examination of the occupation of the family head could reveal important findings about who are dropping out more from Grameen. For the microcredit programs, in this case Grameen, occupation of the family head has important implications. This is based on the fact that although women receive loans, loans are usually invested through the family heads, who are usually either husband or other male member, or in few cases the participant herself where she is the head of the family. Hence, successes in using the loans are likely to be largely affected by the occupation of the family head. For example, those who were engaged in day labor prior to join Grameen are likely to be less successful in self-employment activities, either agriculture or non-agriculture, compared to those who were engaged in such self employment activities earlier². Again, those who were engaged in agriculture activities, and if they invest their loans in agriculture, could face problem in repaying the weekly installments because return from investment in agriculture is seasonal and there are frequent crop failures. Contrary to this, those who were engaged in non-agriculture self-employment activities, such as business, would enjoy easiness in repaying their weekly installments as these activities yield regular return or incomes. **Rahman & Khandker (1995)** have already noted large differences in the return from different employment (occupation). For example, they estimated the gross hourly return for Grameen participants as only Tk.3.0 from wage employment compared to Tk.8.3 from self-employment. They further showed wide variety among different categories within self-employment, such as, gross hourly return is Tk.4.8 from farming, only Tk.2.0 from livestock and as high as Tk.20.4 from non-farm self-employment activities (*ibid. 1995, Table-6*). These

¹ Assuming that the family head is the principal earner of the family.

² Assuming that the loans are invested primarily in those sectors where the family heads were engaged earlier. There, however, may be exception of that. For example, a day laborer has to start a new self-employment activities, either agriculture or non-agriculture, to invest the loans.

findings clearly indicate that the rate of success through investment of loans, received from Grameen, would also vary largely according to the occupation of the family or family head.

Based on the above discussion it may be assumed that those who were engaged in occupations that yield regular income, such as any kind of business, would better cope with the requirement of regular weekly repayment installments, hence get more success in Grameen. Contrary to this, those who were engaged in occupations that do not yield immediate or regular income, such as no-occupation or day laborer or agriculture, could face problem in repaying weekly installments, hence dropout more. Occupation data of the Grameen participants of the study branch have been presented in Table-7.3.7. Occupation has been categorized according to the frequency of return and technical skills. As assumed it is seen that highest proportion (40.0%) dropped out among those who reported that they had no particular occupation or had no regular source of income. No doubt that this was the most vulnerable group in rural Bangladesh. Thus, more dropouts among them again support the earlier findings that the poorest of the poor are leaving Grameen.

Agriculture and labor class¹, (30.5%) followed 'no occupation'. The lowest proportion of dropout is seen, as assumed, among those who were engaged in some kind of business, respectively 17.9% and 20.9% for business, and trade & business category. Those who were engaged in some kind of service or profession were also found dropped out less than agriculture and laborer class but more than that of the business categories. This could be explained by the fact that, people who were engaged in services or professional activities were relatively better-off section in the society. They might have found participation in Grameen is less opportunistic than their profession, hence dropped out more. Any way findings clearly indicate that as business yields regular income members of this group face less

¹ It could be mentioned here that this group is actually engaged in both own agriculture as well as day labor, for others. As it is difficult to differentiate between these two groups, I have treated them together.

problem in paying their regular repayment installments as they dropped out less. It is also evident that the difference in dropout among different occupation groups is statistically significant at high level (0.00) with 4 DF.

Table-7.3.7
Occupation of the Family Head and Dropout

Occupation	No Occupation		Agriculture & Labor		Business		Trade & Business		Service & Professional		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Continuing	27	60.0	1082	69.5	230	82.1	110	79.1	66	75.0	1515	71.9
Dropout	18	40.0	474	30.5	50	17.9	29	20.9	22	25.0	593	28.1
Total	45	2.1	1556	73.8	280	13.3	139	6.6	88	4.2	2108	100.0
Chi-square = 26.0 DF = 4 Significance = 0.00												

Source: Own Data

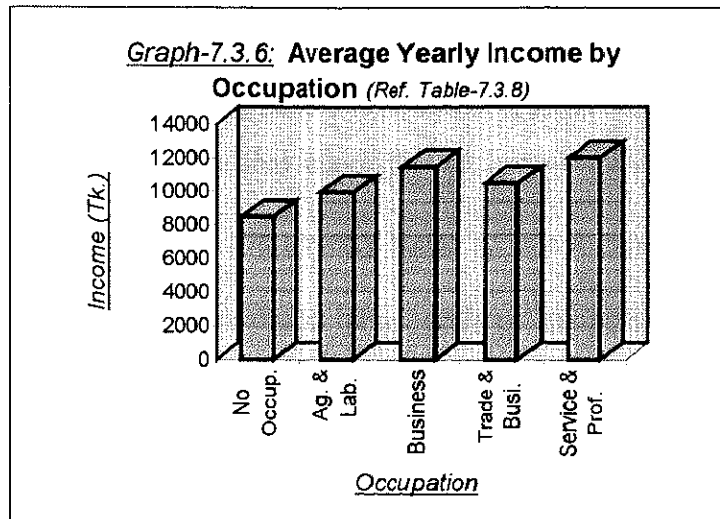
As more than three-fourth of the Grameen members are seen from either no occupation or agriculture and labor category, and members of these categories dropped out more, it indicates that in the coming days dropout from Grameen would increase.

Again, data in Table-7.3.8 show that the average yearly income was the lowest (Tk.8511.1) for those who reported no occupation followed by agriculture and labor (Tk.9964.3), trade & business (Tk.10,508.7), and business (Tk.11,493.4). The pattern is almost same as the pattern of proportions of dropout among different occupation groups seen in Table-7.3.7. It is seen that more the income less the dropout (Graph-7.3.6). These findings confirm that those who had no occupation or engaged in agriculture or labor are the poorest class and, as found earlier, dropped out more from Grameen. Now, it may be firmly said that the poorest of the poor are leaving Grameen more.

Table-7.3.8
Average Yearly Income (Tk.) of Different Occupation Groups

Occupation	No Occupation	Agriculture & Labor	Business	Trade & Business	Service & Professional	All Occupation
Average Income (Tk.)	8511.1	9964.3	11493.4	10508.7	12017.0	10257.7

Source: Own Data



In conclusion, it may be said that family factors are crucial for participants' success or failure in the program. Almost all family factors considered were found significantly related with dropout. Thus, family factors must be consider in implementing poverty alleviation program. It is also seen that poorest of the poor are dropping out in a large scale. This is contrary to the ultimate objective of poverty alleviation from the society and also limits the role of Grameen in reducing poverty. Now I shall examine another important family variable, the Family Life Cycle, which, as shown by the family scholars, is an important determinant of the poverty status of the family.

7.3.9. Family Life Cycle (FLC) and Dropout

Introduction

Earlier scholars have found significant relationship between Family Life Cycle (FLC)

and poverty status of the family (*Rowntree 1906, Loomis 1936^{a,b}, Tuttle 1989*). As family's poverty status changes over the FLC Stages, it is also likely that success in poverty alleviation program would also vary with FLC Stages. Relationship between FLC and success in poverty alleviation efforts of the poor, who are participating in large numbers of poverty alleviation programs worldwide, however, is yet to examine. Family Life Cycle approach has been proved very useful in studying the relationship between family and other social processes. As it is already seen that major family factors are significantly related with dropout from Grameen and as the poverty status of the family changes over the FLC stages, I assumed that there would also be a significant relationship between FLC stage and dropout from Grameen.

The Family Life Cycle (FLC)

Of the different dimensions used in describing the family, the family life cycle concept appears to be particularly useful in providing a frame work for understanding the dynamics of how the family per se affects the health and well-being of its members and how the health and well-being of its members affect the health of the family.

United Nations, Occasional Papers Series No. 15, 1994,p.3.

FLC is composed of several consecutive stages that a family passes from its beginning to the end. Thus, it starts with the marriage of man and woman and ends with the death/departure of either or both of the spouses. In this process every family passes through some particular stages¹. The family structure, composition, roles and relations among the family members, and relation between family and other social processes change as family passes through these stages. It is proved very useful to look into the changes occur with the shift of FLC stages to understand different aspects of the family as an institution and it's

¹ *Glick (1947)* described the process as "Typically, a family comes into being when a couple is married. The family gains in size with the birth of each child. From the time when the last child is born until the first child leaves home, the family remains stable in size. As the children leaves home for employment or marriage, the size of the family shrinks gradually back to the original two persons. Eventually one and then the other of the parents die and the family cycle has come to an end" (p. 164).

relation to other processes in the society. In fact, this approach opened an important method of family study for the family scholars. In the words of *Duvall (1977,p.141)* one of the pioneer of FLC approach:

The family life cycle, used as a frame of reference, affords a longitudinal view of family life. It is based on the recognition of successive phases and patterns as they occur within the continuity of family living over the years. It opens the way for study of the particular problems and potentials, rewards and hazards, vulnerabilities and strengths of each phase of family experience from beginning to end.

The Family Life Cycle Stages (FLCS)

Criteria of FLC Stages

Different scholars have developed and used different FLC stage models according to their own study design¹. In most cases, however, marriage; birth, age and movement of the oldest child; and departure of both or either spouse have been used as the criteria for determining the FLC stages (*see Duvall 1977; Glick 1947, 1955; Loomis 1936^{a,b}; Norton 1983; Tuttle 1989*). *Tuttle (p.272)*, in the article 'poverty over the family life cycle', used a seven stage FLC model. These were; *Stage-I*: Establishment (couple without children and head is 35 years of age); *Stage-II*: Childbearing (oldest child less than 6 years of age); *Stage-III*: School age (oldest child 6-13 years of age); *Stage-IV*: Adolescent (oldest child 14-17 years of age); *Stage-V*: The young adult (at least one child 18-29 years of age); *Stage-VI*: Launching (at least one child had left the home within last year); and *Stage-VII*: Post-parental (all the children had left home).

Life Cycle Stages for Bangladeshi Families

In the present study I have followed the family life cycle stage model of *Tuttle* with

¹ For detail of some of these models see *Karim (1996)*.

some modifications as the model was developed and used for the families of the developed countries and, as such, may not fit for the families of a developing society like Bangladesh. *Tuttle's* stages-I & II, have been used as such, as the definition of these stages fit with Bangladeshi families. Stages-III & IV of *Tuttle* could also be used as same in terms of the age structure of the oldest child. However, as the children of Bangladeshi poor families, instead of going to school, begin useful household and more directly productive works by age 6 and at the age 13+ work as long as or longer than adults (*Cain, 1977,p.213*), these stages have been renamed as 'families with pre-adult children' and 'families with adult children' respectively. The later also incorporates *Tuttle's* stage-V— the stage of 'young adult'. Again, due to the fact that most old age parents in rural Bangladesh are used to live with one or more adult children, preferably son, it is difficult to identify the launching family and a family of empty nest in Bangladesh. Thus, *Tuttle's* stages of VI & VII seem not applicable for the Bangladeshi families. So, these stages have been excluded from the present study. Finally, the following FLC stages have been considered in the present study:

Stage-I: Establishment (Marriage to birth of 1st child)

Stage-II: Child bearing family (oldest childbirth to <6 years)

Stage-III: Families with pre-adult children (oldest child 6 to <13 years)

Stage-IV: Families with adult children (oldest child 13 years and above)

Family Life Cycle and Poverty Alleviation

Family Life Cycle: Determines the Poverty Status of the Family

It is already mentioned that scholars have successfully used FLC to explain the poverty situation of the family. For example, as early as the beginning of the century, *Rowntree (1906)* showed that poverty was associated with particular points in the FLC as the ratios of

breadwinners to dependents changes throughout the FLC stages. According to *Rowntree's* description, the period before and during the first years of marriage is characterized by relative plenty which may continue until the worker has two or three children; then poverty overtakes the family which lasts until the first child is fourteen years old and begins to earn; while the children are earning, and before they leave home, the family may enjoy another period of prosperity; and possibly, sink back again into poverty when children are married and left the family. *Loomis (1936^b)* found that the total amount of land farmed by the family fluctuates with the life cycle of the family, which determines the family's poverty level. *Aldous & Hill (1969)* claimed that families are especially vulnerable to a loss of control over their future at certain stages of their development, for example, the childbearing phase and when their children become adolescents. Recently *Hamid (1995^a)*, in explaining the gender dimensions of poverty of Bangladesh, used the concept of life cycle and showed that majority of women of 15-24 years of age belong to high poverty bracket, move to less poor bracket at the age of 40 years and at the age of 65+ their situation again deteriorate (*pp.142-147*).

Implications of FLC Stages for Poverty Alleviation

As revealed, that poverty status of the family is strongly related to FLC, it may not unusual that FLC could also affect the poverty alleviation efforts of the family¹. Earlier, I have discussed that, join with Grameen program creates, at least, two new roles for the rural poor women. These are *program participant*— since they didn't not participate in any such program earlier and *income earner*— since they were not engaged in any income earning activities earlier. These new roles could be considered as additional to their traditional heavy burden of household works as male family members, usually, never participate in the household activities in Bangladesh society. Apart from the question of skills, it is obvious that, to

¹ It should be noted here that although the participants of Grameen program are individual women, all of them belong to the family and poverty alleviation efforts take place in the family as a unit.

perform these new roles, considerable amount of time is required. It also revealed from earlier discussion that mobility of the women participants and availability of family labor are very important for success in microcredit poverty alleviation programs. As family passes through its life cycle stages, along with other features, both mobility of women and availability of the family labor, particularly children and women, varies significantly (*Glick 1947,1955; Krishnan 1992; Loomis 1936^b; Rowmtree 1906; Waite 1976*). For example, wives of the families of FLCS-II, who have young children, may not be able to work outside the family or may not move as same as others who don't have young children. The Grameen program delivers credit to the poor women implying that the borrowers will invest the money immediately to income generating activities because the loan repayment installments start just after two weeks of loan allotment. Investment of money requires substantial mobility and access to market. It also requires labor power. We have already seen that more the member more labor power in the family, means less the dropout. According to the FLC approach, supply of family labor differs with the FLC stages. Thus, it is usual that there will be also differences in the success in loan use among participants of different FLC stages.

Reluctant Attempt to Refer Implications of FLC in Poverty Alleviation

I have already mentioned that poverty scholars of the developing countries are little concern about the role of family in poverty alleviation. Probably, this is because of the fact that, in these countries, economists dominate the field. Understandably, these scholars have little knowledge about the dynamics of family processes, which, as already appeared, are the ultimate determinant of the success of the participants in the poverty alleviation programs. With the continuous failures of the poverty alleviation programs these scholars, however, indicate the importance of family factors, such as FLC, without any elaboration¹. Sometimes,

¹ *Hamid's* use of life cycle to explain the move in and out of poverty of the women with age, cited in the last page, could be a good example of this. *Hamid*, while mentioned that women move in and out of poverty according to their age, she explains little about why such movements occur.

the concept of 'life cycle' has been used with synonymous meaning to FLC¹, as important for the poverty alleviation. For example, *Sharief & Wood (1997,p.378)* stated that lumps of capital at various stages of the family life cycle could affect the borrowers sustainability in microcredit programs. *Rahman (1995,p.129)*, mentioned that 46 percent of the downward mobility pressures, which could interrupt the graduation process of the poor, constitutes by life-cycle factors², such as loss of earning member or increase in the number of dependents, meaning synonymous to FLC. These studies, although, clearly indicate the importance of FLC to explain the success and failure of the participants, particularly women, in poverty alleviation programs, so far, there is no systematic study using the rich body of FLC theory in this regard. In this section of the thesis, I have tried to explore the relationship between FLC and dropout of the Grameen participants. As mobility of women and availability of family labor increases with the increase in FLC stages my hypothesis is that *'there is a significant relationship between the family life cycle stage of the participant and proportion of dropout from Grameen. And the relationship is negative, that is, dropout decreases as FLCS increases.* As discussed earlier, FLC approach is applicable to only married couples; the unit of analysis of this part has been the married couples only. As there were 1905 married couples among the 2108 members (see Table 7.2.2) considered in the present study, number of cases were 1905.

The Family Life Cycle Stages (FLCS) of Grameen Participants

Table 7.3.9 presents the data on FLCS of the members of the study branch. Highest proportion (39.6%) of the members were in FLCS-III when they entered into the program. This means that their oldest child was between 6 to less than 13 years of age. As mentioned earlier, in this age group, rural Bangladeshi children start productive activities for their family,

¹ This might be the result of the shallow knowledge about these concepts.

² Two other factors mentioned are 'crisis factors' and 'structural factors' constitute 37 percent and 17 percent respectively.

although may not as much as an adult. The second highest proportion (31.3%) of the Grameen members were in FLCS-II which means that their oldest child was 0 to less than 6 years of age. At this age group Bangladeshi children usually remain as consumers in the family. The third highest proportion (18.4%) of the Grameen members were in FLCS-III, that means their oldest child was 13 and above years of age. At this age group Bangladeshi children do productive activities as same as an adult person. The lowest proportion (10.7%) of the members were in FLCS-III, e.g., they had no children. It is likely that the lowest proportion of member were in FLCS-I, because the duration of this stage is very short in Bangladesh as married women in this age group are likely to give birth soon and as such enter into the FLCS-II. This has been supported by the fact that the average age at first birth for different age groups of Bangladeshi women is only 17.3 years (*Huq & Cleland 1989,p.92*), while the average age of the members of FLCS-I in this study was found 20.9 years. Thus it could be concluded that these members would certainly have children soon and enter into FLCS-II¹.

Table 7.3.9
Family Life Cycle Stages of the Members of the Study Branch

FLCS	Number	%	Cumulative %
I	203	10.7	10.7
II	596	31.3	41.9
III	755	39.6	81.6
IV	351	18.4	100.0
All Stages	1905	100.0	

Source: Own Data

¹ This has become evident through the survey data of the present study. Among 260 interviewed members interviewed, 43 took membership during 1989 whose baseline data were not available as stated in the methodology section. Another 14 took membership during 1997 who are not included in the present study. Thus, together, for these 57 members, there were no baseline data. Among the rest 203 matched respondents 188 members were married and could be considered in FLC analysis. Out of these 188 cases, 28 were in FLCS-I during entry into Grameen. All but 3 of these 28 were found in either FLC-II or FLC-III during survey. Among these 3 cases who were still found in FLC-I, one was infertile, one just entered into the program in 1996 and the other member yet to give birth. It may worth mention here that both husband and wife if this latter couple were found educated up to secondary level. They may have decided to delay to have children.

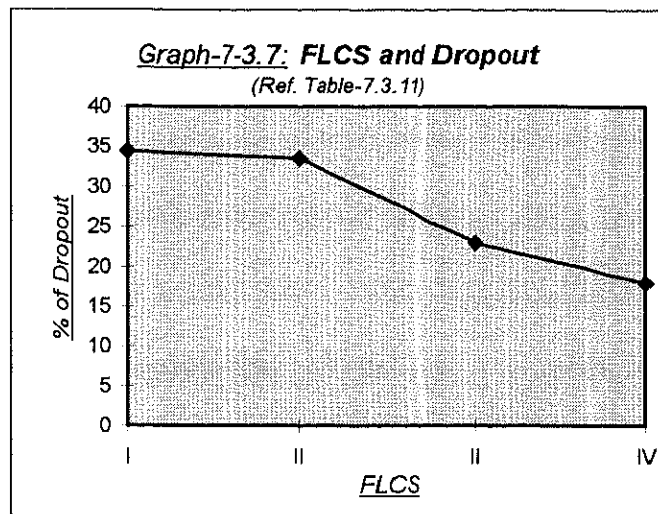
FLCS and Membership Status of Grameen Participants

As expected in the hypothesis it is seen that FLCS is related to dropout very strongly. And the direction of the relationship is negative, e.g., proportion of dropout constantly decreases with the increase in FLCS (Table 7.3.10 & Graph 7.3.7). The high Chi-square value of 39.56 and high Significance of 0.00 with a DF of 3 indicates high difference in the proportion of dropout among different FLCSs. Highest proportion (34.5%) of dropout is seen among the members of FLCS-I. This has decreased to 33.6% for FLCS-II. Then the rate has largely declined to only 23.0% for FLCS-III and finally to the lowest 17.9% for FLCS-IV. This constant decrease in the proportion with increase in the FLCS establishes the negative relationship between FLCS and failure in poverty alleviation programs. However, the sharp decrease in the proportion of dropout from FLCS-II to FLCS-III and slight decrease between FLCS-I & II and FLCS-III & IV could be explained by the presence of productive (full or partly) age children in the family. According to the definition, the main difference between FLCS-I & II and FLCS-III & IV is the presence of productive age children in the family. The productive age children of the members of FLCS-III & IV may have been helping in income earning and household activities, which facilitates members playing their roles and hence causes less dropout from the program.

*Table 7.3.10
Family Life Cycle Stage (FLCS) by Membership Status*

FLCS	Continuing Members		Dropout Members		All Members
	No.	%	No.	%	
I	133	65.5	70	34.5	203
II	396	66.4	200	33.6	596
III	581	77.0	174	23.0	755
IV	288	82.1	63	17.9	351
All Stages	1398	73.4	507	26.6	1905
Chi-square = 39.56 DF = 3 Significance = 0.00					

Source: Own Data



Relation between FLCS & Dropout in Respect to Relation between Poverty & FLCS

Earlier poverty studies on FLCS and poverty (*Glick 1947,1955; Krishnan 1993; Rowntree 1906*) found that families are usually less vulnerable to poverty during FLCS-I as both husband and wife could work in the market during this stage and don't have the burden of child bearing. It could also be expected that the relationship between FLCS and dropout would also follow the same pattern. From the above findings, it is, however, evident that the pattern of relationship between vulnerability to poverty and FLCS and FLCS and dropout do not follow the same pattern. There might be several reasons behind this. *Firstly*, the duration of FLCS-I in Bangladesh society, as seen, is very short. The married women aged beyond 15 years likely to have child soon and, as such enter into FLCS-II. It is seen earlier that dropout from the program, usually, happens after 1 year or more (see [Table 7.1.4](#)) of duration in the program. Thus, the probability of having child by this time, especially for the women of this age structure, is almost certain. This is also found in the survey data of the present study. As mentioned earlier, all but 3 of the 28 members who were in FLCS-I during entry in Grameen

were found in FLCS-II and FLCS-III during the survey. *Secondly*, as one of the principal factor of success in poverty alleviation program is the amount of family labor available, and as the amount of family labor is more among the members of FLCS-III & IV than that of members of FLCS-I & II, this causes less dropout among the members of FLCS-III & IV. *Thirdly*, although wife could work in the market as laborer during FLCS-I, in reality, the opportunity to work for women is extremely scarce in rural Bangladesh, whether they have children or not. We have already seen that, in total, only a small proportion (4.1%) of our sample was involved in income earning activities during entry in Grameen (see [Table 7.2.4](#)). In addition, it is usual that the members of FLCS-I are of younger age. In a conservative society like Bangladesh mobility, essential to involve in income earning activities, of women increases with the increase in age. This also limits the work possibility of the wife of a newly married couple— who are treated as *Notun Bou* (new bride)— outside home. Thus, it is unlikely that the family would be less vulnerable to poverty even if both of the couple were eligible to work. *Finally*, most of the studies on poverty and FLCS had been carried out in the developed societies and might be expected not to yield the same result in the developing societies like Bangladesh.

The Mighty Family

Findings of this chapter clearly pointed out the importance of family factors in poverty alleviation programs, in this case microcredit programs or more specifically Grameen. It appears that, in all respects, probably, family factors are the ultimate determinant of participants' success or failure in Grameen. In particular, stage of the family in the life cycle, alone, could sufficiently help to explain the success or failure in the poverty alleviation programs.

It also becomes clear from the findings that the poorest are leaving the program, which is limiting the objective of poverty alleviation from society. Other studies have also pointed this. For example, *Hulme & Mosley (1996,pp.120-122)* showed that the better-off loanees had been able to increase their income more than that of the poorest with the help of microcredit. Some of the poorest loanees even became worse off through participating in microcredit programs. *Hulme & Mosley* claimed that there were, even, reports of suicide following the peer group pressure due to failure to repay loans. In an another study in El Salvador and Vanuatu *Tomlinson (1995)* argued that the development of successful enterprises and the improvement of the incomes of very poor people were conflicting rather than complementary objectives. By selecting those most likely to be successful for credit and training, the programs inevitably moved away from working with the poorest people. Thus, it is essential to take necessary measures to keep these most vulnerable sections in the program to ensure sustainable poverty alleviation from the society. This, of course, depends on how far the family factors of the participants are accommodated in the microcredit program implementation.

Chapter-7.4

WHY THE POOR LEAVE THE CHANCE OF COMING OUT OF POVERTY

7.4.1. Introduction

So far, I have showed that participants continuing with Grameen and participants dropped out from Grameen significantly differ in their individual and familial factors. It is imperative that participants and their families act according to the demand of the program participation. I have already mentioned two new roles of 'income earner' and 'program participant' for the women participants of Grameen. No doubt, success in the efforts to come out of poverty depends on playing these roles successfully. However, playing these roles could be jeopardized by, in one hand, loss in or poor return from investment and, on the other hand, conflicts at different levels of interaction related to program participation— ranges from individual roles to program factors. I assumed that in the process of efforts to come out of poverty or success in Grameen, the poor might face above problems, which may have contributed to their decision to drop out from the program or failure in the efforts. In this section I have examined this assumption through following the process of getting success in Grameen or coming out of poverty.

7.4.2. Process of Getting Success in Grameen

The process of getting success in Grameen, as revealed from the literature, could be simply stated as the poor women, with full motivation, participate in Grameen, receive loans, invest the loans in income generating activities successfully, increase incomes, and come out of poverty. Two major phenomenon, i.e., problems in loan investments and conflicts arise in the process at different levels, could jeopardize this process and cause dropout. To elaborate these points I have formulated a theoretical framework first, then tested it with the data collected from field.

As evident, immediate investment of Grameen loan is essential as repayment installments start just after two weeks of loan allotment. It is also evident that all Grameen loans invest through self-employment. In this sense, all Grameen participants or their family member(s) are entrepreneurs. Success in the program or escaping from poverty means success as entrepreneur. Thus, every Grameen family needs to be a successful entrepreneur to escape from poverty. However, it may not happen in reality. Every family may not turn out as equally successful entrepreneur. Differences in success are likely, as seen there are differences in individual characteristics and skills, family composition and structure, resource base of the family, and so on among the participants. This I have already showed in the last two chapters. Apart from these, two more important aspects could be identified in the process. *First*, usual problems in investment and, *second* how far the participants— the poor women— able to perform their roles in the process and what conflicts they face in performing their roles. These two aspects are not independent of each other but dependent and influence each other. The individual and family factors discussed earlier also largely influence these aspects.

7.4.3. Problems in Loan Investment

Risk or uncertainty in investment is a universal phenomenon. This is particularly true for a society like Bangladesh, where large investors also suffer extensively in making their business. It is seen that agriculture is the main sector where Grameen participants invest their loans. Agriculture sector in Bangladesh, apart from frequent natural calamities, is being characterized as suffering from scissors effect. That is, the price of the agriculture products go down, even beyond the production cost, during the seasons of good yield and when most farmers are in a position to sale their products. While the price go up during the seasons of bad yield when most farmers have nothing to sale rather turn as purchaser. Above all, unforeseen events, sometimes called as God's act, such as; market hazards, natural calamities,

sickness, and death of livestock from disease, theft of capital or capital goods, etc., are very common in Bangladesh. All these may cause the participants to incur loss or poor return in investment. The poor possess extremely limited income sources. Thus, it is likely that in case of such failures, the whole family of the participant, particularly the participants themselves face a severe traumatic economic hardship to repay the loans. This may, in turn, lead to a decision of dropping out from the program. Moreover, such failures mean starvation, if not death, for the poor participants of Grameen who have extremely limited sources of income. This traumatic experience may lead the participants to dropout or failure in the program. Thus, I assumed that those participants who face investment problem(s) drop out more than those who were not.

7.4.4. Problems in Interaction at Different Levels

Grameen participants are also engaged in a series of interactions relating to their new roles created through joining Grameen at different levels of the process. It is, again, not unlikely that the participants may face conflicting situations in this process which could significantly contribute to dropout from the program. This could happen at different levels as discussed below.

Role Conflicts

I have outlined that, joining with Grameen creates two new roles for the rural Bangladeshi women. These are 'program participant' and 'income earner'. Grameen strictly follows its rules and regulations and participants are expected to join the program activities; such as, weekly meetings, training programs, workshops, etc.; regularly. This is a new role of 'program participant' for the women, as earlier these women didn't participate in such programs. Again, as most Grameen participants were unemployed (only 4.1% found in this study) prior to joining Grameen, this is another new role of 'income earner' for them. Given the

fact that, in rural Bangladesh, husband and male participants of the family do not share the already existed women's multiple roles of wife, housekeeper, child-rarer; including post-harvesting heavy workload¹, these new roles could be considered as additional to them. Apart from the question of skills as entrepreneur, these new roles, obviously, requires extra time to perform and may create conflicting situations with the participants' traditional roles. This is particularly important for those who have young children in the family. In this study it is already found that dropout happens more among them who have young child. *Chen & Ghuznavi (1977)* also showed how rural poor working women of Bangladesh face the problem of childcare as an additional burden for them. Role conflict was also found felt more by those women who are unable to make satisfactory arrangements for childcare² (*Whyte & Whyte 1982,p.176*). Thus, the traditional roles of 'household work' and 'child care' may create a role conflict among the participants of Grameen, which may lead these participants to dropout.

¹ For example, following the harvest of rice a Bangladeshi woman's typical work consists of preparing courtyard, threshing crop to separate rice from stalks, drying, winnowing and sieving, parboiling, husking, polishing, milling and storing (*Mizan 1994,p.37; Shehabuddin 1992,p.64*).

² I have already mentioned that lack of childcare is the major barrier to work for the women. In the developed countries there are different community provisions for childcare. Even then the facilities are being often termed as insufficient. For example, Children's Defense Fund (CDF), in the U.S.A., recently (*June 25, 1998*), claimed that in most American cities, lack of childcare facilities prohibits the mothers to work. According to CDF, New York City also lacks childcare for 61 percent of the children whose mothers are supposed to participate in workfare this year. The city needs 29,000 more childcare slots to move welfare mothers into work. (Taken from *CDF Internet Homepage*). These facts indicate how important is the question of childcare for the mothers if they are suppose to work. Grameen, and like microcredit programs like to bring the women into the work but, anywhere, in any form, the question of childcare has not even been discussed or considered. In this sense, it may be said that it is unrealistic to bring the women into work without arranging proper childcare facilities for their children. In a more humiliating manner, recognizing the need for childcare for the working mother, recently, the government of Bangladesh has introduced day care centers for the government employees-- who as I have discussed earlier, enjoying the most stable income and other subsidized facilities in the society-- in the secretariat and some other places of Dhaka. These daycare centers run with high subsidy from the government (for details please see, *The Daily Star, Online Edition, February 28, 1998*). If the working mothers in Dhaka need childcare, don't the rural working mothers in the microcredit programs also need childcare? How the need of working poor mothers, who are participating in the microcredit programs will be met? There is no answer to this question. The only target is to include women in the microcredit programs, bring them into work force, whatever happen to their children is not a concern at all. This is also a typical example of how and where the actual inequalities persist in developing countries which causing persistent mass poverty in these countries over the years.

Familial Problems

Familial problems could also contribute to drop out. For example, marital hazards such as, divorce or separation may contribute directly to an end of Grameen membership, because Grameen requires the participants to stay within the project area and divorce or separation means migration of the participant to her natal house which is, usually, far from husband's village. It is also evident that loans given to women are actually used and controlled by the male members, mostly husband in the family. Thus, in case of mis-appropriation of capital and/or bad relation with husband and subsequent refusal of supplying the loan repayment installments by husbands may lead the participants to a very critical situation. They may face dire crisis in repaying the loan installments from their own capacity. Loss of earning member such as due to death or family separation would also cause dropout from the program. I assume that those who face such familial problems may have dropped out more than those who didn't.

Problems with Group/Center Members

Grameen members participate in the program through groups and centers. In fact, as I already showed, from the very beginning of the history of the development and poverty alleviation programs, group has been chosen as the vehicle for implementing policies and delivering services but, astonishingly, very little attention has been given to group dynamics and processes. In group theory, conflict is inevitable in the group process. Earlier, in Bangladesh, it was found that one of the major reason of huge number of cooperatives became massively dormant was due to the conflicts among the members. Thus, if there were no mechanism for mitigating group conflict, it certainly harms the group harmony. Such component in the Grameen program was not found except orienting Grameen Workers about group during training at the beginning of their career in Grameen. Apart from usual conflicts

arise from human interaction, there could be other points of conflict in the group and program related activities, such as, row over who will get the first loan¹, loan amount, loan repayment², etc. Nevertheless, if such problems arise that would cause a member to decide not to continue with the program any more even if she is successful in investment. Thus, I assumed that those who faced such problems would dropout more than those who are not.

Problems Related to Program Personnel

Problems may arise with the program personnel at different points of program participation too. For example, feasibility of the project proposed, amount of loan, selection of recipients for other services provided by the program, and so on. Strict loan repayment schedule, enforced by the program authority could also easily contribute in arising conflicts as regular loan repayments may sometimes become impossible for the participants due to income fluctuations. Any way, this again, could lead to dropout.

The above theoretical discussion has been summarized and presented in the following Chart- 7.4.1. It shows that Grameen members receive loans; invest through self-employment; a proportion get success in investment and head towards escape from poverty³. While another proportion face problems in the process. As discussed these problems could be in investment, such as crop failure, death of livestock, etc., or conflicts at different levels, such as individual roles, family, group/centers, etc. Both failure and problem in investment and conflicts at different levels would lead to dropout. In case of problem in investment it cause traumatic

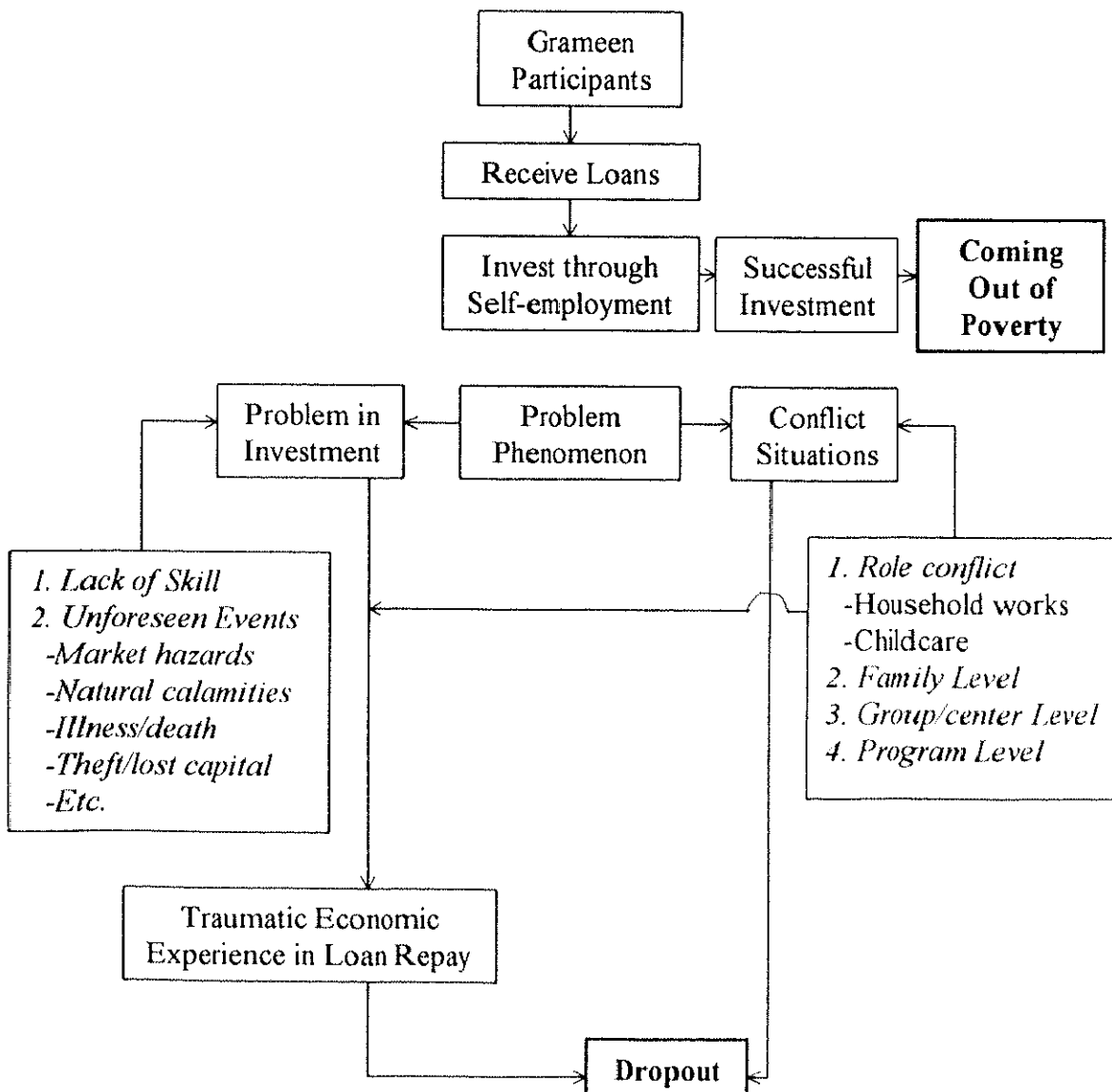
¹All members of a group do not get loan at a time. First one member gets it and, if her repayment is satisfactory, then others get loan gradually.

²Loan repayment rate of GB is extremely high, about 98%. Peer pressure, i.e., pressure from other group/center members, is considered one of the key factors in this regard (*Hulme & Turner 1990, Hulme & Mosley 1996, Johnson & Rogaly 1997*). If a member defaults others won't get loans or the group would be discredited in terms of performance. This pressure could be a potential source of conflicts among the members, as it may not unlikely that, due to fluctuations in income, sometimes, a member may have no choice other than that of delaying the weekly installments.

³It is imperative that there may be some participants who face above problem(s) but to overcome that and continuing with the program.

experience for the members in repaying loans which ultimately lead to dropout. On the other hand, conflict at any level, mentioned above, would lead to direct dropout or via experiencing problem in loan repayment. For example, at the family level, if there any conflict with the male member, who invest the loan and usually the husband, and followed by, if he refuses to provide the installment money, that could cause the member to experience a severe hardship in repaying loans from her own capacity. This would ultimately lead the member to dropout from the program. Such dropouts could also occur in case of successful investment too.

Figure-7.4.1
Theoretical Approach to Study the Dropout Problem of Grameen



I tested the above theoretical construction through comparing the data collected from two groups, i.e., 'continuing' and 'dropout' participants of Grameen. As mentioned in the methodology section the analysis is based on 260 respondents I interviewed. My hypothesis was that *those who face either failure or loss in investment or conflict at different levels of program participation will dropout more than those who have not face such problems.*

7.4.5. Investment Problem and Dropout

More than one-fourth (27.0%) of the respondents reported that they had problem in investing the loans received from Grameen (Table-7.4.1). Among the 69 (out of 260), who mentioned problem in investment, highest 30 (43.8%) reported that they consumed the capital due to crisis. This was followed by 21.7% loss in business, 17.4% lost the capital due to inefficiency in Business, livestock died 14.5% and 10.1% agriculture product lost (Table-7.4.2). Together 44 or 63.8% reported that they lost agriculture product or face loss in business or livestock died or lost capital due to inefficiency. Whatever the type, all these could be considered as incur loss in the project taken with the loans from Grameen. 8 (11.6%) of the respondents said that they lack capable person for loan investment in the family. This, again, highlights the importance of family factors in microcredit programs. It appears that a significant proportion of members faced problem in loan investment or failed to make any return through using the loan(s). And subsequently, as assumed, they dropped out more than others. Out of 69, who reported problem in investment, 42 or 60% dropped out compared to 43.4% of those who didn't report any problem. The difference is statistically significant at 0.02 level with a DF of 1 (Table-7.4.1).

Table-7.4.1
Problem in Loan Investment and Dropout

Whether Faced Any Problem	Continuing		Dropout		Total	
	No.	%	No.	%	No.	%
No.	107	56.6	82	43.4	190	73.0
Yes	28	40.0	42	60.0	69	27.0
Total	135	52.1	124	47.9	259 ^a	100.0
Chi-square = 5.7 DF = 1 Significance = 0.02						

^a One member yet to receive loan

Source: Own Survey

Table-7.4.2
Type of Problem Faced in Loan Investment

Type of Problem	Frequency	%
Agriculture Product Lost	7	10.1
Loss in Business	15	21.7
Livestock Died	10	14.5
Capital Lost Due to Inefficiency	12	17.4
Consumed or Lost Capital	30	43.8
No Person for Invest	8	11.6
Total	83 (N=69)^a	

^a Multiple response

Source: Own Survey

7.4.6. Role Conflict and Dropout

Household Works

As outlined earlier, to check whether problems in traditional household activities (roles) have any contribution to dropout or not, I inquired whether the respondents faced any problem in their two vital traditional roles, i.e., 'household works' and 'child care'. As a whole 32 (12.3%), out of 260, respondents reported that they had problem in 'household works' (Table-7.4.3). Among these 32, 24 (75%), reported that they had problem in cooking, particularly on the weekly meeting days. Among others 4 reported problem in taking care of

husband, and 2 problem in livestock care (Table-7.4.4).

Table-7.4.3
Whether Faced any Problem in Household Work and Dropout

Whether Faced Any Problem	Continuing		Dropout		Total	
	No.	%	No.	%	No.	%
No	128	56.1	100	43.9	228	87.7
Yes	8	25.0	24	75.0	32	12.3
Total	136	52.3	124	47.7	260	100
Chi-square =10.91 DF = 1 Significance = 0.00						

Source: Own Survey

Table-7.4.4
Type of Problems Faced in Household Works

Type of Problem	Frequency	%
Cooking	24	75.0%
Problem in Look After Husband & Children	4	12.5%
Others	4	12.5%
Total	32	100.0

Source: Own Survey

As assumed, it is clearly evident that those who reported problem(s) in household works dropped out more (75.0%) than those who did not, 43.9% (Table-7.4.3). The difference in dropout among these two groups is statistically significant at 0.00 with a chi-square value of 10.91 with 1 DF. If only the dropped out cases are considered, it is seen that about 29.4 % dropped out because of the problems in household works. This clearly establishes that if women face problems in their traditional role of household work they may drop out from the program.

Childcare

Earlier I have showed that those who had no child through having child, and those who already had young child dropped out significantly more than others. It leads to conclude that problem in childcare would lead the members to dropout. This has become evident from the data presented in Table-7.4.5, a mere 25 (9.6%) out of 260 respondents reported that they faced problem in childcare due to participation in the program. However, the important point is that 17 or 68.0% of these participants dropped out compared to 45.4% of those who didn't face any problem in childcare. The difference between these two groups is statistically significant at 0.03 level. Among the 25 majority (16) said that their children disturb during meeting.

These findings also supported by the data presented in Table-7.4.6 where it is seen that those who were able to arrange to look after their child by their family members dropped out less (41.6%) than those who had to receive help in this regard from others (71.1%) outside family. Among this others, there were mother, mother in law and neighbors. The difference in dropout is also statistically significant at 0.00 level with a chi-square value of 12.3.

If problems in both 'childcare' and 'household work' are considered together, it is seen that about 18% (46) of the members reported problem in either 'household work' or in 'childcare' or in 'both'. These were respectively 8.1%, 5.4% and 4.2% (Table-7.4.7). The difference in dropout among the groups is found statistically significant at high level (0.01). The important point is that more than 80% of those who reported problem in both 'household work' and 'childcare' dropped out. It seems that problem in 'household work' contributed more to dropout (71.4%) than problem in 'childcare' (57.1%). All these findings firmly establish that *role conflicts* of the participants could significantly contribute to dropout or failure in the process of escaping from poverty for the poor participants of Grameen.

Table-7.4.5
Whether Faced any Problem in Childcare

Problem in Childcare	Continuing		Dropout		Total	
	No.	%	No.	%	No.	%
No	128	54.5	107	45.4	235	90.4
Yes	8	32.0	17	68.0	25	9.6
Total	136	52.7	124	47.3	260	100.0
Chi-square = 4.57 DF = 1 Significance = 0.03						

Source: Own Survey

Table-7.4.6
Who Looks After Children and Dropout

Who Looks After Children	Continuing		Dropout		Total	
	No.	%	No.	%	No.	%
Family Members	94	58.4	67	41.6	161	74.3
Others	13	28.9	34	71.1	53	25.7
Total	107	51.9	99	48.1	206 ^a	100
Chi-square = 12.26 DF = 1 Significance = 0.00						

^a 54 members reported that they had no young children

Source: Own Survey

Table-7.4.7
Problem in Household Work and Childcare and Dropout

Type of Problem	Continuing		Dropout		Total	
	No.	%	No.	%	No.	%
No problem	122	57.0	92	43.0	214	82.3
Only in House Work	6	28.6	15	71.4	21	8.1
Only in Childcare	6	42.9	8	57.1	14	5.4
Both House Work and Childcare	2	18.2	9	81.8	11	4.2
Total	136	52.7	124	47.3	260	100.0
Chi-square = 12.28 DF = 3 Significance = 0.01						

Source: Own Survey

7.4.7. Conflicts in the Process and Dropout

Beyond the role conflicts, as discussed above, member may face conflicts in interacting with other human beings, in both family and outside the family, at different

levels during her role performance. I identified three areas, i.e., family members, group/centre members and program personnel, where such conflicts could occur and contribute to dropout.

Conflict with Family Members

Out of 260 respondents, only 17 or 6.5% respondents said that they had conflict with other family members. Among these 17, majority (15) reported they had conflict with husband over instalment money, (6) over husbands' disliking about participation in Grameen, over husband's second marriage (2), over household activity (2) and 1 over husband's Gambling. These findings indicate how husbands' irresponsibility could cause problem for the women to take part in Grameen. Other members of family with whom the respondents had conflict were step son and husband's brother.

***Table-7.4.8
Conflict with Family Members and Dropout***

Whether Conflict With Family Members	Continuing		Dropout		Total	
	No.	%	No.	%	No.	%
Yes	134	55.1	109	44.9	243	93.5
No	2	11.8	15	88.2	17	6.5
Total	136	52.3	124	47.7	260	100
Chi-square = 11.99 DF = 1 Significance = 0.00						

Source: Own Survey

Any way, whoever and whatever the subject of conflict, almost all members who reported such conflict dropped out. Only 2 out of 17 are continuing. The rest 15 have been dropped out. The differences in dropout are statistically significant at 0.0 level with a chi-square value of 11.99 (Table-7.4.8). It clearly reveals that conflict within the family could severely affect the effort to escape poverty even within a very successful poverty alleviation program like Grameen.

Conflict with Group/Centre Members

Grameen members participate in the program through groups and centers. In group theory, conflict is inevitable in the group process. Although Grameen policy ensures the maximum homogeneity among the group members in terms of socioeconomic background, it is natural that there remain certain differences in the individual and family characteristics among the members. These differences would cause differential achievements by the members in the program. Thus, in course of time the homogeneity of the group would decrease. Again, so far, Grameen is following the strategy of replacing the dropout members with new Ones. However, as mentioned earlier, scarcity of eligible persons may limit such possibilities. Such a situation may open the chance of inclusion of persons beyond the target group. This would also lessen the homogeneity of the group. All these are likely to create conflicts among the objectives of the group members. Apart from these, some program related factors such as, who will get the first loan, loan amount, loan repayment etc.; may also cause conflicts among the group members. Nevertheless, group cohesion might be significantly jeopardized by such conflicts, which may contribute to more dropouts. I checked this assumption to see whether conflict with fellow group/center members contributing to dropout or not.

It is seen that about 8.5% or 22, out of 260, of the respondents had some kind of conflict with other center/group members. Although the proportion is not very high, the important point is that, out of 22, 20 dropped out from Grameen, while the rest 2 are continuing. The difference in dropout among those who had conflict and those who had not is highly statistically significant at 0.00 level (Table-7.4.9). The points of conflict seem very interesting and mostly related to repayment of installments and weekly meeting. Out of 22, who had conflict, 6 reported that they delayed in repaying weekly

installment as they faced problem in collecting money. This caused other members became angry and led to a conflict that ultimately caused the members' dropout. This was followed by delay in meeting and other members' misreport to the Bank personnel (5 each), Other members' delay in the meeting causing the meeting to be lengthy (3). Finally, 1 each reported that they had conflict over construction of center house, participation in workshop and another member wanted her loan (Table-7.4.10).

*Table-7.4.9
Conflict with Group/Center Members and Dropout*

Whether Conflict With Group/Center Member	Continuing		Dropout		Total	
	No.	%	No.	%	No.	%
No	134	56.3	104	43.7	238	91.5
Yes	2	9.1	20	90.9	22	8.5
Total	136	52.3	124	47.7	260	100
Chi-square = 17.99 DF = 1 Significance = 0.00						

Source: Own Survey

Above findings indicate that peer pressure, which is believed to be the key factor in high rate of repayment and solidarity among the group members in microcredit programs, sometimes may also, cause the members to leave the program. During the field visit, it was observed that, to keep the repayment record clean and update, which is given highest value in the whole Grameen operation, when a member faces problem in installment repayment or is being suspected may would face such problem, whatever the reason, other members often compelled her to quit the program. As already seen that problem in investment is common among Grameen members it may not unlikely that these members may face problems in repaying their regular installments as they have extremely limited sources of income. Thus, it may useful to ensure some flexibility in loan repayment schedule for those who incur loss or lost capital due to genuine

unforeseen events. Otherwise, peer pressure, at least for these cases, would work as against their well-being and cause their dropout, which means an unsuccessful end or failure in their effort to come out of poverty.

Table-7.4.10
Points of Conflict with Other Group/Center Members

<i>Points of Conflict</i>	<i>Frequency</i>	<i>%</i>
Problem in Instalment Payment	6	27.8
Delay in Meeting	5	22.7
Other Members' Misreport to Grameen Worker	5	22.7
Other Members Delay Caused Meeting Lengthy	3	13.6
Another Member Wanted Her Loan	1	4.5
Participation in Workshop	1	4.5
Center House Construction	1	4.5
<i>Total Conflicts Reported</i>	22	8.5
<i>No Conflict</i>	238	91.5
Grand Total	260	100

Source: Own Survey

Again, groups and centers are the vital organizations of Grameen program. Thus these should get highest priority in Grameen program operation. As found that any kind of conflict leads to dropout, more emphasis should be given to mitigate conflicts. There is no study about the matter yet. Hence, extensive study should be undertaken to look into the processes of the Grameen groups and centers to identify their potentials and problems.

Conflict with Grameen Worker and Dropout

Interaction with Grameen personnel is another area where conflict would occur. Among different areas of conflicts, so far discussed, highest number, 32 out of 260, of respondents reported that they had conflict with Grameen Personnel (Table-7.4.11). In

cases of such conflicts dropout seems almost certain. It could be mentioned here that such dropouts could also be caused by the expulsion of the member. Out of 32 such respondents 31 dropped out while only one continuing with the program. The difference in dropout is highly significant with 0.0 level with a high chi-square value of 35.38. Among 32, who reported conflict, highest 9 (28.15%) said that their 'loan application refused'. When checked, Grameen personnel said that those who face problem in repayment earlier are sometimes delayed in next loan according to the advice of the center. Next highest is the 'conflict over loan amount' (5). These members asked for larger amount of loan than they were sanctioned. Grameen personnel, with the help of the center and group authorities assess the loan use capacity of the member, and accordingly loan amounts are fixed. Thus, these dropouts may be considered as obvious. 'Delay in meeting and subsequent insult by the Grameen Worker' caused 4 respondents to drop out. This was followed by 3 each for 'other members' misreport to the Grameen Worker' and 'absent in meeting during pregnancy'. Pregnancy is a usual phenomenon for women. It is not possible for women to join in the meeting for quite a long period during pregnancy and subsequent delivery. Absence during such events is deserved and should be considered as evident. The other points of conflict were 'loan refused as delayed in meeting', 'project choice', 'asked for repay other members' loan' and 'children's disturb during meeting', 2 each (Table-7.4.12). It appears that, whatever the point of conflict, although not in a large scale, conflict with Grameen worker certainly lead to dropout.

Table-7.4.11
Conflict with Grameen Worker and Dropout

Whether Conflict With Grameen Worker	Continuing		Dropout		Total	
	No.	%	No.	%	No.	%
Yes	135	59.2	93	40.8	228	87.7
No	1	3.1	31	96.9	32	12.3
Total	136	52.3	124	47.7	260	100
Chi-square =35.38 DF = 1 Significance = 0.00						

Source: Own Survey

Table-7.4.12
Points of Conflict with Grameen Worker

Points of Conflict	Frequency	%
Loan application refused	9	2.7
Larger loan not sanctioned	5	1.9
Insulted as delayed in weekly meeting	4	1.2
Other members' misreport	3	1.2
Absent in meeting as pregnant	3	1.2
Delay in meeting loan refused	2	0.8
Project choice	2	0.8
Asked to repay other members' loan	2	0.8
Children's disturb during meeting	2	0.8
Not included preferred person in the group	1	0.4
Meeting delayed for other members late presence	1	0.4
Demanded for home produced goods, for example egg	1	0.4
Total conflict reported	35^a (N=32)	12.3
<i>No Conflict</i>	228	87.7
Grand Total	260	260

^a Multiple response

Source: Own Survey

Finally, to see the total contribution of conflict in dropout all three areas of conflict, discussed above, have been considered together and presented in Table-7.4.13. About one-fourth, 62 (23.9%), of the 260 respondents faced conflict in at least one areas.

Among these 61 respondents, only 5 members are continuing with the program. The rest 57 dropped out. Difference in dropout in different areas of conflict is found highly statistically significant. It is notable that all 10 members who reported conflict with both group/center members and Grameen worker have been dropped out. This was followed by only Grameen worker 95.5%, only family member 87.5% and only group/center member 84.6%. These findings clearly indicate that conflict at different levels in the process of program participation is one of the important factor in dropout from the poverty alleviation program or failure in the effort to come out poverty permanently.

*Table-7.4.13
Conflicts Occurred with Family, Group Members & Grameen Workers and Dropout*

Areas of Conflict	Continuing		Dropout		Total	
	No.	%	No.	%	No.	%
No Conflict	131	65.8	67	34.2	198	76.2
Only With Family Member	2	12.5	15	87.5	17	6.5
Only With Group/Center Member	2	15.4	11	84.6	13	5.0
Only With Grameen Worker	1	4.5	21	95.5	22	8.5
Group/center & Grameen Worker	0	-	10	100	10	3.8
Total	136	52.3	124	47.7	260	100
Chi-square =62.94 DF = 4 Significance = 0.00						

Source: Own Survey

Chapter-7.5
DYNAMICS OF DROPOUT

7.5.1. The Question of Escaping from Poverty for the Dropped Out Members

Whether the dropped out members have left the program as a result of improved economic condition or escaped from poverty resulted by program participation is an important aspect of analyzing the problem of dropout. Earlier, I have discussed that dropout could happen before or after the participant escape from poverty or economic graduation. In both cases dropout could adversely affect both the participants as well as the program. Moreover, as we have seen that Grameen has no policy to encourage its members to dropout, even after escaping from poverty, it could be considered as always unexpected. Nevertheless, if the participants drop out after escape from poverty, it might be considered as that the program may have been able help these poor in their effort to come out of poverty, at least for the time being¹.

It is difficult to measure objectively whether the dropped out members have escaped from poverty or not. The study of *Khandker & Chowdhury (1995)* could be worth use in this regard. Based on their intensive study on Grameen and other microcredit programs in Bangladesh, they estimated that it takes about five years to move out of poverty² and 7 years for economic graduation³ for Grameen members. In the present study, duration of the dropped out members in the program has been compared with the

¹ Because, as already discussed, due to frequent crisis and insecurity, in the societies like Bangladesh, a significant proportion of the non-poor becoming poor regularly. Thus, the ability of the dropped out members who have escaped poverty, if any, to remain beyond the poverty line is an important issue for sustainable poverty alleviation and a matter of intensive study.

² *Khandker & Cowdhury (1995)* defined 'coming out of poverty' as rising above a designated poverty line. They considered the income required for 2,112-calorie intake per person per day as poverty line (pp.17-18).

³ According to *Khandker & Cowdhury* a member is economically graduated if he/she stops taking loan from microcredit program irrespective of continuing with the program or not (1995,p.33).

above criteria to see whether they dropped out before or after escaping from poverty and/or economic graduation.

Table-7.5.1
Duration of Stay of the Dropped Out Members in the Program

Duration of Stay in the Program	Frequency	%	Cumulative %
Less than One Year	33	4.0	4.0
One Year	139	16.9	20.9
Two Years	158	19.2	40.1
Three Years	112	13.6	53.77
Four Years	109	13.2	66.9
Five Years	125	15.2	82.1
Six Years	59	7.2	89.3
Seven Years	69	8.4	97.7
Eight Years	19	2.3	100.0
Total	823	100.0	

Source: Calculated from Study Branch Record

Data in *Table-7.5.1* present the duration¹ of the dropped out Grameen participants in the program. It is seen that more than 97% of the dropped out participants didn't economically graduated as their duration in the program was less than 8 years and more than 82% didn't escape from poverty as their duration in the program was less than 6 years in the program. The average duration of the members in the program was 3.5 years, which is less than 5 years required for escaping from poverty as mentioned by *Khandker & Chowdhury*. According to the estimate of *Khandker & Chowdhury*, only 17.9% of the participants may have escaped from poverty when they dropped out from the program. However, even if these members are considered as truly escaped from poverty, as mentioned earlier, in the face of frequent crises and insecurity in Bangladesh

¹ The duration has been calculated from the date joined and date dropped out.

society (see *Hossain 1995*), it also deserves close attention to look at how long these members would be able to keep themselves above the poverty line. Nevertheless, from the above findings, it could be said that, in terms of poverty alleviation, Grameen's contribution has already been undermined by the fact of increasing number of dropouts, overwhelming majority of whom were still in poverty.

7.5.2. Reasons of Dropout

What has been known

The problem of dropout in microcredit program has seldom been studied. For Grameen there is no such study at all. Available studies in this regard are, so far found, the internal studies of *ASA (1996)*¹ and BRAC². In the latter case two studies were done by *Khan & Chowdhury (1995)*³ and *Hassan & Shahid (1995)*⁴. I have already discussed about the incomplete nature and data inconsistencies of these studies. Nevertheless, these studies can provide some theoretical insights about the reasons of dropout.

The study by *ASA (1995)* categorized the factors of dropout broadly into three. These are: i) 'Internal factors'— directly or indirectly related to the rules and regulations of the organization or the decision taken by the organization such as staff quality and efficiency, rules and regulations of the organization, and management skill; ii) 'External factors'— related to different socio-economic and geo-cultural factors and totally out of

¹ ASA (Association for Social Advancement), an NGO in Bangladesh, is implementing microcredit program. ASA's study on dropout was conducted throughout Bangladesh and the respondents were the staff (202) of the organization at different levels.

² BRAC (Bangladesh Rural Advancement Committee), a large NGO, also implementing microcredit program.

³ This study was conducted on five RDP (Rural Development Program) branches of BRAC. A total of 840 (420 dropped out and 420 continuing members) respondents were included in the sample.

⁴ This study was based on one RDP branch of BRAC. 40 case studies (all dropped out participants) were done to identify the reasons of dropout.

control of the organization such as migration, family problems, and socio-cultural constraints; and iii) 'Mixed factors' —which are difficult to categorize under the above 'internal' or 'external' factors such as, facilities of other NGOs, voluntary dropout, profit consideration of the project, and miscellaneous factors (p.8). It appears that the underlying basis of ASA's categorization was from the organization's point of view and their major concern was to ascertain the role of the organization in dropout. Although the study provides a framework of analyzing the factors of dropout, it suffers from several limitations. *Firstly*, it didn't estimate the extent of dropout, which seems vital for any study on dropout. *Secondly*, the respondents of the study were the staff at different levels of the organization, instead of the dropped out participants. Although, it is claimed that, the respondents (staff) collected data regarding dropout from the participants, the data might not be considered as the reflection of the real situation that prevails at the participant level. Rather, it may be considered as the reflection of the experiences and opinions of the organization's staff. Thus, the findings of the study may provide some insight for the organization, but may not reflect the actual reasons of dropout, unless which effective plan to combat dropout may be elusive. *Thirdly*, The categorization itself possesses some problems, which may lead to wrong conclusion. For example, ASA's study identified the organizational (defined as internal) factors as the main factor behind dropout. No doubt, organizational factors could contribute significantly to dropout. But organizational factors are applicable to all participants— both dropped out and continuing. So far, majority of the participants is continuing with the program and could be considered that they have coped with the organizational factors. In this sense, considering the overall situation, it may be argued that the true reasons of dropout are not the organizational factors but lie somewhere else. And as both continuing and dropped out participants are from same community and same socio-economic

background, and the organizational factors are also same for both the groups. Hence, as I have argued earlier and as already seen, true reasons of dropout are embedded into the individual and family factors of the participants. It appears that, in the above categorization of the factors of dropout by *ASA* the real reasons of dropout are included within the 'external factor' category. And which are the major concerns of the present study.

Studies on BRAC by *Khan & Chowdhury (1995)* broadly categorized the dropouts as 'dropped out'— decision taken by the participants, and 'expelled'— decision taken by the authority. *Khan & Chowdhury* denoted 'Dropped out' as voluntary dropout. They tried to identify the reasons behind the voluntary dropout and found that, among female members, highest 70.4% dropped out because, as there is 'no provision of refunding the group fund'. This was followed by 59.2% 'savings not withdrawable in emergency', 'other NGO facilities' 52.7%, 'failure to repay loan' 38.5%, and family problems 45.0% (*ibid. p.8*). *Khan & Chowdhury* found two reasons behind expulsion, i.e., 'failure to repay loan' (56.1%) and 'irregular attendance in meeting' (41.5%) among the female members. This analysis indicates some details of the dynamics of reasons of dropout. There are, however, still some questions remain unanswered. For example, in case of failure to repay loan, why the participants failed to repay loan or in case of irregular attendance in meeting why they failed to attend the meeting regularly, and so on. If checked, it may reveal that individual and family factors also work behind these. Finally, one of the major factors of dropout 'migration' has remained totally absent from *Khan & Chowdhury's* analysis. It appears that as the study interviewed the available respondents only the migrated dropped out participants have not been included in the study as these participants were not available in the area. An empirical analysis of reasons of dropout, however, requires inclusion of those who dropped out due to migration from the area.

Study by *Hassan & Shahid (1995)* summarized reasons of dropout into four categories. These are i) 'Retirement of the members', this includes illness, aging, physical disability, migration and others; ii) Expulsion, according to *Hassan & Shahid* is caused by indiscipline from the participants' part; iii) Death of the member; and iv) Self-quitter (*ibid. pp.3-4*). Then they presented some more detail reasons in an unorganized manner.

Approach to Analyze the Reasons of Dropout in the Present Study

Theoretically, decision to dropout could be seen as taken by the participants, i.e., by participants themselves and their family members, or by the Grameen authority, i.e., by the group/center members, Grameen Worker and the branch. In the first case, i.e., decision to dropout by the participants, dropout could be seen as the result of adverse conditions that the members face in performing their roles— both traditional as well as new ones. While in the latter case, i.e., decision taken by the Grameen authority, means expulsion of the members by the authority due to in-discipline or other reasons. Beyond these two, there would be another set of unavoidable events which, if occur, certainly cause drop out. These are 'death of participant' and 'migration of participant from the area'. Migration could be due to marriage¹ or marital hazards, such as divorce, separation or death of husband², and economical or other reasons.

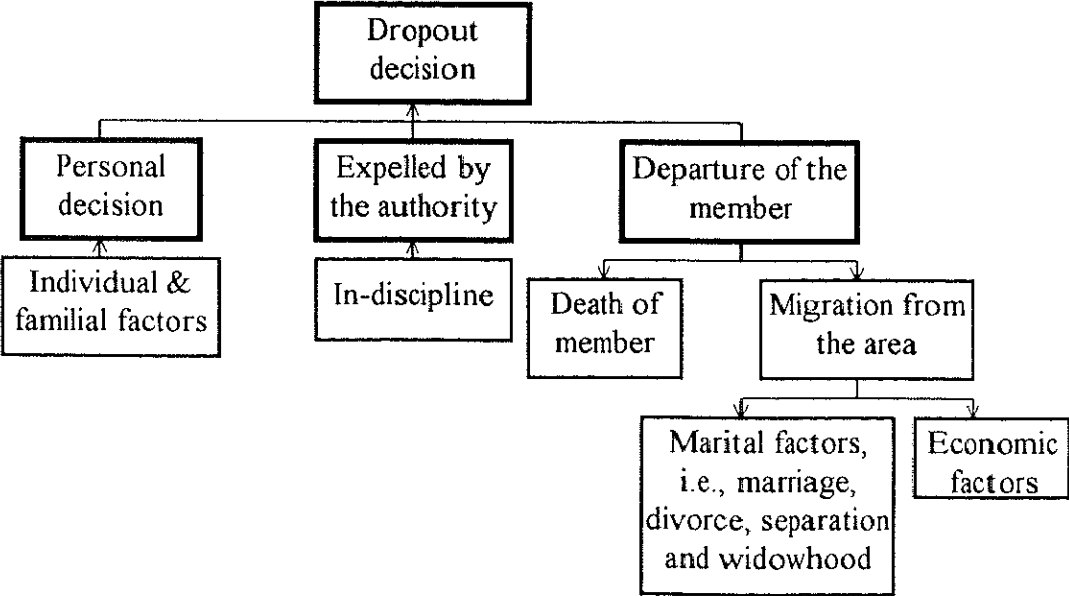
In the above discussion, in case of 'death' there is little to do in terms of policy matters. In case of 'marriage' too there is little to do. Because it is usual that the adult (average age 20.3 years in the present study) unmarried women Grameen participants will get married soon and migrate to husbands' house, usually, far from natal house.

¹ It could be noted here that there is no provision of inclusion of unmarried members in Grameen. In practice, however, it is not followed strictly. In the present study 1.4% members were found unmarried (Table-7.2.2).

² In Bangladesh, if women become widows at younger age, caused by death of older husband or disease, they, usually, return to natal house. This is almost certain for younger widows with no child.

Leaving the area due to economic reasons, however, is an indication of that these participants didn't find participation in Grameen as potential enough for their economic emancipation. In other words, they may have found better economic opportunities than that of the Grameen and migrated to avail that. As these migrated members were not present in the area during the present study, it was not possible to collect data about why they migrated and how they are doing after migration. It would be another interesting point to study. Any way, migration of the participant causes obvious drop out. The above theoretical discussion could be summarized in the following Chart.

Figure-7.5.1
Theoretical Approach to Causes of Dropout Decision



As seen, dropout decision could be seen as caused by three broad factors. These are 'personal decision', 'expelled by the authority' and 'departure of the members from the program area'. Personal decision is taken by the participant herself or by their family members. There is, however, no scope of viewing these personal decisions as being taken willingly. Actually it is the outcome of the adverse individual and family conditions

surround the member that compelled her to take the decision. For example, the member may have asked by her husband or the male head of the family to dropout, she may gave birth and does not able to continue participation in program activities, the investment project may incur loss, there might be conflict with other fellow group members or Grameen Worker, etc. Thus, the true reasons are those which actually led to take the decision. I have examined such reasons in details in the following sections. At this point, I shall look into the reasons of dropout recorded by the Grameen Workers during drop out according to the above theoretical approach. This would give us an idea about the overall reasons of dropout although may not be in details.

Overall Causes of Dropout of Grameen Participants

Table-7.5.2 shows the distribution of all dropouts from the study branch, since its inception in 1989 to the end of 1997, by broad type of reasons as recorded by the Grameen Worker¹. It is seen that overwhelming majority, about 84%, of the dropouts were caused by personal decision. Highest 57.5% were recorded as they dropped out 'willingly'. It is, however, learnt that those recorded as 'willingly' were recorded as such only because of that they themselves expressed to drop out or the Grameen authority did not expel them. It is evident, however, as already discussed, that the true reason behind these decisions were the adverse individual and family situations. Followed by 'willingly', 13.0% recorded as that there husband asked or didn't cooperative, thus they compelled to drop out. This was followed by 'family problems' 11.9%. Finally, a mere 1.7% or 14 participants reported that they dropped out because their economic condition has been improved². All these categories of 'willingly', 'husband asked', 'familial problems' and

¹ Although, the reliability of the data may be questioned, events like in-discipline, death or migration are less likely to be misreported. It would help us to get a complete picture about the reasons of dropout.

² As dropout is not encouraged by Grameen these dropouts are also considered as caused by personal inconveniences and unexpected.

'economically improved' could be considered as that the participants or the family as a whole found it difficult to continue with the program due to the reasons arisen from adverse individual and family situations. As, together, these categories constitute the overwhelming majority of the dropouts, it supports my earlier assumption that individual and family factors of the participants are important for success or failure in poverty alleviation programs. These findings resemble with the earlier findings that if the members face problems in household activities and childcare they drop out more than those who do not face such problems.

Table-7.5.2
Reasons of Dropout as Recorded by Grameen Worker

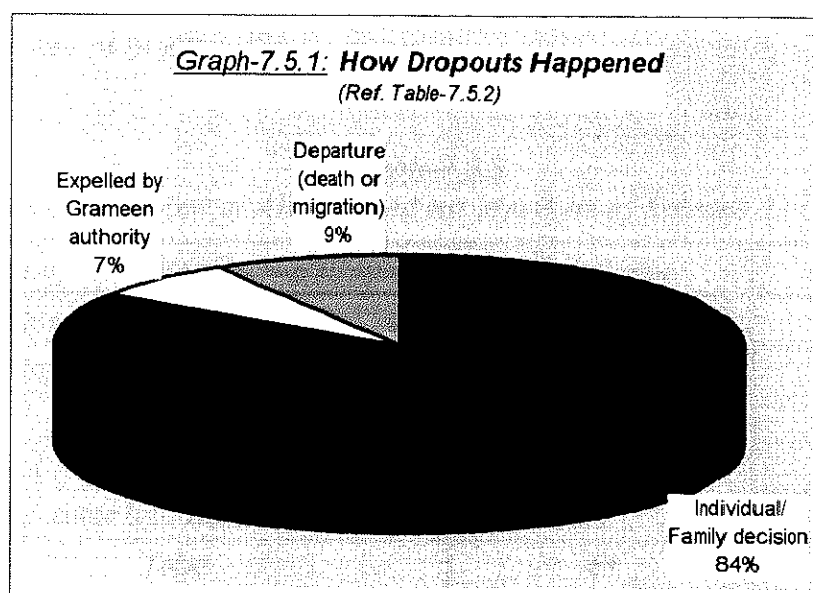
Broad Categories	Specific Reasons	No. of Cases	%
<i>Personal decision</i>	Willingly	473	57.5 (16.0)
	Husband asked	107	13.0 (3.6)
	Family problems	98	11.9 (3.3)
	Economically Improved	14	1.7 (0.5)
	Sub-Total	692	84.1 (23.4)
<i>Expelled</i>	In-discipline	58	7.0 (2.0)
<i>Departure of the member</i>	Migration: Economic Reasons	35	4.3 (1.2)
	Migration: Marital Reasons	20	2.4 (0.7)
	Death	18	2.2 (0.6)
	Sub-Total	73	8.9 (2.5)
<i>Total Dropout</i>		823	100.0 (27.9)
<i>Total Continuing</i>		2130	(72.1)
Grand Total		2953	100.0

Note: Percentages in the parenthesis indicate percentage of total membership, i.e., 2953.

Source: Compiled from Study Branch Record

Again, among the total 2,953 memberships, 73 (2.5%) participants departure from the area. Among these 73, 18 or 2.2% departures were caused by 'death of participant', 'migration' due to marital reasons 20 or 2.4% and economic or other reasons 35 or 4.3%

(Table-7.5.2). If only dropouts are considered it accounts for about 8.9% of the total dropouts. Finally, about 7%¹ members were expelled by the Grameen authority due to indiscipline in the program (Graph-7.5.1 & Figure-7.5.2). Among these dropouts, a major proportion might be the outcome of conflict(s) between the member and authority, which, as already seen, significantly contributing to dropout².



To identify the reasons of dropout objectively and compare with the reasons recorded by the Grameen authority, I tried to trace all dropouts of the selected 11 centers of the study branch in the present study. There were total 193 dropouts up to September 1997. Some of them were not found available during the study because, as discussed above, some of them have left the area permanently. Some were temporarily unavailable during the interview period. They were, however, living in the study area. Data regarding these have been presented in Table-7.5.3. Interestingly, it is seen that the proportions of members 'died' are seen almost same, 2.2% and 2.1%, respectively for the Grameen

¹ This is less than that of *Khan & Chowdhury* (19.5%) found among female members of BRAC (p.5).

² It is worth mention here that there were cases, which recorded, as their husbands' behaviors were bad.

record and of present study. Proportion of 'migration due to economical reasons' also not differ much, 4.3% and 6.7% respectively for Grameen record and of present study. Migration due to marital reasons, however, found higher in the present study. This might have caused by the fact that, between dropout and present study, some of the dropped out members may have got married and have left the area. A considerable proportion (14.5%) of the participants was not found at home during our visit¹. One interesting findings is that 3.6% members were found re-entered into the program which, according to Grameen rules, is prohibited².

Table-7.5.3
Status of Interview of All Dropped out Members of Selected 11 Centers

<i>Reasons of Not Interviewing/Dropout</i>	<i>Frequency</i>	<i>%</i>
Migrated: Economic Reasons	13	6.7
Migrated: Marital Reasons	17	8.8
Died	4	2.1
Not Available During Study	28	14.5
Re-enter Into the Program	7	3.6
<i>Total</i>	<i>69</i>	<i>35.8</i>
<i>Interviewed</i>	<i>124</i>	<i>64.2</i>
<i>Total Dropout</i>	<i>193</i>	<i>100</i>

Source: Own survey

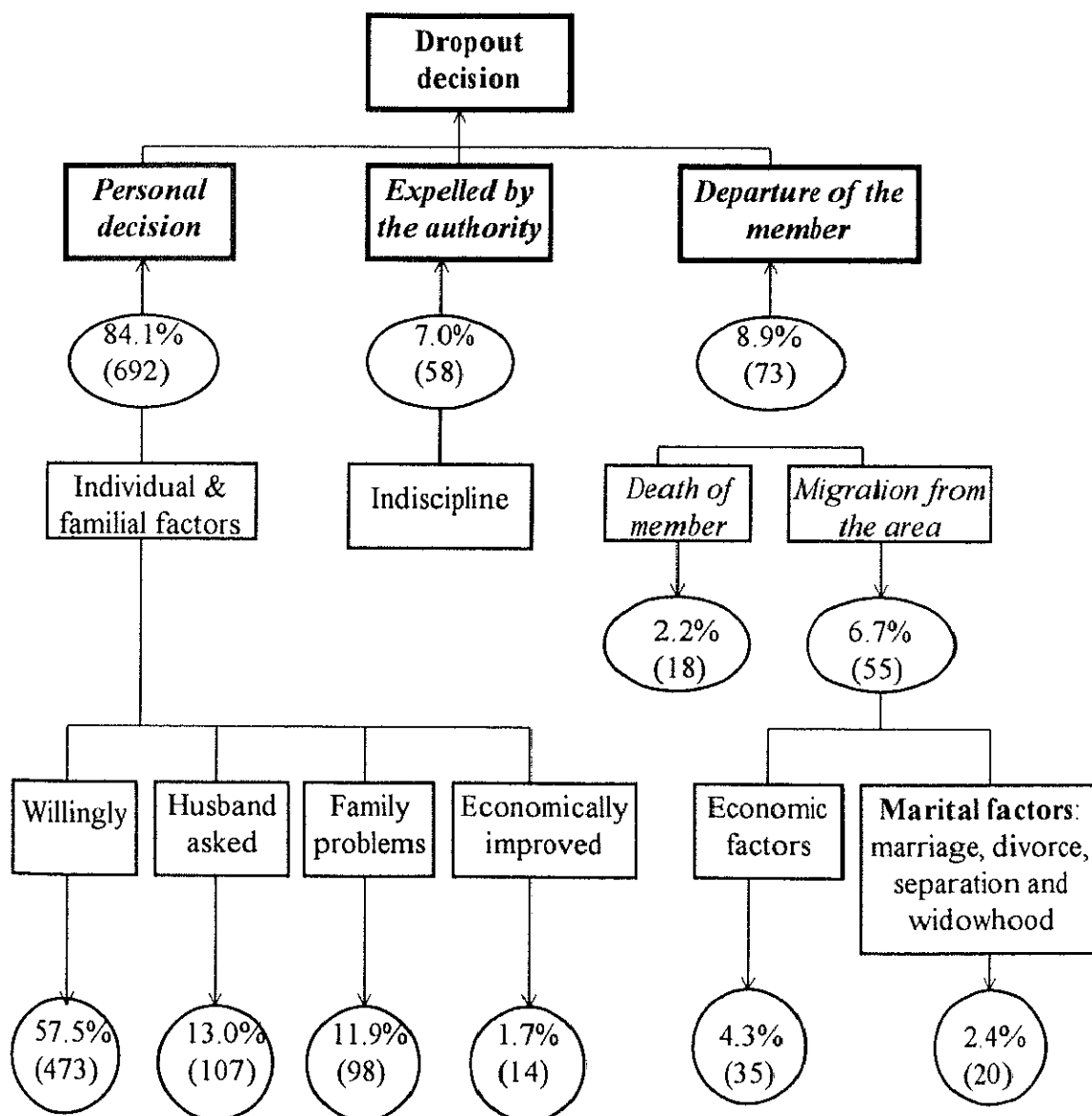
As found in the present study, together, according to the above classification, about 17.6% of the dropouts occurred due to departure of the members from the area either by 'death' or 'migration'. If we consider that the rest dropouts, which may also including the expelled ones, as caused by individual and family reasons, it makes about 82.4%, almost same to 82.5% cases recorded by the Grameen Worker as dropped out due to such

¹ It is worth mention that a selected sample was visited twice at different days.

² Actually there were only two cases re-entered into the program. The other 5 were incorporated into an another center for the purpose of re-organizing two centers.

reasons. It indicates the reliability of both the data sets recorded by the Grameen Workers as well as collected in the present study.

Figure-7.5.2
Schematic Presentation of Reasons Behind Dropout Decision



In conclusion, it may be said that majority of the members dropped out due to individual and family factors and conflicts occurred in the process of program participation. In the next section I shall present the specific reasons of dropout as identified by the dropped out participants. It should be noted here that 124 interviewed dropped out members are considered in the analysis.

Who Played the Principal Role in Dropout

To approach the varieties of reasons of dropout first, I tried to identify who caused the dropout. As seen in Table-7.5.4, persons¹ who played the major role in dropout have been classified into five categories. It is seen that, highest 39.1% respondents answered that they themselves decided to dropout. It could be mentioned here that these members did so as their individual and family situations compelled them to do so. This was followed by almost same proportion (37.1%) of respondents who answered that their husband caused them to drop out. Another 4.0% answered that other family members including son and stepson caused their dropout. Together these three categories, whose dropout was caused by either herself or husband or their family members, constitutes majority (80.7%) of the total dropouts. This is, again, strikingly almost similar to the proportion of 84.1% found from the Grameen record (see Table- 7.5.2) as dropped out due to familial reasons. These findings firmly establish the fact that individual and family situations are mainly responsible for the dropouts of the participants of Grameen.

A considerable proportion (16.2%) of the respondents answered that the authority expelled them to dropout. This is more than double than that of the proportion (7.0) recorded as 'in-discipline' as the cause of drop out by the Grameen worker. Another 3.2% (4) respondents mentioned that their fellow group members caused their drop out. Together about 19.4% of the dropouts caused by the program-related persons, most of which might have been caused by conflict with fellow group members or Grameen Worker.

¹ There might be more than one person involved in taking the decision. These, however, the persons who were the principal cause of dropout.

Table-7.5.4
Who Took the Dropout Decision

<i>Who Decided</i>	<i>Frequency</i>	<i>%</i>
Herself	49	39.5
Husband	46	37.1
Other Family Members	5	4.0
Group/Center Members	4	3.2
Grameen Authority	20	16.2
Total	124	100

Source: Own survey

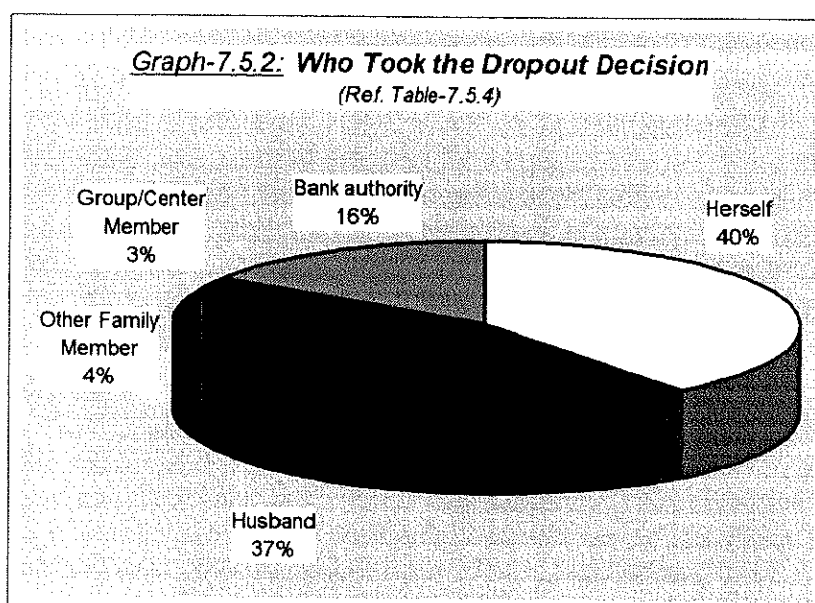
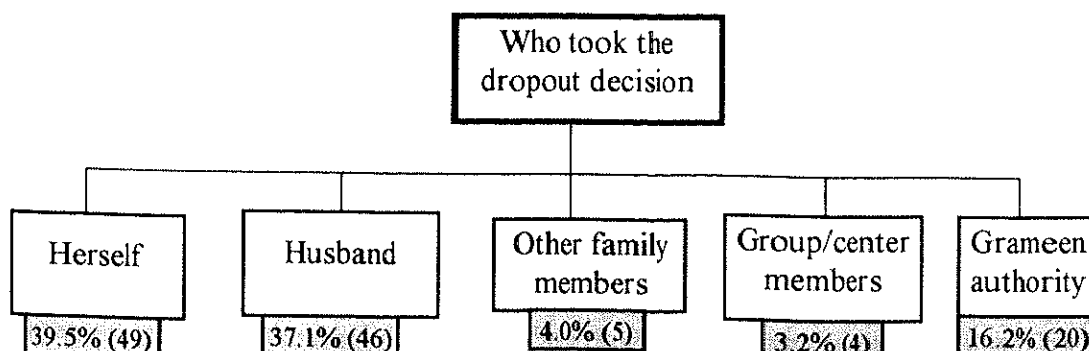


Figure-7.5.3
Who Played the Principal Role in Dropout



Case-1

Hawazan: Pregnancy Caused Her Dropout

The Family

Hawazan was 26 years of age when she joined with *Grameen* as member of Group 5 of center 41 of the study branch in January 1991. She had a family of 5 members, husband (32) and 3 children; 2 daughters (8 & 1) and 1 son (4). *Hawazan* is educated up to class-IX and her husband up to Class-X. Her husband was engaged in business. The amount of land possessed by the family was 30 decimals. The yearly family incomes were reported as Tk 12,000/- worth. Although within target group, the family seems as less poor than that of the others.

Loan History in Grameen

In two years *Hawazan* received 2 loans from *Grameen*, which her husband used in construction of house. As her husband had regular income from business she had no problem in repaying regular installments.

Absence in Meeting Due to Pregnancy Caused Fellow Members' Concern

After the 2nd year in *Grameen* *Hawazan* became pregnant. At the advance stage of pregnancy, *Hawazan* felt shy in walking through the roads of the village and remained absent in the meetings. She, however, sent the installments regularly through her daughter or by other members. Other members, however, concerned about her absence in meetings and visited her house and asked her to attend the meetings. Sometimes, other members, as reported by *Hawazan*, used rough words which caused her and her husband feel insulted. They decided to dropout from the program.

Implications

There might be some events, such as pregnancy, delivery, death of family member, etc., which if occurs, cause absence of the respective members in the regular meeting. For such cases it is essential to formulate explicit policies which may permit the members to remain absent in the meeting if such obvious reasons occur. These policies need to be explicit and well circulated among the members so that there would be no scope for misunderstanding among the members as was seen in the case of *Hawazan*.

Source: Own survey

Why the Participants Drop out

Whoever took the decision to dropout, as I have discussed, there are reasons behind that decision which are the actual dynamics of drop out. I tried to identify those reasons through interviewing the dropped out members with open-ended questions. Up to three reasons of dropout were considered. The data have been presented in the Tables-7.5.5 to 7.5.9 according to the principal decision-maker of dropout seen in Table-7.5.4. And

finally all the reasons of dropout have been presented in Table-7.5.10 according to the nature and source of the reasons.

What Led the Participants to Take Dropout Decision by Themselves

Reasons of dropout for those, who reported that they themselves decided to dropout, have been presented in Table-7.5.5. These respondents clearly mentioned that they were compelled to take the dropout decision due to various reasons, which are beyond their control. Multiple responses have been considered. Reasons have been presented under seven broad categories. 49 respondents mentioned a total of 101 reasons. Highest 30 out of 49, mentioned that some personal reasons, such as 'always feel tension to collect money for regular repayment installments' and 'don't feel good as always loanee', led them to decide to dropout. In Bangladesh society, usually, who are in debt possess a negative image and loan is not considered as the means economic improvement. Rather, loan is seen inevitable only when a person fall in severe economic crisis¹. Hence, such attitude of the Grameen participants towards loan could be considered as deep-rooted into the culture and community norms of the society. 6 respondents mentioned that they were 'worried about repaying the loan in future' as their income flow in future is uncertain. It is also seen that 4 respondents each mentioned disturb in their household works and childcare as cause of their decision to dropout.

Nearly 50% (24) of the respondents of this category compelled to dropout due to reasons related to their husbands. Among these, most (10) reported that their 'husband didn't provide the loan installments regularly' which caused them to face unwanted situation in the group meeting. Another 5 respondents indicated that their 'husbands lazy'

¹ In Bangladesh, there is a proverb *Rin kore Ghee khawa valo na* (Eating butter through having loan is not good). This indicates the degree of negation of loan in Bangladesh society.

or 'not good in loan investment'. 6 members (2 each) reported that their 'husband fled with money', 'drug addicted' and 'did marriage for second time'. One member reported that her husband died so she felt uncertain with the use and repayment of loan and hence, dropped out. All these findings clearly indicate how far the women borrowers of Grameen depend on their husband for both investments of loan and arranging the money for repayment installments. It firmly supports my early findings that bad investment and bad relation with husband or failure of husband to arrange money for repayment would cause severe traumatic experiences in repaying the loan for the women from their own capacity which, undoubtedly, lead to the decision of dropout.

The third highest, 23 out of 49, respondents mentioned that 'problem in loan repayment' led their dropout. 9 of them faced the problem as 'they don't have regular source of income' from which they can repay the loan. 5 each as 'capital lost or consumed' and 'husband/she was sick' followed this. 3 mentioned that their husbands 'don't find work always'. This reason could also be categorized as that the members don't have regular source of income. It appears that, a considerable proportion of Grameen participants depend on other sources than that of the investment of loan for regular repayment of loan. No doubt, such sources are extremely limited for these poor. Thus, they have no choice other than to end their effort to escape from poverty or dropout from the program.

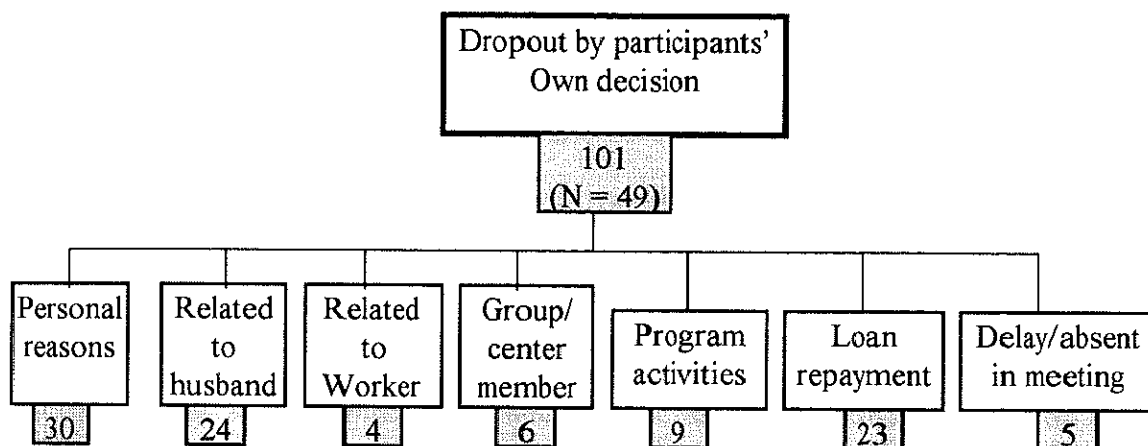
Table-7.5.5
Reasons Behind Participants' Own Decision to dropout

<i>Reasons</i>	<i>No. of Response</i>
<i>Personal Reasons</i>	30
Always tension & don't feel good as always loanee	10
Fear of loan repayment in future	6
Problem in childcare	4
Disturb in household work	4
No person for investment of loan	4
Against community values	2
<i>Reasons Related to Husband</i>	24
Repayment Installments not provided by husband	10
Husband Lazy/not good in investment	5
Husband Sick	3
Husband's 2nd marriage	2
Husband left with capital	2
Husband addicted	2
<i>Reasons Related to Grameen Worker</i>	4
Bad behave of Grameen Worker	2
Pressure to adopt project according to their choice	1
Refused to repay absconding member's loan	1
<i>Reasons Related to Group/Center Members</i>	6
Delayed in meeting misbehave	4
Construction of center house	1
Selection of group member	1
<i>Reasons Related to Program Activities</i>	9
Meeting takes too long	1
Strict rules could not follow	1
Desired loan not sanctioned	7
<i>Problem in Loan Repayment</i>	23
No source of money (generally poor)	9
Husband/she sick	5
Capital lost/consumed	5
Don't find work always	3
Husband died	1
<i>Delay/Absent in Meeting</i>	5
Husband sick	1
Small kid in house	1
As she pregnant	3
<i>Grand Total</i>	101 (N = 49)

Source: Own Survey

9 out of 49 members mentioned that program related factors contributed to their decision to dropout. Majority (7) of them mentioned that 'desired loan not sanctioned' by the Grameen authority. The other two less mentioned reasons related to program factors are 'meeting takes to long' and 'strict Grameen rules difficult to follow' (Table-7.5.5).

Figure-7.5.4
Reasons Behind the Participants' Own Decision to dropout



As found earlier, conflicts with Grameen worker and fellow group/center members contribute significantly to dropout. It also appears in the reasons behind the decision to dropout by the members. 4 and 6 respondents out of 49, respectively mentioned that they had 'conflict with Grameen worker' and 'other group/center members' that led to their decision to dropout. 'Misbehavior of the Grameen worker, 'insistence of adopting project according to the suggestion of the worker' and 'as the member refused to repay absconding member's loan' caused conflict with Grameen worker. While 'delayed in meeting and subsequent misbehave', 'construction of center house' and row over selection of group member caused conflict with other group/center members (Table-7.5.5). Nevertheless, it is evident that conflict with Grameen worker and group/center members significantly contributing to dropout.

What Caused the Husbands to Ask Their Wives to Dropout

Respondents (46), who mentioned that they dropped out because their husband asked to do so also mentioned some personal reasons as contributed to their decision to dropout. Overwhelming majority, 41 out of 46, however, mentioned that the reasons were directly related to their husband. Such reasons are 'husbands don't feel good as always loanee' (17), which I have already discussed in the previous section. This is followed by 8 respondents who said that 'their husband asked them to dropout because they (husbands) felt no need of loan'. It seems that these cases may have improved their economic condition through participating in Grameen. However, this might not be the actual reason of dropout, because, it is not true that well off persons don't need loan. In fact, if it is accepted that only those who are yet to improve their economic condition continue with the program and those who have improved their economic condition cease to receive loan from Grameen, it establishes that only needy people go for loan in the society. Moreover, it is only a mere proportions (about 6%) of the total respondents. A considerable number of respondents (7) mentioned that their husband asked them to dropout because of 'problem in household work' and 'childcare' (Table-7.5.6).

Nearly half (19 out of 46) of the respondents reported that their husbands asked to dropout because of problem in loan repayment. The reasons behind problem in loan repayment are almost same as mentioned by the participants. These are 'lack of regular source of money for repayment installments', 'capital lost/consumed', 'loss in business', 'husband don't find work always' and 'sickness of husband'. 14 out of 46 respondents said that their husband asked to dropout due to program related factors, such as, the 'participants found it difficult to follow the strict rules and regulations of Grameen', 'weekly meeting takes long and happens early in the morning', 'desired loan not sanctioned', and as 'group leader wife need to visit others' house for collection of money'. It is also notable that a considerable number of respondents (5) mentioned that the decision to dropout was followed by 'conflict with the Grameen Worker'.

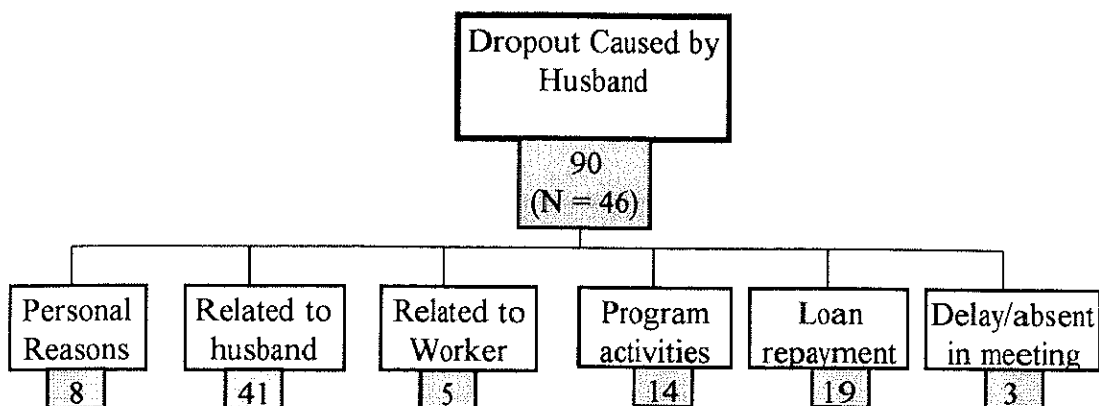
Table-7.5.6

Reasons Behind Husbands' Decision to Ask Their Wives to Dropout

<i>Reasons</i>	<i>No. of Response</i>
<i>Personal Reasons</i>	8
Always tension & don't feel good as loanee	2
No person for investment of loan	1
Problem in childcare	2
Fear of loan repayment in future	3
<i>Reasons Related to Husband</i>	41
Always tension & don't feel good as loanee	17
No need of loan	8
Disturb in household works	7
Problem in childcare	1
As money given to member's sister	2
Against established social norms	6
<i>Reasons Related to Grameen Worker</i>	5
Bad behave of Grameen Worker	2
Row over workshop participant	1
Hard other members/workers misbehaviour with wife	2
<i>Reasons Related to Program Factors</i>	14
Strict rules could not follow	1
Meeting takes long/early in the meeting	4
Desired loan not sanctioned	8
As group leader visit others for installments	1
<i>Problem in Loan Repayment</i>	19
As no regular source of money (generally poor)	9
Husband not find work always	1
Husband sick	2
Loss in business	2
Capital lost/consumed	5
<i>Delay/Absent in Meeting</i>	3
Delay in meeting as small kid in house	1
Delay in meeting due to family matters	1
Absent in meeting due to death of family member	1
<i>Total</i>	90 (N = 46)

Source: Own survey

Figure-7.5.5
Reasons Behind the Participants' Husbands' Decision to Dropout



Why Other Family Members Caused Dropout

Among other family members, there were mostly sons. It is evident that as sons become income earners they won't like their aged mother to move around with Grameen and asked to dropout. Unlike other cases, here, we can see that 3 out of 5 respondents mentioned personal reasons as contributed to their dropout. 2 cases where desired housing loans were not sanctioned and 1 each as problem in loan repayment followed this and stepsons don't like her good. (Table-7.5.7).

Table-7.5.7
Reasons Behind Other Family Members' Decision to Ask to Dropout

Reasons	Total
<i>Personal Reasons</i>	3
Disturb in household works	2
Burden/Botheration	1
<i>Reasons Related to Program Factor</i>	2
House loan not sanctioned	2
<i>Problem in Loan Repayment</i>	1
Problem in collection of money	1
<i>Others</i>	1
Don't like her good	1
Total	7 (N = 5)

Source: Own survey

Why the Group/Center Members Caused the Dropout

It is seen from Table-7.5.8 that, 4 respondents reported their dropout caused by other group/center members. 3 out of these 4 respondents mentioned that their problem in loan repayment led other group/center members to ask them to dropout. The reasons of not being able to repay the installments were lack of source of money and capital lost or consumed. It is seen that two members reported that when other members came to know about their husbands' misdeeds, i.e., '2nd marriage' and 'money not provided by husband', they compelled them to dropout. These findings reaffirm that to keep the repayment records clean, fellow members, whenever guess a member may be in loan repayment problem, cause her to dropout. It actually indicates the dysfunction of the peer pressure, which is believed to be the main force behind Grameen's extraordinary success in loan recovery.

***Table-7.5.8
Reasons Behind Group/Center Members' Decision to Ask Dropout***

<i>Reasons</i>	<i>No. of Responses</i>
<i>Personal Reasons</i>	<i>1</i>
No person for investment	1
<i>Reasons Related to Husband</i>	<i>1</i>
Installments not supplied by husband regularly	1
<i>Reasons Related to Group/Center Members</i>	<i>2</i>
Mis reported	1
Husband's 2nd marriage	1
<i>Problem in Loan Repayment</i>	<i>3</i>
Generally poor	1
Capital lost/consumed	2
<i>Total</i>	<i>7 (N = 4)</i>

Source: Own survey

Why the Grameen Authority Compelled to Dropout

About 16.1% (24) of the 124 respondents mentioned that their dropout was caused by the Grameen authority. This includes the Grameen Worker and branch staff. More than half, 13 out of 24, respondents mentioned that the authority asked them to dropout because they 'faced problem in loan repayment'. The problem in loan repayment was caused by 'usual inability to collect installment money because of scarce regular sources of income', 'husband don't find work always', the 'participant is sick or older' and so on (Table-7.5.9). Any way if inability to repay the installments is considered as a reflection of vulnerability, it, again, proves that more vulnerable members had to leave Grameen, even though they themselves may not intended to do so. In these cases Grameen may have caused these poor to become more vulnerable which is totally opposite to its objective of reducing the poverty in the community.

Nearly one-third (7) of the members reported that their expulsion followed by 'conflict with Grameen Worker'. The reasons behind such conflicts were, 'misbehave of the Grameen worker', 'preferred member was not permitted to enter into the group', 'refusal to repay the absconding members' loan' and so on (Table-7.5.9). 3 respondents mentioned that 'other fellow group/center members misreported' to the Grameen authority about them based on which the authority expelled them. This indicates that as soon as participants face problem in repayment the fellow group/center members reported it to the authority. However, according to these respondents, these were misreporting because they were not actually became unable to repay the loan although they might have faced temporary problems in their investment, such as loss in business or crop failure in cultivation.

Table-7.5.9
Reasons Behind Grameen Authority's Decision to Ask Dropout

Reasons	No. of Responses
<i>Reasons Related to Husband</i>	<i>1</i>
Installments not supplied by husband regularly	1
<i>Problem with Grameen Worker</i>	<i>7</i>
Bad behave of Grameen Worker	2
As refused to repay absconding member's loan	1
Preferred member didn't allowed to join	2
As Grameen Worker received etc. from members, she opposed	1
Based on conflict with neighbour Grameen insulted	1
<i>Reasons Related to Group/Center Members</i>	<i>3</i>
Misreport	3
<i>Reasons Related to Program Activities</i>	<i>4</i>
When know about loss in business	1
Won't be able to repay loan	2
Hearing loss in business	1
<i>Problem in Loan Repayment</i>	<i>13</i>
Problem in collection of money	7
Husband not find work always	2
Husband addicted	1
Loss in business	1
Sick/older	2
<i>Delay/Absent in Meeting</i>	<i>3</i>
Sent loan through others as not in house	1
As pregnant	2
<i>Others</i>	<i>1</i>
Both mother and daughter member	1
<i>Total</i>	<i>32 (N = 20)</i>

Source: Own survey

The above findings of problem in loan repayment and subsequent expulsion would raise serious concern in poverty alleviation. I have already discussed that, in Bangladesh, incomes of the rural population are highly uncertain. In such a situation, temporary problem in loan repayment may not unlikely. However, if such situations cause dropout

for these participants that is very unfortunate. This may cause these participants to fall in more economic hardship. And if it actually happens, whatever the scale is, Grameen's contribution in poverty reduction will be in big question.

7.5.3. Factors Contributed to Dropout

Table-7.5.10 presents an overall picture of all the reasons contributed to dropout mentioned by 124 dropout members interviewed in the present study. Multiple responses have been considered. 237 responses, given by 124 respondents, have been recorded. These responses have been grouped into two broad categories, i.e., i) related to individual and family factors; and ii) related to program factors. Then under each broad category specific reasons have been presented. The data have revealed the true dynamics of dropout from Grameen and has been discussed following.

Individual and Family Factors: The Major Cause of Dropout

It is seen from the data in Table-7.5.10 that out of 237 responses, 205 (86.5%) were related to the individual and family factors. This is, again, strikingly very close to the proportion of dropout that we have found in this chapter earlier caused by individual and family factors¹. However, as I have already mentioned, these were not willful decisions. Adverse individual and family factors created such situations under which women participants of Grameen had no alternative other than dropout. Such factors have also been presented in Table-7.5.10 elaborately. Among the 124 respondents about 71% or 88 mentioned some factors that were generated from general individual and family factors. Among these, about one-fourth (30) mentioned that they dropped out because of 'getting rid from the tension of being always loanee'. This is actually the reflection of

¹ For example, earlier it is found according to the Grameen record that 84.1% of the respondents dropped out due to individual and familial reasons (see *Table-7.5.2,p. 9*).

negative image of loan in the Bangladesh society and economic hardship that I have discussed earlier. Moreover, as Grameen requires loan repayment in regular weekly installments, poor participants of Grameen, particularly women, with their extremely limited income sources, face problems in collecting installment money every week. This is more true as most of their loan investment projects, such as agriculture, not yield regular incomes. Thus, these participants get rid of this tension through dropout. This has further reflected in the responses of 9 respondents who replied that they dropped out because of the 'fear of repayment of loan' in future although they might have not faced any problem before dropout.

Together 20, 13 'disturb in household works' and 7 'problem in childcare', respondents dropped out due to the problem in two of their traditional roles. It is also seen earlier in [chapter 7.4](#) that those who faced problem in these roles dropped out more than those who did not. The other general individual and family factors contributed to dropout found were, 'no person for investment in the family' 6, 'husband/herself sick' 3 and 'husband dislikes quarrel with other members' 2. I have already discussed about the respondents who mentioned that they no longer need loan as their economic conditions have improved¹. Such reasons contributed to 6.5% (8) dropouts. Finally, 8 respondents mentioned that their dropout resulted from the 'cultural obstacles', i.e., participation in Grameen is against the religious and community norms. This indicates at least for some cases that cultural position of women in the society contributed to dropout.

¹ In fact this improvement does not imply that they have escaped from poverty. Even if they have escaped from poverty, they are not supposing to dropout, as Grameen does not encourage dropout at all.

Case-2

Shukzan: Victim of Husband's Misdeeds

The Family

Shukjan (24) joined with Grameen as member of Group 6 of center 33 of the study branch in September 1990. She had her husband (30) and only daughter (2) in her family. They had only 4 decimals of land. *Shukzan's* husband was a day laborer and she herself not engaged in any income generating activities. Their annual income was about Tk.7000/- per year. This seemed more or less enough for a small family of 3. *Shukjan* lived in her natal house. So she was in a position to seek and receive help from her natal family.

Loan History

Shukzan, 1st time, took a loan of Tk.2500/- and gave it to her brother. She knew nothing about the investment of money. Her brother supplied the repayment installments. There was no problem in repayment. *Shukzan* took Tk.3000/- as her 2nd loan, which she used herself in goat raising. This yielded a profit of about Tk.1,400/-. By this time, *Shukzan's* husband became drug addicted and Gambler. As 3rd loan, *Shukzan* received Tk.5000/- and gave it to her husband for investment. Her husband lost all the money in drug and gamble. Yet *Shukzan* took her 4th loan of Tk.5000/- and gave, again, to her husband. This time also, husband lost the money in the same way. Her husband didn't supply the installment money regularly. This caused severe conflict between husband and wife. *Shukzan* faced dire economic hardship to repay the loans from her own capacity. She worked in others' house in the village and received help from natal family. Yet she failed to repay all repayment installments. Finally, the authority expelled her, though she was not intended to dropout.

Helpless Shukjan

Shukjan's struggle to escape poverty with Grameen ended in dropout or failure, about 4 years later after she joined Grameen. *Shukzan* accuses her husband for her dropout and miseries in life. She is quiet frustrated with her husband and believes that, if her husband present her family's economic condition will not improve. Now *Shukzan* is willing to join Grameen again, only if she can avoid her husband and invest the loan herself.

Conclusion

This case study is a typical example of how misdeeds of husband could increase the sufferings of the poor women in Grameen. It appears that Grameen need to develop effective policy intervention in such cases.

Source: Own survey

Case-3

Nurjahan: Problem in Investment Concerned Other Members

Introduction

Nurjahan joined Grameen in 1990. She was 18. She had her husband *Azgar* (25) and only son (1) in family. They live on their only homestead land (5 decimals) besides a metal road and very close to the Grameen branch office. *Nurjahan* was a member of group 6 of center 15. Both husband and wife are illiterate. The husband was engaged in different petty business. The total yearly income of the family was reported as Tk.8000/-. *Nurjahan* was not involved in any income earning activities.

Loss in Business: Made the Authority and Fellow Members Sceptical about Nurjahan's Ability to Repay the Loan in Future

Nurjahan stayed in Grameen for about 5 years until drop out in 1995. During this time she received 5 loans. With the 1st loan, *Nurjahan* bought a cow. As the cow died she lost her whole capital. With the 2nd loan, she bought a Rickshaw. That was profitable but after few months the Rickshaw broken down. With the 3rd loan, *Nurjahan's* husband started a shop of sweets. The next 4th and 5th loans were also invested in that shop. Unfortunately, the shop incurred continuous loss. The major cause of loss was sale on credit, which were not recovered. Seeing this continuous loss in business, other fellow members reported it to the Grameen authority. Guessing that she may be in problem to repay the loans, the authority refused to sanction her a new loan while she still owed 25 installments of a 'general loan'. It could be noted here that most Grameen members have two loans, i.e., 'general' & 'seasonal' simultaneously. *Nurjahan* was worried that if the shop being closed permanently, the whole amount of money, sold on credit, would never be recovered. So she was desperately looking for money to save and re-vitalize their shop. She repeatedly requested the authority to sanction her a 'seasonal loan', for which she was eligible, as she fully repaid the prior 'seasonal loan'. The authority, however, was not convinced about her ability to repay the future loan. The loan was not sanctioned. *Nurjahan*, out of grievances, stopped attending weekly meetings. This was followed by an operation at her house by the fellow center members with the direction of Grameen Worker in an effort to recover the 21 installments she still owed to the bank. All valuables of her house were taken away by the members. Later with the interference of the branch manager, *Nurjahan* received back her valuables. These, however, led to *Nurjahan's* dropout against her will. *Nurjahan* didn't repay the 21 installments that she owed to the bank. She didn't receive her savings in the group fund also.

Conclusion

Nurjahan's case indicates several important findings. *First*, the participants may incur loss in investment due to reasons beyond their control. *Second*, if incurred loss, fellow members or Grameen authority become worried about the loan repayment. *Third*, in this circumstance, the authority refuses to sanction new loans. *Fourth*, such step may cause more difficulties for the participants who may stop cooperation in program activities out of grievances. *Fifth*, in such circumstances, group pressure may turn as violent in an effort to recover loan. And *finally*, these could lead the authority and fellow group members to expel the respective member. It appears, although no doubt about the Grameen judgment about the inability of the respective member, these cases need to be specially handled. Otherwise, these members may fall in more economic hardship and Grameen may lose more vulnerable members, which will, surely, undermine its role in poverty alleviation.

Source: Own survey

Case-4

Maleka: Disappointed as Desired Loan not Sanctioned

Maleka's Background

Maleka (32) joined with *Grameen* in June 1990. She was a member of Group 3 of center 33. Her family was composed of husband (37), 1 son (12) and 2 daughters (8 & 6). They owned 41 decimals of land and her husband was engaged in agriculture. All 3 children were students. The total yearly income of the family was reported as Tk.9000/-. As usual, *Maleka* was not involved in any income earning activities.

Maleka In Grameen

Maleka stayed in *Grameen* for about 4 years until drop out in October 1994. During this period *Maleka* received 8 loans. All loans were invested by her husband in agriculture in their own land and land leased in. As reported all loans yielded profit. *Maleka*, although reported difficulties in collecting installment money sometimes, was regular in repayment.

Desired Housing Loan not Sanctioned: Caused Maleka's Resentment

Maleka, after participating more than 4 years, and being regular in loan repayment, requested for a housing loan of Tk.10,000/-. The *Grameen* authority, however, refused to sanction the housing loan to her. This made *Maleka* and her husband angry and they decided to dropout.

Conclusion

There might be valid reasons behind *Grameen's* decision for not sanctioning the house loan to *Maleka*. It, however, appears that, *Grameen* authority had been failed to make *Maleka* understood their valid grounds. *Grameen*, posses highest transparency in its operation compared to any other government and NGO agencies. Yet it fell short of convincing its members with valid grounds as happened in case of *Maleka*. This caused the end of *Maleka's* effort to escape from poverty, which is undesirable. To combat this undesirable result, perhaps, *Grameen* need to put more stress on motivational activities.

Source: Own survey

Husbands' Misdeeds as Cause of Dropout

It is clearly seen that about one-fifth (24) of the respondents mentioned that husbands' misdeeds contributed to their dropout. Top in this category was, off course, 'husband refused to provide money for weekly repayment installments'¹ (see Case-2). Other factors in this category were, 'husband lazy/not good in investment' 5 and

¹ In these cases, however, no doubt, the loans were given to husbands.

'husbands' 2nd marriage', 'husband left with capital', and 'husband addicted', 2 each. Whatever the reason(s), in these cases, no doubt, that women participant faced dire economic hardship to repay the loans of Grameen from their own capacity. It appears that unless husbands become responsible, Grameen may contribute to more sufferings for the already oppressed women in the society, although may not be in a large scale. In these cases the role of Grameen in poverty alleviation deserves to be critically evaluated.

Problem in Regular Loan Repayment: The Other Name of Dropout

Problem in loan repayment contributed to dropout in a large scale. About 48.0% of the dropped out respondents (124) reported that they faced problem in loan repayment which contributed to their dropout. It is also interesting that in their study on BRAC dropouts *Khan & Chowdhury (1995,p.168)* found 42.4% of the dropped out female members as faced problem in regular loan repayment. And yet study by *ASA (1996,p.13)* also reported that problem in regular loan repayment contributed to 49.5% dropped out cases. All these findings almost equally found that problem in regular loan repayment contributed to nearly half of the dropped out cases. The studies of *Khan & Chowdhury* and *ASA*, however, didn't look into the factors that caused the problem in regular loan repayment. Identification of such reasons are important to formulate effective policy to ensure the success of the poor to escape from poverty in microcredit programs. In the present study I have tried to identify what caused participants problem in loan repayment.

Going through the causes of problem in repayment reveals that it emerged out of the regular economic crisis. Usually the poor do not have regular sources of income that could help them to arrange regular weekly installments. Nearly half (27 out 59) of the respondents in this category and about 21.8% among the total respondents reported this.

These findings reveal that a considerable proportion of participants failed to develop any viable project with Grameen loans that could provide them regular incomes. These, of course, indicate the inability of Grameen to reduce poverty from the society. Usual economic inability was followed by 'capital lost/consumed'. 15 respondents mentioned that they either lost or consumed their capital. 'Sickness of husband/participant' contributed in 9 cases. 6 respondents mentioned their 'husband didn't find regular work'. Underemployment and unemployment is pervasive in Bangladesh. Thus, it is likely that, there might be no regular work for these poor. However, it implies another important findings. That is, for regular installment money, these participants depended on other sources of incomes than that of the project, if any, adopted with the Grameen loans. This cases, again, represents those who failed to invest the loans in any regular income producing projects. Finally, one each reported that their 'husband addicted' or 'died'.

All the above reasons that caused problem in loan repayment clearly reveal that all these cases failed to invest their loans in viable enterprises. And, as such, they had to arrange their regular repayment money from other sources which, understandably, extremely scarce for them. All these events indicate the vulnerability of the rural poor in rural Bangladesh. Such vulnerability in rural Bangladesh is, however, common as already discussed earlier. If such usual vulnerability invades in such a large scale among the Grameen participants, unless Grameen adopts some special measures for these groups of participants, it appears that, for a considerable number poor, Grameen may cause more vulnerability, instead of bringing them out of poverty. This deserves highest priority in Grameen operation.

Case-5

Shohorbanu: The Victim of Group Responsibility

The Family

Shohorbanu (22) entered into Grameen in March 1990, as member of Group 1 of center 32. Her family had 4 members; husband (30) and 2 daughters (5 and 2). With a land of only 10 decimals the family depended on the incomes of husband from day labor and from partial agriculture. *Shohorbanu* herself was not engaged in any income generating activities. The annual income of the family was about Tk.7000/- per year.

Loan History in Grameen

Before dropout in June 1994, *Shohorbanu* received loans for seven times from Grameen. Most loans were invested by her husband in agriculture. Among the 7 loans invested, 5th and 6th loans experienced loss due to crop failure and expenditure for treatment. In the 7th loan, however, they able make profit through invest it in sugarcane cultivation. As loans were invested in agriculture her husband supplied the regular installment money from his income earned through work in the Brickfield. *Shohorbanu* was regular in her loan repayment installments. It seemed that she was doing well.

Group Responsibility: The Source of Crisis for Shohorbanu

A member of *Shohorbanu's* group absconded with a loan of Tk.7000/-. Out of group responsibility, it was decided that *Shohorbanu* would repay the absconding member's installments regularly. And after the completion of all installments the whole amount will be credited to *Shohorbanu*. However, after about 3 months *Shohorbanu* found herself as unable to repay large amount of installments regularly. This was followed by a conflict with the Grameen authority that ultimately led to her dropout. During dropout, as reported by *Shohorbanu*, the money she repaid against the absconding members' installments had not been refunded to her. It appears that unless the arrangement of repaying absconding members' loan, *Shohorbanu* was doing fine with Grameen.

Conclusion

This case study reveals that, group responsibility may serve the interest of the program or the group. For the individual members of the group, however, it may cause an end of their struggle to escape from poverty. *Shohorbanu's* case is a typical example of how program factors could cause dropout.

Source: Own survey

Program Related Factors: Also Causing Problem for the Participants

Out of 124 interviewed dropped out respondents, 22 (17.4%) said that program related factors contributed to their dropout. Overwhelming (17 out of 22) mentioned that they 'didn't receive desired loan' (see Case-3). This includes, 'higher amount of loan',

'housing loan', 'seasonal loan', 'loan immediately after repaying the overdue loan' and so on. It is evident that, Grameen strictly evaluates the loan use capacity of the participants. Based on this, amounts of loans to be sanctioned are fixed. No doubt that this may not satisfy all participants. It is, however, evident that, for these cases, there remained a gap between the authority and participants. Grameen found these participants were not having the ability to use the loan they sought. However, the participants may have thought that they have the ability to use the proposed loans. Here, an important implying factor is that, Grameen believes that the participants are unable to judge their capacity to use loans by their own. If poor participants are unable to judge even their ability to use loans, how could we believe that they would be able to escape from poverty through successful use of loans in self-enterprises? These, actually, indicate the necessity of guiding the process of escaping from poverty by these poor participants in the microcredit. Again, although Grameen, both in principle and in practice, leaves the matter of escaping from poverty completely to the participants, by controlling the desire for loans of the participants, it actually executing its control over the process— although may not be in a planned way and directed towards achievement of sustainable success of the participants in their effort to escape from poverty. I am not arguing that these participants are able to use the loans they demanded. Rather, I believe that, Grameen's decisions were right in this regard. If Grameen provided these participants with their desired loans, they might be in a more critical situation. All I am trying to focus is that the poor may not able to do all needed in the process of escaping from poverty properly. They need, as I have argued, proper guidance in the process. Otherwise, undoubtedly, increasing number of poor would experience failure in their effort to escape from poverty.

Case-6

Gedimon: The Victim of Absent in Meeting Caused by Child Birth

Background

Gedimon, asked by her husband, joined with *Grameen* in November 1992 as member of group 7 of center 30. At that time she was 28 years old. Her family composed with husband *Kalam* (35) and only son *Munsur* (11). Her illiterate husband was engaged in agriculture laborer and partial own agriculture. Their son was a student of class-II. *Gedimon* didn't engaged in any income earning activities. Their total annual family income was about TK. 13,000/-.

Loan History

In her stay with *Grameen* for about 5 years *Gedimon* received 8 loans. Most of which invested in agriculture through purchasing and leasing land. She, along with her husband and son, worked in the projects. All the loans, as reported by *Gedimon*, yield profit. She never faced any problem in loan repayment.

Having Children: Usual but Ultimately Led to Dropout

With a gap of about 12 years after the birth of her only son, *Gedimon* decided to have another child. Before and after the birth of her child, a daughter, she was unable to attend the regular meetings for about one-month as she can't left the young child alone. During this time, she also became irregular in repaying the installments. These caused other members visit to her house along with *Grameen* worker. Other members claimed that if *Gedimon* can remain absent why they can't? Don't they have household works? *Gedimon's* husband disliked these and asked her to dropout.

Conclusion

Gedimon's case is a typical example of how obvious causes, such as birth of a child could hamper the program participation of women that ultimately could cause dropout. Those who are in childbearing stage are likely to go for having children. This is obvious. This, however, if caused dropout of the participants that is very unfortunate. *Grameen* requires explicit policy provisions in such cases.

Source: Own survey

Table-7.5.10
Reasons Contributed to Dropout

<i>Reasons</i>	<i>No. of Response</i>	
1. Related to Individual and Family Factors	205 (N =124)	%
1.1. General causes	88	71.0
1.1.1. Always tension & don't feel good as always loanee	30	24.2
1.1.4. Disturb in household work	13	10.5
1.1.2. Fear of loan repayment in future	9	7.3
1.1.3. Problem in childcare	7	5.6
1.1.5. No person for investment of loan	6	4.8
1.1.6. Husband/Herself Sick	3	2.4
1.1.7. Husband dislikes quarrel with members/Grameen Worker	2	1.6
1.1.8. No need of loan	8	6.5
1.1.9. Against community values	8	6.5
1.1.10. Others	2	1.6
1.2. Husbands' Misdeeds	24	19.4
1.2.1. Husband not provided repayment Installments	13	10.5
1.2.2. Husband Lazy/not good in investment	5	4.0
1.2.3. Husband's 2nd marriage	2	1.6
1.2.4. Husband left with capital	2	1.6
1.2.5. Husband addicted	2	1.6
1.3. Reasons Related to Program Factors	22	17.7
1.3.1. Desired loan not sanctioned	17	13.7
1.3.2. Meeting takes too long	2	1.6
1.3.3. Strict rules could not follow	2	1.6
1.3.4. As group leader need to visit others for installments	1	0.8
1.4. Problem in Loan Repayment	59	47.7
1.4.1. No source of money (generally poor)	27	21.8
1.4.2. Capital lost/consumed	15	12.1
1.4.3. Husband/she sick	9	7.3
1.4.4. Don't find work always	6	4.8
1.4.5. Husband addicted	1	0.8
1.4.6. Husband died	1	0.8
1.5. Delay/Absent in Meeting	12	9.7
1.5.1. Husband sick	1	0.8
1.5.2. Small kid in house	3	2.4
1.5.3. As she pregnant	5	4.0
1.5.4. Due to family matters	3	2.4
2. Program Sources	32	
2.1. Reasons Related to Grameen Worker	18	14.5
2.1.1. Bad behave of Grameen Worker	7	4.8
2.1.2. Preferred member didn't allowed to join	2	1.6
2.1.3. Row over workshop participant	1	0.8
2.1.4. Pressure to adopt project according to their choice	1	0.8
2.1.5. Refused to repay absconding members' loan	2	1.6
2.1.6. When know about loss in business	2	1.6
2.1.7. Won't be able to repay loan	2	1.6
2.1.8. As Grameen worker received etc. from members, she opposed	1	0.8
2.2. Reasons Related to Group/Center Members	14	11.3
2.2.1. Delayed in meeting misbehave	4	3.2
2.2.2. Husband's 2nd marriage	1	0.8
2.2.3. Misreported	4	3.2
2.2.4. Construction of Center house	1	0.8
2.2.5. Selection of group member	3	2.4
2.2.6. Both mother and daughter member	1	0.8
Grand Total	237(N = 124)	100.0

Source: Own survey

The other less frequently mentioned reasons in this category were 'meeting takes too long'; 'strict rules and regulations' and 'as group member need to visit other members for collection of loans'. Although, very few respondents (2, 2 and 1 respectively) mentioned these reasons, these has implications for the participants. If a meeting takes too long how could it be expected that a women without helping hand in the family would able to participate in that? Let us consider the cases who have young baby. Usually, in rural Bangladesh, breast-feeding is common. Is it possible for a mother to attend the meeting for a long time keeping her young breast-feed baby in house? During field visit, it is found that, due to the repayment problem of one or more member in the center the meeting continues for a long time, usually, unless all installment(s) are paid. Hence, for rural women, who usually overburdened with household activities and lack helping hand in the family this obviously cause lot of concern¹. In these circumstances it is not possible for these women to continue with the program. This does not imply that there should not be the provision of regular meetings. It is vital need for the success of the program as well as for the success of the participants. Thus, there must be some mechanism to be sorted out which better suit with the circumstances of the overburdened rural women of Bangladesh. This may require extensive study.

Delay/Absence in Meeting

Finally, among the individual and family factors that contributed to dropout,

¹ During the present study I participated in a one-day workshop at the branch office attended by about forty members and some foreign scholars. The members needed to remain in the branch office for about 8 hours, from 8:00 a.m. to 4:00 p.m. It could be imagined that, as there were members from long distance and no transportation was available except walking, some members might have left their house as early as 7:00 a.m. And they might have been able to return to house at about 5:00 p.m. The arrangements in the branch office were excellent. The members were also provided with a simple but nice lunch. But how could we think that for women, who have no helping hand in the family or who have young child, could stay outside home for the whole day? Is it feasible? In fact, by practice such workshops could be attended by only those who have no young child and helping hand in the family. Hence, continuing with Grameen is extremely difficult for the young women. This has already been revealed from the findings of this study.

'delay/absent in the meeting' has been considered. In fact, participants' delay in meeting may cause harm to other members in many ways. Usually, meeting doesn't start unless all members gathered. Thus, delay of one or more member may cause the meeting to be lengthy. And if meeting get lengthy it becomes tough for the overburdened women as discussed in the previous section. Moreover, if a member delays or remain absent from meeting the recovery of her installment also become uncertain, which is the most important concern of everybody. In fact, as seen in the field, nowadays, meetings are being conducted only for the purposes of loan related functions, particularly collection of repayment installments. Any way, delay/absent in the meeting is highly undesirable. Nevertheless, there might be some unavoidable reasons, which, if occur, the respective participants may not be able to attend the meeting, even if she is willing. For example, maternity needs discussed earlier. When a women becomes pregnant it is difficult for her to move freely for both physical and socio-cultural reasons, particularly at the later stage of pregnancy through delivery. Usually, pregnant women do not move outside the house in Bangladesh. The other fact is that, it is almost common that the young women, who give birth for the first or second time, go to natal house for delivery. This may take few months¹. Even if the member stay in her own house it is difficult for her to attend the meetings for quite a long time. In the present study delay/absence in meeting contributed to 12 or 9.7% dropouts. This again, strikingly very close to the proportion of 8.6% found by *Khan & Chowdhury (1995,p.8)* among the female members of BRAC.

Again, there is no reason to believe that these participants willingly delayed or absent in the meetings. There might be several unavoidable factors that may have contributed to their delay/absence in meeting. Data presented in the Table-7.5.10 show

¹ It is also common practice that the newly married women visit natal house and stay there for a considerably long time (sometimes more than a month) several times throughout the year. This continues until the women have few children.

that most members (5 out of 12) delayed or absent in the meeting(s) due to pregnancy (see Case-1 also). 3 each reported that they 'had young children' and due to 'different family matters' as reasons for their delay/absence in meeting one member reported that her 'husband died'.

The reasons caused delay/absent in meeting seem sometimes having unavoidable character. These are obvious events and if happen it is difficult for a member to attend the meeting. As such events are evident, there is need to formulate some policy regarding this. In practice as understood Grameen Worker practice some flexibility to cope with such events. In the policy documents of Grameen, however, nothing has been mentioned in this regard. Thus, these may create misunderstandings among the members and between the members and Grameen worker. Which, as seen, may lead to dropout— an end of the effort to escape poverty. Thus, Grameen should specify such events exhaustively and formulate necessary policy in this regard. This need to be followed up by extensive motivational program for all the participants, otherwise, they may raise question about whatever the reason(s)¹ of absence.

Contribution of Program Sources in Dropout

By program sources, I have meant those dropouts which were originated from program related persons. It has been broadly categorized into two, i.e., and 'reasons related to Grameen Worker' and 'reasons related to fellow group/center members'. The reasons behind these two sources have also been presented in Table-7.5.10. All together 32, out of 237 (13.5%), responses fall in this category. Among these 18 originated from the Grameen Worker and 14 from fellow group/center members.

¹ In fact it was learnt that, if a member remain absent, even if she send her installment by other means, other members strongly oppose that. This actually causes the Grameen Worker to be very critical situation. Even, I have been told that, if a member absent in the meetings due to above mentioned unavoidable reasons, other said that "we will also remain absent" or "as we don't have those what is our fault" and so on.

Reasons Related to Grameen Worker

I have already presented that those who had conflict with Grameen Worker dropped out more than those who didn't did. As seen in Table-7.5.10 Grameen Worker contributed to about 14% (18) drop out cases. Needless to say that these were mostly outcome of conflict. The reasons behind these are very interesting. Highest 7 reported that 'bad behave of Grameen Workers' contributed to their dropout. These was followed by 2 each, 'preferred member didn't allowed to join', as the member 'refused to repay absconding members loan', 'when know about loss in business' and 'won't be able to repay loan'. In Grameen, group is responsible for repaying the defaulted or overdue loans¹. Thus, extra cautions are likely to be maintained by the group members in this regard. Whenever it appears that a member may face problem in repaying loan, other members including the Grameen worker suppose to exclude that member from the group (see Case-3 also). This has actually reflected from these findings. In policy, however, group has been identified as a source of peer pressure and solidarity, which works for the betterment of its members. In practice, however, as seen from the findings, it may work to exclude the vulnerable members, which may be good for the program and the remained members but, off course, not for those who have been compelled to dropout.

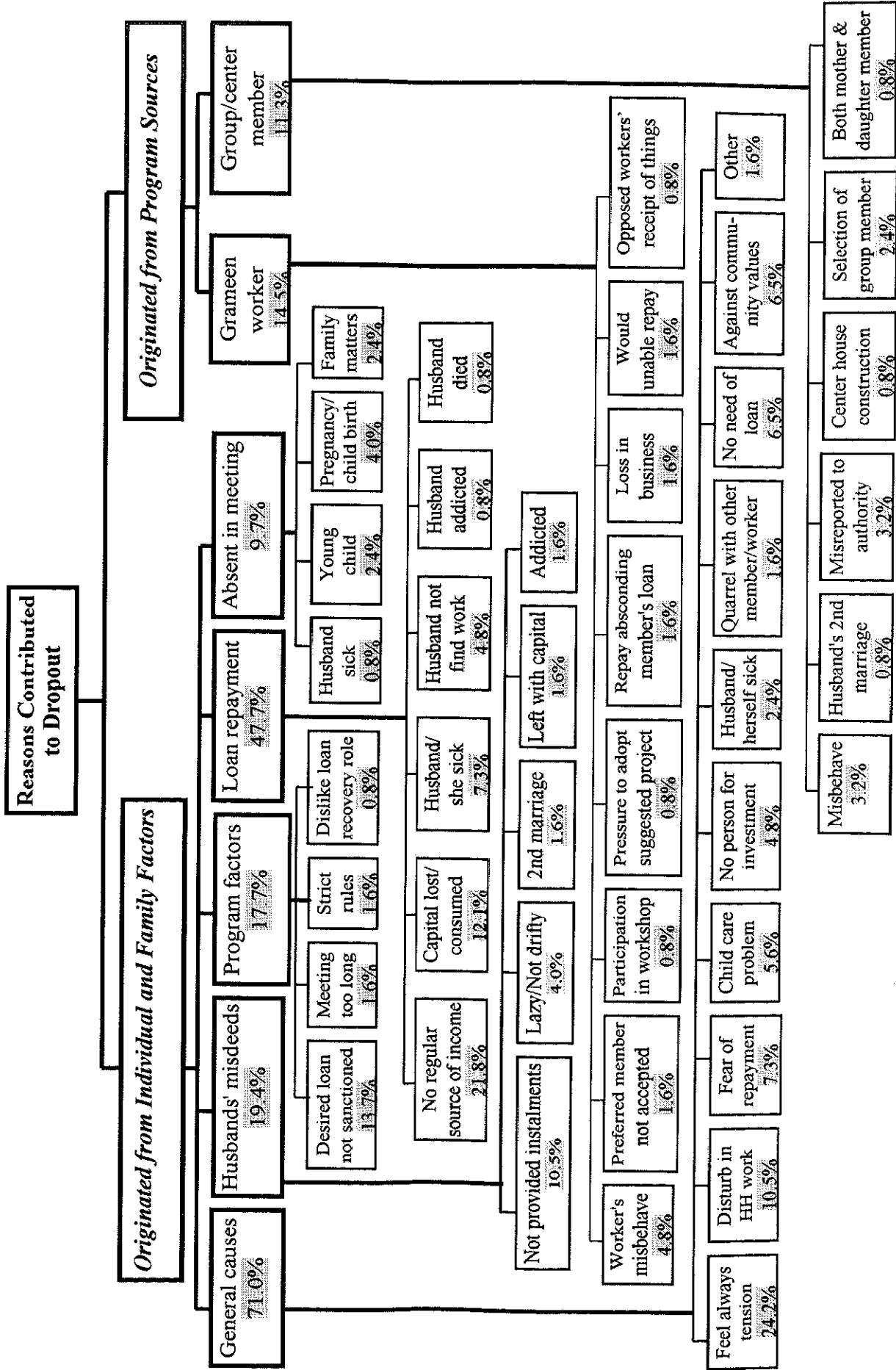
Reasons Related to Group/Center Members

Fellow group members contributed to about 11% (14 out of 124) of the dropout cases. As I have already discussed about other members' concern in case of absent member, highest 4 out of 15 reported that they delayed in the meeting followed by which

¹ In the study branch, however, no case of direct loan recovery from the group fund was reported. In case of loans overdue or permanent default, however, arrangements to recover the loans by using the group fund were seen. To recover the overdue loan, allocation of loan from the group fund to the respective member and recover the overdue bank loan from that loan was seen in practice. In case of permanent default, loan from the group fund was seen allotted to existing willing group member and the interest of the loan, instead of deposit into the group fund, used as installment against the defaulted case.

other members misbehaved with them. These delayed cases, however, might be happened due to the problem of collection of installment money. Any way, it is evident that members' delay in meetings could cause other fellow members' concern. The same number (4) reported that other members misreported to the Grameen authority about their ability to repay loan or loan use that contributed to their dropout. This, again, could be considered as the result of other members, concern about the ability of the members to repay loan, as discussed above. It again, supports that, although not in a large scale, there are cases where peer pressure cause dropout putting these members' effort to escape from poverty in a failure. Another point of disagreement among the members was selection of members in the group. This situation arises when one or more member(s) drop out. Then replacing the members is essential. Thus, question of selecting members comes which cause rifts among the existing members. It is important to note here that conflict among less than only four group member (considering that one or more members have dropped out and there is 5 members in a group) over selection of members in a group indicates the weaknesses of rural women to work in a group. It is not at all a facilitating factor for the success of Grameen. It indicates the need for more training and motivation of the participants to increase their solidarity. One member reported that as her husband married for 2nd time other members caused her dropout. This is also clearly an outcome of the understanding that the member may fall in problem in loan repayment due to possible family conflicts caused by husband's 2nd marriage.

Figure-7.5.6: Presentation of Reasons that Contributed to Dropout



Chapter-7.6
AFTER THE DROPOUT

7.6.1. Trend in Economic Condition of the Family

In this chapter, I have tried to identify how the dropout participants pass their life after dropout from Grameen. Data in Table-7.6.1 show that more (29.0%) dropped out participants reported that the economic condition of their family remain either same or deteriorate compared to the participants continuing with the program (17.6%). Although the difference is statistically significant at 0.03 level, the important point to look at is that 71.0% of the dropped out participants also reported that their economic condition is improving. It appears that dropout from Grameen may have no adverse influence on the improvement of the economic condition of the family.

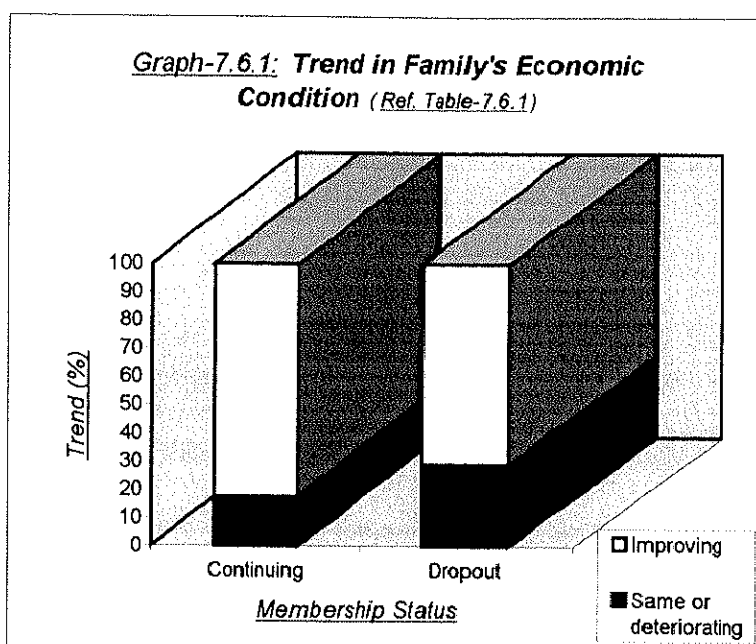
Table-7.6.1
Present Trend in Family's Economic Condition

<i>Trend in the Economic Condition of the Family</i>	<i>Continuing</i>		<i>Dropout</i>		<i>Total</i>	
	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>
Same or deteriorating	24	17.6	36	29.0	60	23.1
Improving	112	82.4	88	71.0	200	76.9
Total	136	52.3	124	47.7	260	100
Chi-square = 4.74 DF = 1 <i>Significance = 0.03</i>						

Source: Own survey

When checked it is seen that most (75%) respondents mentioned that their economic condition is improving through the hard work of the principal earner, mostly husband, of the family. A considerable proportion (20%) mentioned that their economic condition is improving with the help of Grameen or other NGO. And understandably higher proportion (28.6%) of the continuing participants of Grameen mentioned that their economic condition is improving with the help of Grameen compared to only 9.1% of

dropped out participants who mentioned that their economic condition is improving with the help of other NGO help. Yet another interesting point is that 15.5% respondents said that their economic condition is improving with the help of their sons' income. It indicates the dependency on the son as the source for economic security in the rural Bangladesh.



All together, 11.5% respondents mentioned their economic condition is improving with the help of their own income (Table-7.6.2). It could be mentioned here that these respondents mentioned their income additional to the regular income of their family. Nevertheless, it could be concluded that, involvement in Grameen or other NGO based poverty alleviation programs may not be an essential condition for achieving economic improvement in rural Bangladesh. As the dropped out participants have already participated in the poverty alleviation programs, their experience in Grameen may have contributed to their present economic improvement.

Table-7.6.2
How the Economic Condition Improving

<i>How the Economic Condition Improving</i>	<i>Continuing</i>		<i>Dropout</i>		<i>Total</i>	
	No.	%	No.	%	No.	%
Income of Principal Earner	71	63.4	79	89.8	150	75.0
Grameen Bank/NGO loans	32	28.6	8	9.1	40	20.0
Son's Earning	20	17.9	11	12.5	31	15.5
Self Income	11	9.8	12	13.6	23	11.5
Can't say	3	2.7	9	10.2	12	6.0
Total	112	56.0	88	44.0	266 (N=200)	100.0

Note-1: Only those who (200) reported improvement in economic condition are considered

Note-2: Multiple response (highest 2)

Source: Own survey

7.6.2. How is at Present

It is evident that majority (55.6%) the dropped out participants feel better after they dropped out than while they were in Grameen. The major source of their uneasiness while they were in Grameen is seen as the problem of loan repayment. 57 or 82.6%, out of 69 respondents in this category, mentioned that they feel better now because they don't have the worry of loan repayment or more specifically weekly installments (Table-7.6.3). Interestingly these 57 respondents make 46.0% of the total respondents (124) which is very close to 47.7% (Table-7.5.10), found as mentioned problem in weekly loan repayment as contributed to their dropout. It appears that although the weekly repayment system has been introduced to reduce the burden of repaying a bulk of money at a time, it didn't work well for these dropped out participants. Rather, they feel relaxed now without the worry of weekly repayment. Thus, it is very important to look at the matter of weekly repayment in-depth as it may create an extra worry for the rural poor who are already worried with their struggle to survive.

Table-7.6.3
How the Dropped out Participants Feel Now

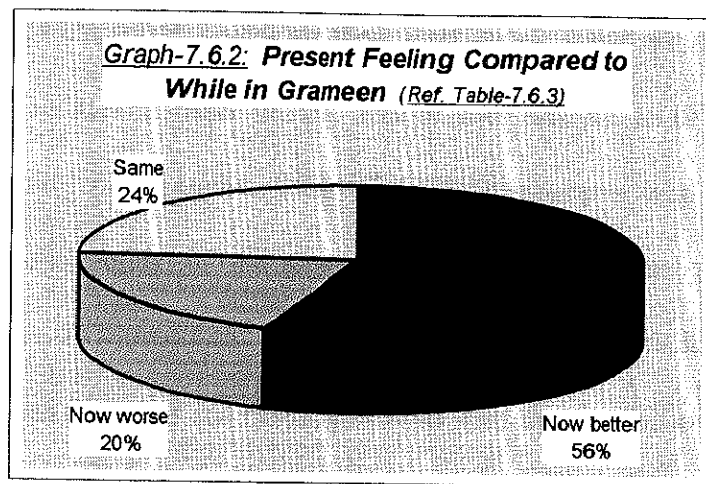
<i>Present Feeling Compared to While in Grameen</i>	<i>Frequency</i>	<i>Percent</i>
<i>Better than While in Grameen</i>	69	55.6
No worry for instalment	57 (82.6%)	
No botheration	4 (5.8%)	
No worry of husband's misappropriation of money	8 (11.6%)	
<i>Worse than While in Grameen</i>	25	20.2
Now no capital or not receiving loan		
<i>Same</i>	30	24.2
For poor all same		
<i>Total</i>	124	100

Source: Own Survey

Another 8 respondents mentioned that as they feel better now because they don't feel worry about the misappropriation of loan by husband. We have already seen that women participants of Grameen give the loans to their husband for investment. Because they are not capable of invest loans themselves due to the heavy burden of traditional roles, such as household work, child care, etc., and lack of access to market and required mobility in the society. But the husbands didn't supply the regular installments mainly because they (husbands) misused the money. In such cases, these women participants faced extreme economic hardship to repay their loans. Hence, it is very usual that they feel relax now. They don't have the money now. So the husbands also can't demand it.

Nevertheless, about one-fifth (20.2%) of the dropped out participants indicated that they were better while they were in Grameen or they are worse now. These respondents, however, might have been compelled to drop out against their will due to causes like temporary problem in loan repayment, conflict with fellow group member or Grameen Worker, etc. The main reason behind their feeling that was better while in Grameen is receiving loan while they were in Grameen. As they received the money (loan) at a time they were able to use it for some good purposes, such as purchase land, which they are

not able to do now. However, such perceived utility implies that the participants see Grameen as only a source of loans, rather than looking it as an overall emancipator for them. Particularly, important is that, they don't see the program as a permanent support for them during the time of crises or insecurity. I have already discussed that without such a confidence on Grameen from the participants' sides, dropout, hence poverty in the society, might not be reduced effectively.



Finally slightly less (24.2%) than one-fourth of the respondents mentioned that they are same now as they were while in Grameen. This response particularly came in the form of deep hopelessness as 'for the poor all the same'. They always remain poor. In fact, these respondents became hopeless about their poverty condition because of extreme adverse individual and family conditions, such as, they don't have any male earner in the family, they have grown up marriageable daughters in the family, either she or her husband chronologically ill, and so on. They don't see any usefulness of Grameen for them because they are unable to use the Grameen loan for escaping from poverty. This again indicates Grameen's limitation to reduce the poverty of the most vulnerable sections in the society. It reveals that Grameen program is not enough to reduce poverty from the society.

7.6.3. Participation in Other Microcredit Programs

The poor are the golden deer, everybody (microcredit programs) run to catch them.

Manager, Grameen Bank, Gohail Branch, Bogra.

The above expression of a veteran branch manager of Grameen indicates the steep competition that prevails now among the microcredit programs. It is often argued that instigation by other microcredit programs, working in the same area, causes dropout. For example, *ASA (1995,p.20)*, based on their staff data, found 41.1% dropouts were contributed by facilities of other NGOs. This is also believed to be one of the major reasons of dropout from Grameen. Other microcredit programs, who bother little about the financial sustainability of the program and repayment, instigate the Grameen participants to leave Grameen and join with their organization. This has been found true for only a few cases. None of the cases mentioned that they were being asked by other microcredit workers to leave Grameen and join them. However, there were cases found who join other programs, particularly BRAC— Bangladesh Rural Advancement Committee, after being expelled by the Grameen due to conflict with the fellow group/center members and Grameen authority.

Data in the Table-7.6.4 show that more than one-fourth (27.4%) of the dropped out participants of Grameen have entered in other microcredit programs working in the area¹. It indicates that among the dropped out participants of Grameen, a considerable proportion were dissatisfied with their dropout and, as such, later entered into another microcredit program. Most of these respondents mentioned that BRAC is less rigid than Grameen in terms of loan repayment. The activity of BRAC, however, was not found very much dynamic during my field visit of around one and a half-month. And there were

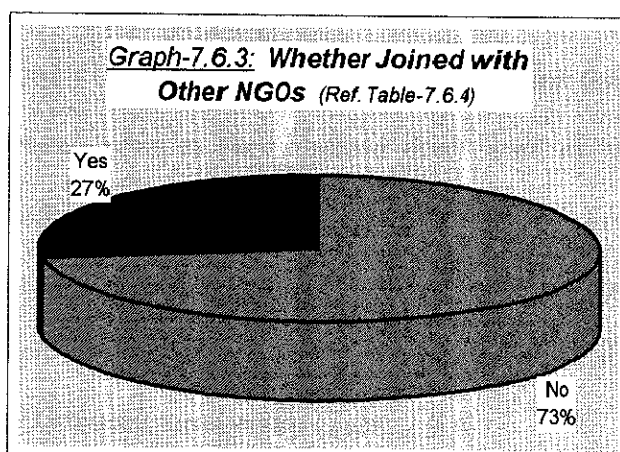
¹ It may be noted here that most of these participants joined with BRAC program working in the area.

also respondents who mentioned Grameen as good than that of BRAC. Moreover, it is not evident how far BRAC would be able to contribute to poverty alleviation, the ultimate target of microcredit programs. It appears from the Grameen experience that the result of BRAC program in this regard would be same, if not less successful.

Table-7.6.4
Whether the Dropped Out Participants Entered in Other Microcredit Programs

<i>Whether Entered</i>	<i>Frequency</i>	<i>Percent</i>
No	90	72.6
Yes	34	27.4
Total	124	100

Source: Own survey



7.6.4. What Next: Whether Like to Join Grameen Again

Nevertheless, it might be said, to some extent, that Grameen has been able to create a positive image among its participants. This has revealed from the data presented in Table-7.6.5. It is seen that that a considerable proportion (35.5%) of the dropped out participants want to become the member of Grameen again. Majorities (64.5%), however, don't like to be the member of Grameen again.

Table-7.6.5
Whether Like to Enter into Grameen Again

<i>Whether or not</i>	<i>Frequency</i>	<i>Percent</i>
No	80	64.5
Yes	44	35.5
Total	124	100

Source: Own survey

Why don't Like to Join Grameen Again

When asked why they don't want to become the member of Grameen again, it is seen that majority said that they 'don't feel comfort' and 'fear the installments', 28 and 20 respondents respectively mentioned these. It again appears that the participants are feeling regular repayment installments as a source of tension. Data again reveal that husbands' decision is crucial for wives' participation in the microcredit programs. A considerable proportion (18.8%) of the participants mentioned that they don't want be the member of Grameen again as their husband don't want or they are not good in investment. 6 respondents mentioned each 'it disturbs their household activities' and 'either husband or she is sick' as their no intention to become member of Grameen again. About 15% mentioned that they have already become members of other NGO as such they won't qualify for Grameen membership (Table-7.6.6).

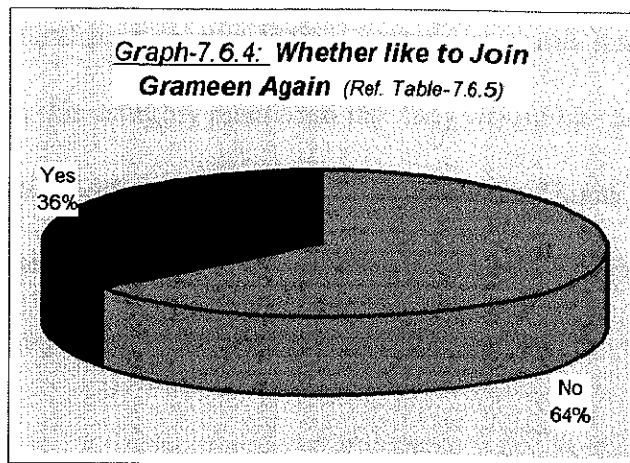


Table-7.6.6
Why don't like to Become Grameen Member Again

<i>Reasons of Not Intending</i>	<i>Frequency</i>	<i>%</i>
No need of loan/live on work/don't feel good	28	35.0
Fear of repayment instalment	20	25.0
Husband don't like/not good in business	15	18.8
Membership in other NGOs	12	15.0
Disturbing/problematic	6	7.5
Husband/self sick	6	7.5
No person for investment in the family	4	5.0
Other members not good	4	5.0
Economically improved	1	1.3
Son don't want	1	1.3
Total	97 (N=80)	Total

Source: Own survey

Why Like to Join Grameen Again

When asked what are the reasons of their intention to join Grameen again, nearly three-fourth (72.7%) of the respondents of this category mentioned that they would be able to receive loan. A considerable proportion (36.4%) of the respondents mentioned they would get the chance of savings, which they will be able to use in need. This is obviously an indication of a positive change in the attitude of the poor. Again, the dependency of the rural poor women to their husband revealed from the fact that 7 out of 44 respondents in this category mentioned that they would like to join if their husband cooperates. Yet another 4 mentioned that if larger amount of loans were sanctioned they would join with Grameen. Merely 3 respondents mentioned that they like Grameen and as such would like to join with the program again (Table-7.6.7).

Table-7.6.7

Why the Dropped Out Participants Like to Become Grameen Member Again

<i>Reasons</i>	<i>Frequency</i>	<i>%</i>
To receive loan	32	72.7
For savings	16	36.4
If husband co-operate	7	15.9
Like Grameen very much	3	6.8
Will be able to arrange daughters' wedding	4	9.0
If, large amount of loan sanctioned	4	9.0
BRAC interest high	1	2.3
BRAC office far	1	2.3
<i>Total</i>	<i>68 (N=44)</i>	

Source: Own survey

Chapter-8
SUMMARY AND CONCLUSION

8.1. Theoretical Background

8.1.1. The Invincible Poverty in Developing Countries

Despite huge development and poverty alleviation programs poverty is still pervasive in developing countries. According to UNDP¹ 1.3 billion people are currently living in absolute poverty² and number of new people living in poverty increases by approximately 47 per minute. Bangladesh have expended about Tk.1,200 billion in last 26 years³. The average size of population during this period was about 91 million⁴. So, Bangladesh have already expended about Tk.13,333/-⁵ per head for development. Yet more than half of its population are still living below the poverty line. Where all these money have gone? No doubt, these have been filched by the urban based bureaucratic, political and business classes (*Maloney 1991*). Some benefits may have gone to the rural areas too, but again, to the well to do farmers. The condition of the vast poor remains same, if not deteriorated. In this thesis, I tried to explain this persistent mass poverty within the framework of sociological theories of poverty and poverty alleviation in context of Bangladesh.

8.1.2. Sociological Explanations of Poverty

Individualistic, Structural and Liberal Explanations of Poverty

As poverty interacts with almost all other social problems social scientists have tried to explain poverty in numerous way. Most of these could be grouped into two; *individ-*

¹ UNDP Figures are taken from Internet Homepage, address: <http://nywork4.undp.org/undp/poverty/>

² Whose incomes are no more than \$370 a year.

³ Reported in *Weekly Dhaka Courier (Online Version, Vol. 14, Issue 49, Jul 3, 1998)*.

⁴ Considering the population of 70 & 112 million respectively in 1971 and 1997.

⁵ This is about US\$ 568/-, considering average exchange rate of Tk. 5/- in 1971 and Tk.42/- in 1996.

ualistic and *structural*; explanations. 'Individualistic explanations' are based on *individualism* ideology and focus on the individual characteristics of the poor and blames the poor for their own poverty (*Banfield 1970; Bottomore 1966; Glazer & Moynihan 1970*). According to these explanations focusing on characteristics of the poor could reduce poverty. On the other hand, structural explanations are based on *Marx's (1887)* theory of 'socialism'. These explanations blame the social structure as the cause of poverty and focus on the characteristics of the broader social, political, or economic conditions that affecting the poor (*Edwards, Reich and Gordon 1975; Gordon 1972; Marx 1887; Ryan 1971; Wachtel 1971*). According to these explanations replacing 'capitalism' by 'socialism' through revolutionary measures are needed to solve the problem.

In purview of these two opposite orientations, some scholars (for example, *Booth 1902, Lewis 1968, Schneider, et. al. 1981*.) explained poverty using components from both individualistic and structural orientations. This view could be identified as 'liberal approach' which recognizes that poverty could be caused by the reasons beyond the control of the poor or structural factors. So, it favors state action to help the poor to escape from poverty. Yet it emphasizes individual action in the process of escaping from poverty.

Developing Countries: Is Something Different

Above theories have been primarily based on developed countries thus may have limited use in explaining the poverty of developing countries. The context, causes, and remedies of poverty differ greatly between developing and developed countries. The consequences of poverty, however, are equal in all societies. Thus, these theories can also provide important theoretical frameworks to explain the problem of poverty and poverty alleviation in developing countries. Based on the above theories, it seems that

sustainable poverty alleviation in developing countries remains on both at societal as well as individual (the poor) actions. To state simply, to escape from poverty, the poor must be motivated first to escape from poverty. This may also require societal intervention. Then societal provisions are also necessary to help them for successful escape from poverty, as there are odds in the society that could impede the process. I followed this approach throughout the present study. In the developing countries, societal interventions in the form of development and poverty alleviation programs are being implemented since long. The results are, however, extremely frustrating. Thus, the focus of the present thesis was on why societal interventions have been failed so far and why the poor failed to take the opportunity created through such interventions in the context of Bangladesh.

8.1.3. Poverty in Bangladesh

The Situation

With 124.0 million people (*GOB 1997*) Bangladesh is the fifth largest country in the world (*Hye 1996,p.1*). With an area of only 1,47,570 sq. km., however, it is one of the highest densely populated (755 per sq. km.) country in the world (*Tendler 1989*). 80% of the population live in rural areas, 80% of who are directly dependent on agriculture. But land-man ratio is extremely low, only 0.12 hectares. With these fact Bangladesh is one of the poorest countries in the world. In terms of UNDP 'Human Development Index' (HDI) Bangladesh's position is 144 among 175 countries. Poverty is endemic in the country since long. Nowadays, about half of the population live in poverty, about 87% of who are rural (*BBS 1997,p.371*).

Explaining the Persisting Mass Poverty of Bangladesh

There is no scarcity of poverty studies in Bangladesh. The rich body of sociological theories of poverty, however, seldom considered in these studies. Nevertheless, some national and international scholars' analysis of persistent poverty of Bangladesh significantly resemble with the sociological theories of poverty.

Equilibrium of Poverty: Reflection of the Culture of Poverty Thesis

Persistent mass poverty of Bangladesh often explained in terms of *equilibrium* (Alamgir 1978, Hye 1996, Galbraith 1979, Leibenstein 1957, Myrdal 1972). This explanation strikingly resembles with the reproductive feature of poverty mentioned in 'culture of poverty' thesis by Lewis. For example Galbraith (1979) described that there exists equilibrium of poverty in developing societies and the poor are accommodated into it. This happens because if the poor could gain some increase in income the opposite forces, such as, insufficient land and capital, population growth, low savings, etc., pushed them into the previous or a new level of equilibrium again. Once accommodated the poor are unlikely to make any effort to escape from poverty. Thus, intervention is required to motivate the poor to reject the accommodation, which lead the poor to try for escape from poverty. According to Galbraith try for escape should also be facilitated through societal intervention. Escape could be accomplished *within culture*— adopting new technologies in agriculture— or *outside culture*— non-agricultural employment through migration in industrial/urban sectors or outside country.

Alamgir (1978) explained the impoverishment of Bangladesh as *below poverty level equilibrium trap*. Analyzing the history of class formation and class conflict, Alamgir showed that the state of the laborer and peasant class has been caught between the 'poverty line' and 'famine line' throughout the history. This explanation also resembles with the reproductive nature of poverty mentioned in Lewis's culture of poverty thesis

and *Galbraith's* equilibrium of poverty thesis. *Alamgir*, however, suggested structural measures, i.e., abolishing the class exploitation in the society, as the solution of the problem.

Hye (1996) explained the mass poverty of Bangladesh as *below the line disequilibrium* in the sense that the income of the poor is not stable, it both goes up and down while remaining below the line. It is the effect of malfunctioning of the existing system and market failures and faulty public policy. *Hye's* explanation also resembles with culture of poverty thesis. As solution of the problem *Hye* stressed the need for intervention by the development agencies at different levels, i.e., macro level, meso-level and micro-level. *Hye* suggested motivating and organized the poor into small groups for savings and credit services for poverty alleviation. *Hye* stressed the role of *Change Agents* or program workers at the micro-level who should guide the poor all the way to come out of their age-old poverty.

Behavioral Explanation: Reflects the Culture of the Whole Society

Maloney (1991) claimed that causes of persistent poverty in Bangladesh are very much embedded into the behavioral qualities of the Bangladeshis. According to him, poverty alleviation needs complex institutions and social infrastructures. *Maloney* analyzed the behavioral qualities, both positive and negative, of the Bangladeshis and, for the first time, showed how the behavior, namely personalization of authority and power, of the minor advantaged groups adversely affecting the welfare of the mass poor.

Vulnerability, Crises and Insecurity as Explanation of Poverty

Hossain (1995,p.292), based on empirical study, explained the persistent poverty as the cyclical mobility of the poor within the broad parameters of poverty mainly caused by insufficient income and downward mobility pressures arising from a routine vulnerability

to crisis. *Hossain* suggested that it is necessary to intervene at the sources of downward pressures so that the poor could hold the gain. *Hossain's* analysis, like *Hye's* one, shows that there are movements of the poor beyond and below the poverty line caused by income increment and income erosion. Another very important aspect of *Hossain's* analysis is that he emphasized the role of the poor— the actor— in poverty alleviation efforts.

Inequality as an Explanation

Inequality, particularly inequality in landholdings and income, is another most common explanation of persistent poverty in Bangladesh (*Ahmad & Hossain 1984, Alamgir 1978, Khan 1977, Rahman & Haque 1988, Sen 1995*). Inequality is a broad term and itself general concern for every society. Poverty might be an aspect of inequality. Hence, analyzing poverty in terms of a broader term inequality actually diverted the focus from the points of policy interventions necessary for poverty alleviation. Bangladesh is a very resource poor country (*Maloney 1991, Galbraith 1979, Junsen 1990*). The true sources of rewards, whatever available, in the society lies with the public sectors such as education, health, natural resources, employment facilities, etc. Inequalities in the distribution of these facilities are the real causes of persistent poverty in Bangladesh. It is also seen that there is no relationship between landholdings or income inequality and proportion of poor in the society (*Karim 1996*).

Implications of Theories in Poverty Alleviation

Based on the above theoretical discussion we may draw the following assumptions necessary for the purpose of sustainable poverty alleviation in Bangladesh. *Firstly*: There are striking similarities among the explanations of persistent poverty. A common element is the *culture* of the society. Thus, cultural elements should get top priority in designing

the poverty alleviation programs. *Secondly*: The poor of Bangladesh have been caught within a vicious circle, where any income gain is demolished by the opposing forces in the society. Poverty alleviation programs must be intended to break that vicious circle. *Thirdly*: The poor lack resources; namely land, capital and employment; necessary for escaping from poverty. *Fourthly*: Creating opportunities for the poor do not mean that all the poor will be able to use those successfully and come out of poverty. Individual behaviors are shaped by different individual and family factors. These are the ultimate determinant of participants' success in poverty alleviation program. Finally, *Finally*: Coming out of poverty should be a guided process, where 'change agents' guide the participants in the process of escaping from poverty.

8.1.4. Approaches to Poverty Alleviation in Developing Countries

Poverty Alleviation through Development

As developing countries were thought underdeveloped development was the approach to poverty alleviation. Development, at first, defined by economic growth (*Hulme & Turner 1990*). It was expected that, by means of *trickle down effect* poverty will be reduced (see *Ayres 1983, Morawetz 1977, Townsend 1984*). However, despite significant economic growth, poverty found as unabated in developing world. This led to define development in terms of poverty reduction (*Myrdal 1972, Seers 1979*). Everybody, engaged in development, rushed into the field of poverty alleviation. Direct programs for the poor poured into the field of poverty alleviation.

From Economic to Social: Human Development as Focus of Poverty Alleviation

Yet poverty was considered as an economic phenomenon. But, again, after years of effort poverty found as it was, if not increased. This led to consider poverty as social phenomenon than economic. Focus centered on the poor. Human development and

welfare indicators became the denominator of poverty alleviation (*Myrdal 1972, Sandstrom's 1994*).

Women as Focus of Poverty Alleviation

Development scholars noticed that women, half of the population, remain out of production system in the society. Increasing the productivity of women entered into the development arena as an important factor (*Boserup 1970, Rogers 1980*). A separate field, *women in development or WID*, emerged and quickly flourished. Involvement of women in productive activities and their empowerment became the focus of all development programs. Nowadays, probably, empowerment of women is considered as the strongest agenda for both development and poverty reduction (*ADB 1994, Sandstrom 1994*).

Poverty Alleviation: Still In Search for an Effective Strategy

Accordingly, numerous direct and indirect poverty alleviation programs targeted the poor, particularly women. Poverty alleviation entered in all development programs as an integral part. The results, however, are still disappointing. The numbers of poor in developing countries are increasing by 47 per minute. *Tendler (1989,p.1033)* described the situation as "*the failure of many programs directed toward alleviating poverty is better understood than the successes*". It seems an effective strategy to poverty alleviation is still elusive.

8.1.5. Poverty Alleviation in Bangladesh

It revealed from earlier theoretical discussion that providing 'land' or 'capital' or 'employment' to the poor might help to reduce poverty. In Bangladesh most of these measures have been tried, though may not always successful.

Redistribution of Land

Landlessness is pervasive in Bangladesh. Severe inequality in landholding also commonly mentioned in poverty studies. Thus, redistribution of land was also recommended for poverty reduction. Facts of total available land and population of Bangladesh, however, reveal that if all land were equally re-distributed it won't eliminate poverty from the society. Nevertheless there were attempts to recover and re-distribution of land. But all these were failed drastically due to faulty policy and absence of strong political will.

Employment

Employment of the poor could be in self-employment or wage employment sectors. Self-employment in rural area, again, could be in agricultural sectors— requires land— or other sectors. Both require 'capital'. The poor severely lack both 'land' and 'capital'. Thus, wage employment remains as the best source of employment for the poor. Labor is the only resource that the poor have. If provided wage employment, the poor could earn their livelihood. Thus, since early 1960s, there were direct programs, such as food for works program, to create job opportunities for the poor in the rural areas during the lean seasons. It, however, provides only temporary employment and not a permanent solution to the problem.

Capital: Credit for Self-employment

Possibilities of poverty reduction through providing land and employment seem extremely limited in Bangladesh. Hence, supplying capital to the poor for self-employment remains as the only option for the purpose. This is popularly known as microcredit approach.

Microcredit Approach: A New Hope in Poverty Alleviation

In the verge of the failures of earlier programs, recently, *Grameen Bank* of Bangladesh has achieved commendable success in poverty reduction using microcredit. Following Grameen's success, microcredit is now in use as an effective tool for poverty reduction worldwide and huge numbers of poor are now participating in such programs.

The Microcredit Approach

Microcredit programs follow *trickle-up* approach, which believes that growth should be initiated from the poor (*Bornstein 1996*). It assumes that, if provided with reasonable terms and conditions, the poor can use loans successfully through self-employment to generate income and allowing them to come out of poverty. Usually, microcredit programs, in addition to credit, offer a package of services, such as training, savings, etc. Some scholars termed it as *credit plus* approach (*Amin et al. 1994, Berger 1989*).

Women as Target

In the line of development strategies discussed above, microcredit programs also focus mainly on women (*Goetz & Gupta 1996, Hulme & Mosley 1996, Karim & Osada 1998*). Although, it is claimed that targeting women may not be the concern for women's empowerment but for smooth implementation of the programs (*Rutherford 1995*), it certainly help to bring social changes in favor of women as they— both poor and non-poor— face severe discrimination in the society and in the market (*Kabeer 1996*).

Approach through Group

Karim & Osada (1998) showed that, in Bangladesh, throughout the history of development and poverty alleviation programs, *group* has been the vehicle for delivering services. Microcredit programs also approach through groups, however, in an innovative

way. It terms group as 'solidarity group'. Group works as 'social collateral' for the poor who lack 'physical collateral'. It, for the first time, ensures access of the poor to formal credit. Group is responsible for each individual loan. If any member face problem in repayment other group members help or pressurize her to repay the loan. And if all these fail the group has to repay the loan. These help to keep the repayment rate of microcredit programs as high as 98% over the years (*Hulme & Turner 1990*). Groups, organized through self-selecting process, also reduce the *screening* and *enforcement* problems—two major problems often face by the formal credit institutions.

Regular Meeting

Microcredit programs administer all activities through regular public meetings attended by all members. The system ensures transparency, minimizes possible conflicts, and gives a boost to women's empowerment through assembling in common place outside home, breaking the existing social norms of many countries such as rural Bangladesh (*Hulme & Mosley 1996, Johnson & Rogaly 1997*). It also helps to increase the mutual understanding and solidarity among the members and between the members and Grameen worker. The provision is also seen as the key to implement the management policies of the program (*Jain 1996*).

Microcredit Evangelism

So far numerous research on microcredit have showed its multifaceted positive effect not only on poverty reduction but also on other goals of development such as empowering women, increasing productivity of the poor, improving health and family planning, participation of poor in community power structure, and so on. The subsequent result is an unprecedented expansion of microcredit programs throughout the world, both in developing and developed countries. Money is pouring into the microcredit programs.

Some scholars have termed this trend as microcredit evangelism (see *Rogaly 1996*).

Microcredit in Bangladesh

Credit has been used as the major tool in the development and poverty alleviation efforts in Bangladesh since beginning of this century (*Ali 1990, Karim & Osada 1998*). However, until Grameen Bank's innovative collateral free credit model, developed in 1975, the benefits of these credit services hardly reached the poor. Nowadays, numerous programs are engaged in poverty alleviation with microcredit in Bangladesh's. Ten large programs together covered a total of 10.54 million poor people of Bangladesh. This is about 52.8% of the total households of Bangladesh. These households are mostly rural. Hence, all poor of Bangladesh could have already covered by these programs.

What Next

Now huge numbers of poor women are participating in the microcredit programs in an effort to come out of poverty worldwide. Do all these participants will be able to use the opportunity and come out of poverty? Does microcredit programs fulfill the theoretical requirements, that has been outlined earlier as required for escaping from poverty? Microcredit programs supply credit as capital. However, it left the matter of getting success in the process of escaping from poverty to the participants. Our theoretical discussion, however, revealed that, if not guided by 'change agents', the poor might experience failure in the process. It appears that this is absent in the microcredit programs. Thus it may not unlikely that poor, participating in microcredit programs may experience failure in the process.

Again, success in the program ultimately depends on the individual and family factors of the participants. Women face individual, familial social obstacles in playing their roles in microcredit programs. Thus such factors are extremely important. So far, numerous

researches on microcredit have not been concerned about such factors at all. Present study, for the first time, looked into such factors. How these factors affect participants' success in the microcredit programs. It revealed that as less importance has been given to the actor and to his/her immediate environment, such as family and community, and as there is no provision of proper guidance in their efforts to escape from poverty, the poor faced failures in the process. This was objectively reflected in the number of dropouts from the program. I looked into the issue by considering the problem of dropout in the world's largest and most successful poverty alleviation program, the Grameen Bank of Bangladesh.

8.1.6. The Grameen Bank of Bangladesh

Grameen Bank: A Poverty-focused Women's Development Bank

Grameen (Rural) Bank is an autonomous, semi-governmental, special type of financial institution. It provides small credit for self-employment in simple terms (without any collateral) along with other socio-economic services to the rural poor, especially to women, of Bangladesh for their socio-economic upliftment. Its objective is to sustainable poverty alleviation from the society.

From one village in one district in 1976, Grameen has been extended to almost all districts and more than half of the villages of Bangladesh in 1996. Number of branches in operation has also increased during the period from one to 1,079. Number of continuing members has increased from 10 in 1976 to 2,059,510 at the end of 1996. This is about 25 percent of the total poor of Bangladesh. This incredible expansion indicates the spectacular success of Grameen and its high acceptance among the vast rural poor of Bangladesh.

Program Implementation of Grameen

Grameen Organization: The Group and the Center

Landless groups of five like-minded persons of same sex are the grassroots level organization of Grameen. Grameen groups work as social collateral for its members, who lack physical collateral. It is responsible for individual loans to its members. Group ensures the repayment, which helps to keep the rate of loan repayment of Grameen as high as 98% over the years. Groups, organized through self-selecting process, also reduce the *screening* and *enforcement* problems— two major problems often face by the formal credit institutions— and helps to reduce implementation costs of the program.

At least two and highest eight groups together form a center. A center must construct a shelter where all common activities, e.g., regular weekly meetings, loan distribution/repayment and socio-economic functions are carried out publicly. All members must be gathered at the center for weekly meetings. The Grameen Worker also attends the meeting.

Administrative Units

Branch is the lowest administrative unit of Grameen. It is considered as the profit-responsibility unit. It borrows money from Head Office with 10% interest and disburses to members with 20% interest. An Area Office supervises 10-15 branches and a Zonal Office supervises about 12 Area Offices. The Head Office, with Professor Yunus as the Managing Director, is responsible for all operational activities. Finally, The Board of Directors is the highest policy making body.

The Repayment procedure

One special feature of Grameen is its loan repayment system. All loans are to be repaid in weekly installments started from the 2nd week of issue. Grameen's loan repayment rate is about 98%, highest in the world. Several factors, such as group pressure and solidarity,

installment system, provision of compulsory attendance in weekly meetings, services of the dedicated Grameen workers, and so on, work behind this.

Theoretical Underpinnings of Grameen

Literature on Grameen reveals that Grameen system, now in operation, develops through practice. Its innovative small groups, weekly installment system, different types of loans, etc., all have been developed through practice over the years. Nevertheless, Grameen assumptions do fall within the explanations of poverty that has discussed in this thesis. It appeared that Grameen's theoretical underpinnings are nothing new. Its approach to poverty alleviation resembles with the liberal approach, as Grameen believes that intervention is necessary to bring the poor out of poverty yet it heavily depends on the individual action to come out of poverty. Nobody, so far, looked into the theoretical aspect of Grameen. It is clear that the strategy-- 'credit' and approaching through 'group'-- Grameen follows is nothing new as both these were present since beginning of the poverty alleviation and development programs in Bangladesh. However, it is also true that, before Grameen's innovative use of these strategies, these were not reaching to the poor and as such didn't have any impact in poverty reduction.

Grameen in Perspectives of Poverty Alleviation Theories

No Provision of Change Agent

It become evident that Grameen does contain the most potential tool for poverty alleviation, 'credit'. And, now, vast poor are participating in Grameen. The next question is whether these poor are escaping from poverty by using the Grameen services. Earlier theoretical discussion revealed that sustainable escape from poverty requires to be guided by the change agents as the poor might face failure in the process due to lack of skill or unexpected interference of individual, familial and social factors. Grameen workers, who

work in close contact with its participants, could exactly in a position to play that role. However, it is evident that, Grameen workers are not playing that role. Grameen completely leaves the matter of getting success with its participants themselves. It seems that Grameen considers self-employment as the only avenue to escape poverty. In this sense Grameen lacks an important criteria for bringing the poor out of poverty.

Will Women be Able to Lead the Family Out of Poverty

Grameen approaches the poor through women. However, inclusion of women in Grameen program without any sound theory may fail to bring the poor out of poverty. If women are included in the sense of empowering them that is also may not be possible by keeping a large section of women (Other than poor), who are equally, if not more, less-empowered in the society. In this sense, Grameen appears to be a partial program. Again, given the position of women in the family and society of Bangladesh, it appears that there would be individual, family, social and cultural factors that may hinder playing the roles of the participants of Grameen. These could lead them in a very difficult situation where they may have no choice other than dropout from the program.

Less Importance on Individual, Family and Social Factors in the Process

Grameen follows the individualistic approach to poverty. In practice, however, it gives little importance over individual and family factors. It is, however, revealed that these factors are the ultimate determinant of participants' success in the process of escaping from poverty.

The Theoretical Vacuum

Clearly Grameen lacks a sound theory about how it will achieve the broad objective of poverty alleviation or how its participants will get success in the process of escaping poverty. By this it misses several important aspects which could limit the success of its

participants. For example, Individual, family and cultural factors, the ultimate determinant of participants' success, have not been given proper importance. There might be conflicts occur at different levels of program participation which could jeopardize the process; the participants may face problem in loan investment which would also led the participants in a critical situations, etc. And Grameen lacks the most needed condition of role of change agent that could help the poor to minimize these adverse factors. In this situation increasing number of poor, participating in Grameen, may find it difficult for them to get success in the program. Hence their effort may end in a *failure or dropout* from the program. And if it happens in a large extent elimination of poverty from the society would not be possible. I studied the problem by looking into the dropouts from Grameen Bank Bangladesh, world's largest and most successful microcredit program.

8.1.7. Study of Dropout Problem of Grameen

The Problem

Participants' *dropout* from Grameen is the reflection of their failure in the effort to escape from poverty. In all considerations it is contrary to the broad objective of poverty alleviation. Hence, if it happens in a large scale, that could undermine the successes of Grameen. So far, Grameen has not felt dropout as a potential problem. This is probably because its extent and impacts have not been studied properly. The present study, for the first time, studied the problem with the major research questions of *how many dropouts, who drop out, and why drop out.*

Based on the theoretical discussion I assumed that i) there would be increasing number of dropouts because Grameen has no provision of guiding the process of escaping from poverty and as the poor themselves may not always be able to conduct the process of escaping poverty into right direction due to various odds in the society and,

although Grameen follows the individualistic approach to poverty alleviation, in practice, it does not consider the differences in the individual and family factors— vital in determining the success of the participants in the process; and ii) that success in the process directly depend on how far the roles, i.e., 'program participant' and 'income earner, are being played successfully by the participants. Given the position of women in the family and in the society, I constructed the following hypothesis related to perform these roles.

- i) Dropouts significantly differ with the differences in individual and family factors as these factors influence the performance of new roles of the participants.*
- ii) If the participants face conflict(s) in investing the loans dropouts occur more.*
- iii) If the participants face conflict(s) between traditional and new roles dropout occur more.*
- iv) If the participants face any conflict(s) at different levels of the program participation dropout occur more.*

Methodology

Several sets of data were used. *Firstly*, to estimate the extent of dropout at the national level published data were considered. *Secondly*, to study the problem intensively one branch of Grameen was purposively selected. The branch is a female one. Panel data were collected for all 2,953 memberships in the branch since its inception in 1989 to the end of 1997. *Thirdly*, to identify the individual and family correlates of dropout data of 2,108 memberships were compiled from Form-1 *ka* of Grameen. *Finally*, to know the reasons of dropout 124 dropped out members of 11 centers and 136 continuing members of 5 centers were interviewed.

8.2. Major Findings

8.2.1. How Many Dropouts

Increasing Trend in Dropout

The proportion of dropout from Grameen at the national level constantly increased from 4.4 percent in 1985 to 15% in 1994 (Table-7.1.2). The important point is that, during the period 1985-94, the total increase in dropout (4356.6%) was more than three times higher than increase in the memberships (1218.3%). It is worth mention that these estimates are based on aggregate figures and influenced, i.e., lowered, by massive expansion of the program. As increase in the rate of dropout was almost always higher than the rate of memberships (Graph-7.1.1) it appears that number of continuing member in Grameen would decrease in future. In the study branch, in terms of aggregate figures, the rate of dropout is found higher, 27.9% (Table-7.1.3). This could be explained by the fact that the study branch has reached to its defined full capacity and membership increase has been slowed down.

The Actual Dropout Rate is Higher

Panel data of the study branch revealed that proportions of dropout for all years' memberships have increased constantly with the increase in the duration of membership. As high as 42.4% have been dropped out among who took memberships in 1989 by the end of 1997. The highest percentage of dropout among them in 1997 indicates the possibility of more dropouts in the following years too. The fact of highest dropout in 1997 for all years' memberships also indicates the increasing trend in dropout (Table-7.1.4). These findings supports my assumption that dropout from Grameen is increasing. This is likely to overshadow the role of Grameen in poverty alleviation.

Decrease in the Number of Continuing Members

Dropout, both at the national level and at the study branch, is found almost always higher than that of the rate of increase in memberships. These indicate that the number of continuing members in the program may decrease. This has already become evident in the study branch in 1994 and at national level in 1996. In the study branch, in 1994, when increase in new memberships was the lowest, number of continuing members decreased by 1.9%. At the national level, number of continuing members of Grameen has decreased in 1996 by 0.3 percent (Table-5.1 & Table-7.1.3). It is likely that if the number of continuing member decrease, the amount of loan disbursement also decrease. This will ultimately adversely affect the financial viability of the program.

8.2.2. Who Drop Out

Theoretical Perspective

It is evident that increasing number of participants are leaving Grameen. The natural question arises is, why a group of poor are dropping out or failing while another group continuing with success? Given the fact that both the groups (dropout and continuing) are from same socio-economic background of same community, it seems that individual and family factors may have caused these differences. Hence, I assumed that individual and family factors of the participants have significant relations with dropout. To test this assumption some individual and family variables and their relation with dropout have been presented in Table-8.1. It is seen that, among the individual and family factors examined, except education, all others are related significantly with dropout. It supports the above assumption.

Table-8.1

Summary of Relationships between Individual & Family Characteristics and Dropout

Characteristics	Significance	Pattern of Relationship
Member's age	0.00	<i>Negative: dropout decreases with increase in age</i>
Marital Status	0.00	More dropout among unmarried, divorced/separated and widowed members
Education	0.76	<i>No relations</i>
Earning Status	0.11	More dropout among those who involved in income earning
Self Confidence	0.04	More dropout among them who don't have confidence that they will be able to improve the economic condition of their family
Sex of Family Head	0.01	More dropout among the members from female headed families
No. of Family Member	0.00	<i>Negative: Higher the family member lower the dropout</i>
Land Owned	0.02	<i>Negative: Higher the amount of land own less the dropout</i>
Occupation of HH Head	0.00	More dropout among labor and agriculture occupation families
Family Income	0.00	<i>Negative: Higher the income less the dropout</i>
Family Life Cycle Stage	0.00	<i>Negative: Higher the family life cycle stage lower the dropout</i>

Younger Participants Drop Out More

Performance of the roles of 'program participant' and 'income earner' of the participants influenced by the age of the participants. For example, performance of above roles requires substantial mobility that increases with the age of women in Bangladeshi. Childbearing also adversely affects the performance of these roles. Younger women are most likely to be in the childbearing stage. Unmarried, divorced and separated members of young age are also likely to dropout more because of marriage or re-marriage. Finally, help in household and investment activities may help participants to perform above roles. Such help could be available if there is any grown up children in the family. It is likely that more the age more the chance of grown up children in the family. All these indicate more dropouts among the young participants.

Poorest Participants Dropped Out More

From the findings, it has been clearly revealed that poorest participants have been dropping out more from Grameen. This has been evident from the facts that, divorced,

separated and widowed participants, participants from female-headed families, day laborer and agriculture occupation families, who are poorest in the society have dropped out more. Landholdings and income of the family, two important economic indicators, have also been found strongly and negatively related to dropout. That is, higher the landholdings or income lower the dropout. All these clearly limit Grameen's role in poverty alleviation.

Available Family labor: Important determinant of Dropout

Earlier analysis revealed that if more family labor¹ is available that could be helpful in investment or household activities. These mean more success in Grameen and less dropout. More member in the family means more labor available² means less dropout from Grameen. It is supported by the data, as it is found that number of family member is negatively and strongly related with dropout, i.e., proportion of dropout decreases with increase in number of family member. The relationship is statistically significant (Table-7.3.4 & Graph 7.3.2). It is also evident that families who lack male earning member, such as female-headed families, the widowed, divorced and separated, also dropped out more.

Family Life Cycle Stage: An Important Determines the Dropout

It is found that Family Life Cycle Stage of the participants strongly and negatively related with dropout. Participants of earlier FLCs have been dropped out more than the later stages. It establishes the vital role of family in poverty. So far, scholars have mentioned strong relationship between family life cycle and poverty (*Rowntree 1906, Aldous & Hill 1969, Hamid 1995²*). However, relationship between FLC and success in

¹ I have already showed that both male and female children can help the Grameen members in performing their both traditional and new roles— emerged through joining Grameen.

² This has become more evident with the fact that, in rural Bangladesh, children start partial productive activities by age 6 and by age 13 children work as long as or longer than adult (*Cain 1977*)

poverty alleviation has been examined for the first time in the present study. The strong relationship between FLC and dropout is found because, to perform the roles, women participants need time and labor which, in Bangladesh, increases with family life cycle stages.

8.2.3. Why Dropout

Problem in Investment as Cause of Dropout

More than one-fourth (27.0%) of the respondents reported that they had problem in investing the loans received from Grameen. Among them 60% have been dropped out compared to only 43% of those who didn't face such problem (Table-7.4.1). The nature of problems were 'consumed the capital due to crisis', 'loss in business', 'lost the capital due to inefficiency in Business', 'livestock died', 'agriculture product lost' and so on (Table-7.4.2). Findings revealed that a significant proportion of members faced problem in loan investment or failed to make any return through using the loan(s). And subsequently, as assumed, they dropped out more than others.

Role Conflict and Dropout

Conflicts in traditional roles, measured in terms of household activities and childcare, found strongly contributed to dropout. 12.3% of the respondents reported that they had problem in household works. 75% of them have been dropped out. The difference in dropout is statistically significant (Table-7.4.3). Another 9.6% respondents reported that they faced problem in childcare due to participation in Grameen. The important point is that 68.0% of these participants have been dropped out compared to 45.4% of those who didn't face any problem in childcare. The difference between these two groups is also statistically significant (Table-7.4.4). If considered together, about 18% reported problem in either 'household work' or in 'childcare' or in 'both'. The interesting point is that more than 80% of those who reported

problem in both have been dropped out (Table-7.4.7). It seems that *role conflicts* of the participants almost certainly led to dropout.

Conflict with Others in the Process of Program Participation and Dropout

Conflict With Family Members

A mere 6.5% respondent said that they had conflict with other family members regarding program matters. Most conflicts are related with husbands such as, conflict over instalment money, husbands' disliking of participation in Grameen, husband's second marriage, husband's Gambling, and so on. These findings indicate how husbands' irresponsibility could cause problem for the women to take part in Grameen. Such conflicts almost certainly led to dropout. 88.2% of these participants have been dropped out (Table-7.4.8).

Conflict With Group/Centre Members

More than 90% of those who reported conflict with fellow group/center members have been dropped out compared to only 43.7% of those who didn't report any such conflict (Table-7.4.9). The points of conflict are interesting and mostly related to payment of installments and weekly meeting (Table-7.4.10). It appears that peer pressure, which is believed to be the key factor in high rate of repayment and solidarity among the group members in microcredit programs, may also sometimes caused members to leave the program. In fact, during the field visit, it is observed that, to keep the repayment record clean and update, when a member faces problem in repayment or is being suspected so, whatever the reason, other members often compelled her to quit the program.

Conflict With Grameen Worker and Dropout

A considerable (about 12%) percent of the respondents reported that they had

conflict with Grameen personnel. About 97% of such cases have been dropped out (Table-7.4.11). Such conflicts were caused by refusal of loan application, discontent over loan amount, delay in meeting and subsequent insult by the Grameen worker, and so on (Table-7.4.12).

Together, about one fourth of the respondents faced conflict(s) in at least one of the above areas. Among them, only 8% participants are continuing with the program. It is notable that all participants who reported conflict with both group/center members and Grameen worker have been dropped out. These findings clearly indicate that conflict at different levels in the process of program participation is one of the important factor in dropout from the poverty alleviation program or failure in the effort to come out of poverty permanently.

Decision to Dropout

It is seen that about 84% of the dropouts were caused by personal decision, i.e., taken by the participants or by their family members. These are, however, not willful decisions. Adverse individual and family factors compelled them to take the decision. 7.0% dropouts were caused by expulsion by the authority, mostly related to the problem of regular loan repayment. Thus the origin of the causes of these dropouts were very much embedded in the individual and family factors. Together these two categories made more than 91% of the dropouts. Another 9% dropouts were caused by inevitable reasons such as, death of participant and migration due to marital and economic or other reasons (Table-7.5.2). These findings, again, support the assumption of the study that individual and family factors are the ultimate determinants of success or failure in poverty alleviation programs.

Who Played the Principal Role in Dropout

About 39.1% dropout decisions were taken by the participants themselves. These are, however, not spontaneous but outcomes of the adverse situations surrounding the participants. In 37.1% cases, decisions were taken by the husbands. Another 4.0% were caused by other family members including son, stepson. Together these three categories constitutes 80.7% dropouts. This, again, firmly establishes the fact that individual and family situations are mainly responsible for dropouts from Grameen.

Factors Contributed to Dropout

Individual and Family Factors: The Major Contributor to Dropout

Reasons behind dropped out caused by individual and family factors were get rid from the tension of being always loanee, disturb in household works problem in childcare, no person for investment in the family, husband/herself sick and husband dislikes quarrel with other members, etc. Some cases were also contributed by cultural factors, such as, participation in Grameen is against the religious or community norms.

Husbands' Misdeeds as Cause of Dropout

Husbands misdeeds contributed to about one-fifth of dropout cases. Top in this category was husbands' refusal to provide weekly installments. Other factors were, husband lazy/not good in investment, husbands' 2nd marriage, husband left with capital, and husband addicted. Whatever the reason(s), in these cases, no doubt, women participants faced dire economic hardship to repay the loans of Grameen from their own capacity. It appears that unless husbands become responsible, Grameen may contribute to more sufferings for the already oppressed women in the society.

Problem in Regular Loan Repayment: The Other Name of Dropout

Problem in loan repayment contributed to dropout in a large scale. About 48.0% of the dropped out respondents reported this. The most common cause of problem in loan repayment was usual economic crisis. This was followed by capital lost/consumed, Sickness of husband/participant, husband didn't find regular work, and so on (Table-7.5.10). Reasons that caused loan repayment problem clearly reveal that these participants failed to develop any viable economic project with Grameen loans that could provide them regular incomes. These, off course, indicate the inability of Grameen to reduce poverty from the society. These participants had to arrange their regular installments from other sources that, understandably, extremely scarce for them. All these events indicate the vulnerability of the rural poor in rural Bangladesh.

Program Related Factors: Also Causing Problem for the Participants

Program related factors contributed to nearly one-fifth dropouts. Among these factors desired loan not sanctioned occupies the top position. This was followed by meeting takes too long, strict rules and regulations and as group member need to visit other members for collection of loans (Table-7.5.10).

Delay/Absence in Meeting

Delay/absent in meeting also contributed to about 9.7% dropout cases. Some unavoidable reasons behind this were pregnancy, had young children, husband died and other family matters. The reasons caused delay/absent in meeting seem unavoidable. These are obvious events and if happen it is difficult for a member to attend the meeting. Hence there must be some provision when members may remain absent in the meeting.

Contribution of Program Sources in Dropout

About 13.5% cases were contributed by factors related to Grameen worker or

group/center members. These are workers' misbehave, preferred member didn't allowed to join, as the member refused to repay absconding members loan, when the worker knew about loss in business, and won't be able to repay loan. Factors related to group members contributed to dropout are delayed in the meeting followed by which other members misbehave with her, other members' misreport to the Grameen authority about their ability to repay loan or loan use, conflict over the issue of replacing the dropped out members, and so on (Table-7.5.10)

8.2.4. After the Dropout

Trend in Economic Condition of the Family

Although the difference in trend in family's economic condition between continuing and dropout participants is found statistically significant, it is seen that about two-third dropped out members reported that their economic condition is improving (Table-7.6.1). It appears that participation in Grameen may have not been felt as an essential condition for improving the economic condition of the rural poor. It is, however, possible that the experience of participation in Grameen may have been contributing to their economic improvement. This would be interesting to study in details.

How is at Present

Majority, 55.6%, of the dropped out members feels better after they dropped out. Majority of them feels better now because they don't have the worry of loan repayment or more specifically weekly installments (Table-7.6.3). It appears that although weekly repayment system has been introduced to reduce the burden of repaying bulk of money at a time, it is not working well for a considerable number of participants. It is causing continuous worry for them. Other reasons of feeling better now are no worry about the misappropriation of loan by husband and no botheration.

Nevertheless, about one-fifth (20.2%) of the dropped out participants indicated that they were better while they were in Grameen than they are now. These respondents may have been compelled to drop out against their will due to causes like temporary problem in loan repayment or conflict with fellow group member or Grameen worker etc. The main reason behind their feeling better while in Grameen is that they were receiving loan while they were in Grameen. As they received the money (loan) at a time they were able to use it for some good purposes, such as land purchase, which they are not able to do now. However, such perceived utility implies that the participants see Grameen only as a source of credit, rather than looking it as an overall emancipator for them. Particularly, important is that, they don't see the program as a permanent support for them during the time of crises or insecurity. Without such a confidence on Grameen from the participants' side dropout, hence poverty in the society might not be reduced effectively.

Participation in Other Microcredit Programs

More than one-fourth (27.4%) of the dropped out participants of Grameen have entered in other microcredit programs, mostly BRAC. It indicates that considerable proportions of the dropped out participants of Grameen were dissatisfied with their dropout.

Majority (64.5%) of the dropped out members doesn't like to be the member of Grameen again. The reasons behind this off course, again, the fear of regular loan repayment. A considerable proportion depends on their husband for the decision, which again indicates that husbands' decision is crucial for wives participation in the microcredit programs. The other reasons are husband not good in investment, disturb in household activities, sickness, and already become member of other NGO (Table-7.6.6).

8.3. Implications of Findings

8.3.1. The Theoretical Vacuum

Attempting to alleviate poverty without having a theory about how to do it is simply throwing money at problems.

Robert L. Ayres, 1983

Banking on the poor: The World Bank and World Poverty, p.76.

However, it revealed that Grameen lacks sound theory about how it will achieve the objective of poverty alleviation or specifically how its participants will get success in the process of escaping from poverty. The hypothesis it possesses is that *if financial resources are made available to the poor at reasonable terms and conditions, they can generate productive self-employment without external assistance (Hossain 1988,p.23)*. Findings of the present study, however, revealed that the hypothesis is not working well for increasing number of participants of Grameen. Several points could be discussed in this regard. *Firstly*, Grameen left the matter of success completely with the participants themselves. Our discussion, however, revealed that the poor might not always be able to manage the process into the right direction due to lack of skill and act of opposite forces in the society. *Secondly*, Grameen hopes to reduce poverty through self-employment. This is, however, may not be an effective means of poverty alleviation from the society. *Myrdal (1972,pp.88-90)* already doubted the potential of both 'agriculture' and 'petty-trade' sectors in poverty alleviation because the productivity of labor in these sectors is low. It is seen that most Grameen loans are invested in these sectors. Again, these could not be viable means for all the poor. In reality, everyone may not turn as successful entrepreneurs. It, at best, could help a section of the poor who are good as entrepreneurs, preferably the better off among the poor— which has already become evident (*Todd 1996, Hulme & Mosley 1996, Johnson & Rogaly 1997*). In fact, findings

of the present study revealed that some participants, who experience loss in investment, fell in more economic hardship. *Finally*, Grameen little concerns about the process of escaping from poverty. As such it misses several points that are important for the success of participants. For example, discussion on poverty and poverty alleviation theories revealed that the poor may not always be able to get success in the process because of adverse individual and family factors and act of opposite forces in the society which could eliminate the gain. Thus, sustainable poverty alleviation requires proper guidance by change agents which is absent from Grameen approach. Grameen, however, does control its participants' behavior. But that is limited to only loan related matters such as whether loan to be sanctioned or amount of loan, loan recovery, etc. The obvious result of all these is increasing number of failures reflected through increasing dropouts found in this study. Highly committed Grameen workers, however, could play the role of change agent who could direct the poor all the way to coming out of poverty. Any way, it is clear that Grameen should have a sound theory specifying how the problems that may face by the participants in the process will be resolved and how its participants will come out of poverty permanently.

8.3.2. Error at Origin

By now, probably, Grameen is the most studied program in the development literature. I have showed that hundreds of studies found Grameen as superbly successful in bringing positive changes in the lives of the vast poor of Bangladesh. One fact for these studies is that these studies were mainly designed to identify the impact of Grameen, not the problems. As such these studies considered only the continuing participants of Grameen as group with program and, in some cases, those who have no experience of participation in Grameen as non-program group. By this way these studies actually

eliminated the possibility of identifying the potential problems that could face by the participants as continuing participants could be considered as successful ones and, hence, likely to face less problems. On the other hand, those who have no experience of participation in Grameen are likely to totally unaware about its problems. Thus these studies, by default, poised to have positive results among Grameen participants compared to non-participants.

The positive impact of Grameen is evident. Now, the important task is to identify the problem face by its participants in the process of successful escape from poverty. Scarce cases of problem in loan repayment by the participants have already been mentioned in some studies (see *Hulme & Mosley 1996, Johnson & Rogaly 1997*). This is, however, not the only problem that faced by the participants of Grameen. The only viable way to identify the potential problems of participation in Grameen is to look at those who have been dropped out from Grameen. By doing so, the present study has found wide varieties of such problems that are causing failure of the Grameen participants. The study, however, was confined in only one branch of Grameen. Yet its findings clearly indicate the necessity to conduct more intensive research on the dropouts of Grameen.

8.3.3. The Theoretical Puzzles

It is already mentioned that Grameen is one of the much-studied programs. However, absence of a sound theory not only limits the assessment of the achievements of Grameen, as discussed above, but also led to yield conflicting results in different studies. For example, *Todd (1996)*, showed that investment on land— leased or purchased— is the most¹, if not only, viable sector for bringing prosperity to the lives of

¹ When *Todd* saw that Grameen participants are interested to invest loan in leasehold but leasing land by Grameen loan was prohibited, she requested *Professor Yunus* to permit leasehold with Grameen loans as she observed leasehold is the most viable way to bring prosperity for the Grameen participants.

the Grameen participants. This could be considered as a shortsighted conclusion in terms of overall poverty reduction from society. If Grameen participants are to get success through investment on land, the natural question is where they will get land. Amount of land in the society is fixed, if not decreasing due to construction of new habitats for rapidly increasing population. Clearly land could be available only through selling or leasing out by others in the society. When and who sell or lease out land? Surely, in Bangladesh, people sell or lease out land only when they have no other means of survival. Most of them are likely to be the poor and marginal farmers. By sell or lease out land these people are actually becoming landless or poorer. So, bringing prosperity for some poor in exchange of others may not help to reduce poverty in the society. The only utility in this process would be that unless Grameen participants buy or lease that land it could have otherwise gone into the hand of already better off sections in the society.

A study by *Mizan's (1994)* study showed that Grameen women participants possess more decision-making power in the family than non-Grameen participants (*p.122*). She also reported that 34% of her sample of female Grameen participants had formal education compared to 23% of Non-Grameen members. These findings raise several questions. *First*, the female literacy rate in Bangladesh was 25.5% in 1995. Thus more literacy among Grameen members raises the question of whether Grameen participants are poor or not. Because, the poor are likely to have low literacy rate than that of the non-poor. *Second*, literacy does have positive impact over the decision-making power in the family. Hence, the question arises that whether the less decision-making power of the Non-Grameen women has been caused by not participation in Grameen or by their low literacy.

There are other studies of such kind. And I have already discussed that those studies on Grameen, by including the continuing participants in the study inevitably excluded

those who have experienced problems and dropped out from Grameen.

8.3.4. The Poorest Dilemma

Different scholars have already concluded that the poorest are excluded from the microcredit programs by very means of policy. This has been strengthened by the findings of the present study that poorest and more vulnerable participants are leaving Grameen. These will certainly limit the role of Grameen in poverty alleviation. Studies have showed that the poor are not homogenous rather heterogeneous. Hence, there should be different type of program policies for different groups of poor.

8.3.5. Minimalist Versus Holistic Approach

Nowadays, scholars (*see Hashemi et al. 1994*) prefer to term Grameen approach as minimalist in the sense that Grameen does not extend any help in loan investment although it has the provision to supervise the loan use. The question of minimalist or holistic approach has become eminent with the question of financial sustainability of Grameen. Although, since beginning, scholars, including the founder of Grameen, have emphasized the social components of Grameen, nowadays, it appears that the question of financial sustainability overshadows the social aspects of the program. As a result, now, Grameen approach is tending to concentrate only on loan distribution and repayment. The cancellation of the provision of 'emergency fund', 'child welfare fund' and 'center fund' in 1995 is the example of such trend. Two major reasons were reported behind such decision. *First*, reduce the extra pressure on participants who are already struggling with weekly repayment. *Second*, objections raised by the participants about the logic of contribution by everybody in such funds, for example, contribution to children's fund by those who don't have children. There might have been rationality behind such reasons. But, increasing dropout and its reasons found in this study clearly emphasize the need of

such funds, particularly the need of emergency fund. If economic insecurities are common, need for some kind of insurance against such unwanted events is unquestioned. In the absence of such provision in the community, emergency fund of Grameen may fulfill the purpose. I have mentioned that the objections raised by the participants may have grounds. But provision of an insurance coverage serves their interests too. It appears that the participants failed to perceive the utility of these funds. It, again, brings my argument in focus that the poor may not always be able to understand what is better for them. If they could they might have escaped from poverty long ago. More specifically, such a large number of poor could have not been left the chance of using the Grameen services. All they need in this regard is that proper motivation and education. And that must be a part of any poverty alleviation program.

Again, such insurance coverage would be an extra burden for the financial viability of Grameen. At the beginning, however, if it requires subsidy that should be provided. If Grameen deserves to be a well-reputed poverty alleviation program it must possess some welfare components. There is no example found in the history of poverty alleviation approaches, which achieved success without welfare provisions in it. Because, there would be always a section in the society who fail to accrue sufficient income for their survival. Hence, there should be some welfare measures within the program, even if it requires subsidy. So far Grameen has been subsidized¹ its development and revenue costs through grants and low-cost loans. Thus, if necessary, welfare measures could also be run on subsidy. Being a poverty alleviation program Grameen may well deserve subsidy rather than to be more rigid on the question of financial viability. This has already been defended by *Shehabuddin (1992,p.144)* as:

¹ *Khandker, Khalily & Khan* estimated that Grameen Bank enjoyed a subsidy of 20 percent of the amounts of funds disbursed (1995,p.98).

Grameen Bank has been more successful than traditional development projects in addressing the specific needs of rural Bangladeshi women and it is important to view it as precisely that – a relatively successful development programme and not a profit-seeking commercial venture...In an ideal world, there would be no inequalities of power between the sexes, classes, and countries, and everyone would be financially independent. Until then, it seems fair to subsidise a development project that works better than most others – if not perfectly.

8.3.6. The Mighty Individual and Family Factors

Grameen approach, as revealed, is based on individualistic approach. It also matches with *Thomas Chalmer's* 'self-supporting' approach. At the implementation stage Grameen, however, little considers the individual and family factors of the participants except in loan sanctions. The heterogeneity of poor is well documented in the poverty studies. Findings of the present study also showed that participation in Grameen varies among the poor. For example, poorest have been excluded from Grameen. And dropout differs significantly with the differences in individual and family factors, for example age, marital status, earning status, sex of family head, number of family member, amount of land owned, family occupation, family income, considered in this study. It asserts that creating opportunity does not mean that all poor will be able to avail that to escape from poverty and, even, if avail, would be able to get out of poverty or success in it. All these indicate the mighty role of individual and family factors in the process of escaping poverty. As Grameen approach overlooked these factors, the ultimate result is, as seen, increasing number of dropout. It is essential to design the program according to the individual and family characteristics of the participants. In a more specific term 'case approach' that adopted by *Chalmer* and achieved spectacular success would be useful in this regard.

8.3.7. The Burden Thesis

Recently, at a Seminar in Dhaka, Professor Yunus was confronted by a radical feminist who argued that credit programs simply doubled the work burden of poor women, for the benefit of others in the family, leaving the women to carry the repayment.

"Do you want me to stop giving loans to women?" Professor Yunus asked in some puzzlement.

"Yes", she replied.

Reported in 'Women at the Center: Grameen Bank Borrowers After One Decade, Helen Todd, 1996, p.216.

The above burden thesis was refuted by **Todd** on the basis of her case interview with the Grameen participants who were continuing with more than 10 years in Grameen. Findings of the present study, however, showed that burden thesis does have implications for the Grameen participants in many ways. *Firstly*, a considerable number of participants were found dropped out due to burden of household work and childcare. It may not wise to say, as the above feminist has argued, that women should not bear any burden for the benefit of other members of the family. I would rather say, they should. There are family members who need to work for other members. Traditionally, male works as the breadwinner and women as housekeeper. So there is no harm if women take part in breadwinner activities. The point is that whether males in the family take part in women's traditional responsibilities, such as housekeeping, childcare, etc.? The true fact is that Bangladeshi males do not take part in such activities. This is also true for those families where both husband and wife are educated and gainfully employed in the urban area. These families maintain their household activities through maidservant, so far available in Bangladesh. For rural family, however, it is completely unrealistic to think of such arrangement. Then who take care of the traditional roles of women participant of microcredit programs? Is it possible for women who become pregnant or have young

children to participate in investment or program activities for long time? I mentioned that, recently, government has introduced highly subsidized Daycare Centers for its employers in the Secretariat. If these working women need daycare services won't it is also felt by the working women in rural areas? These simple but inevitable questions indicate the validity of the argument of the above feminist. *Todd*, probably, forgot these questions when she addressed the problem.

Secondly, Findings of the present study also revealed that there were cases where husbands misdeeds caused enormous misery for the women participants to repay the loan from their own capacity and they had to drop out. Here also we see validity of the argument of the feminist. This was also not considered by *Todd*. Certainly, as claimed by *Todd*, income earning is a better option for the women. But if above circumstances occur that could led the women to a more critical situation, where, as found in the present study, women escaped through drop out. Probably *Todd* missed all these as she talked with only those who were continuing with Grameen for more than ten years. They were relatively successful cases in Grameen. By this time those who faced above problems may have escaped the program through drop out¹. If she would have placed this thesis in front of those who have already dropped out she may have found the implications of 'burden thesis' for Grameen participants.

I am, however, like the feminist, would not ask to stop providing loans to these women. I believe, Grameen has been able to create a unique opportunity for these long neglected women. But I am also not refuting the implications of burden thesis as *Todd* did. I would rather in favor of taking measures that could help the women participants of Grameen to overcome the above problems. These must be based on intensive study about

¹ *Todd* mentioned that there was 8 drop out cases in one center she studied. Five caused by migration, one divorced and other two due to irregular repayment (*Todd 1996.p.172*).

the nature of the problem and which measures are appropriate in that regard.

8.3.8. Do the Poor Women Deserve Remuneration for Their Services

All literature on Grameen asserts that group and center plays an important role in loan recovery. Groups also reducing the operating cost of the program significantly through screening the possible defaulters and enforcing organizational rules and regulations. No doubt it requires significant time and effort from the group members, particularly from the group/center chairman. It is also found that members dropped out because as group chairman they need to visit other members for loan collection or there is chance of quarrel with others. If a Grameen worker deserves remuneration for his/her services to Grameen why not these poor women? One may say that access to loan without collateral, functional education, and some other mere services, such as participation in workshop, are the services that they are getting. In addition, participants joined Grameen agreeing these terms and conditions. That's true. But it is also true that Grameen participants are paying back the loans with higher interest rates compared to the commercial banks. And they are also paying back regularly than those of big loanees of commercial banks. They are paying back regularly then why they need to pay more interest? For other services mentioned above? It is difficult to ascertain the practical utility of these services to these poor women. It appears that they took part in these activities only because these are compulsory to have loan. I found that most members were even unaware about their group number and can't say the center number and name. No member can follow the passbooks. And I observed that husbands came to the branch office to inform the decision of their wives' dropout. This questions the practical utility of these services for the poor women? The question gets more ground when we see that financial viability of Grameen is getting priority above everything. The branch I have

studied earned profit since 1993 except the year 1996. During 1997 it earned a profit of Tk.3,58,713/-. If Grameen turned as a profit making organization, is it justifiable to receive services in its operation free of charge from the poor women who are already struggling for survival?

The question of agreeing with the terms and conditions of Grameen also deserves critical examination. No doubt, the poor desperately need loans. They have no prior experience of participation in any Grameen-like program. So it is difficult for them to guess the efforts and time involved with the job. In fact, they are in such a marginal position, even if they can truly guess the above program requirements, they have no alternative other than receiving loan. How far it is permissible to ask them to enter in such an agreement, which have a provision for having their services free of charge for making profit where they have no share? As long as Grameen moves to become a profit-making organization, I think, the services of these women deserve remuneration. Or, if Grameen makes profit out of their free service they can deserve share of that. This could be either in the form of remuneration or in the form of common benefits from the organizations. There is no organizational provision through which the participants of Grameen get benefits from the organization. For example, when a member drop out she has to return with her personal savings only, if any. Then why she work for the profit of the organization?

I think, here, there is lot of things to do. Grameen, as an organization, must place some long-term benefit to its participants. That will create more meaning and enthusiasm among the Grameen participants. They would be more inclined to work for the organization. A provision of remuneration, which they deserve, would be easily made. For example, if every center chairman and secretary is paid a honorarium of Tk.100/- per month it would cost only Tk-2,400/ a year for a center. This would come from the profit

of the branch or from the interest of the group fund. If it comes from the profit of the branch, in the study branch, in 1997, it could have been 42.2% of the profit¹. In case of center fund, a deposit of Tk.30,000/ per center would yield this amount of interest, estimating 8% interest given by Grameen on group fund deposits. It could be worth mention here that the cumulative average group fund of Grameen was Tk.95122/- per center as of May 1997. Although a certain amount of this has been sanctioned as loan to group members it clearly indicates that the proposal is very much under reach. To circulate the benefit among more members, present Grameen rule of electing a Chairman and Secretary for one year would be changed to 6 months. Such a provision would help the participants as well as the program in many ways. For example, it can create fantastic enthusiasm among the Grameen participants, participants would become more dedicated to program activities, they would feel Grameen as their real emancipator and so on.

8.4. Policy Implications and Recommendations

8.4.1. Need for Re-approaching Poverty at the Macro-level

It is seen that macro-level measures to combat poverty mostly benefited the already well off sections, particularly the urban based bureaucratic-political-business groups. The focus was, however, always been given in the inequality of landholdings in rural area. This actually diverted the focus of action required for sustainable poverty alleviation in the society. In a resource poor country like Bangladesh the above groups have been enjoying all available social rewards in the public sectors. This is the root cause of persistent mass poverty in Bangladesh. Thus, it is essential to ensure the access of the

¹ There are other issues to be accommodated. For example, if the branch incur loss, performance of the center, etc. I believe that, once agreed in policy, these issues could be fixed easily.

poor in the highly subsidized public services, such as education, health, employment and so on.

8.4.2. Micro-level Factors Should Get Proper Importance

It is evident that the actors— the poor— of poverty alleviation and development programs have been neglected throughout the history. Probably, domination of economists, who are interested more on macro-level factors, in the field is the reason behind this. Yet rich body of sociological theories, which give importance on culture and micro-level factors, were little concerned. Review of persistent mass poverty in context of poverty theories, however, revealed that it would provide important insight about the problem of poverty alleviation. It appeared that creation of opportunities for the poor do not mean that all poor would avail that chance and, if avail, would get success. Their individual and family factors play important roles in the process. So, poverty alleviation programs need to emphasize on the actors and on their individual and family characteristics.

8.4.3. There should be a Sound Theory about What and How to Do

As pointed, in formulating poverty alleviation policies, poverty theories have not been considered. No program was found based on a sound theory of how it would lead its participants out of poverty. As such failure of the participants in the process was seen endemic, even in case of a very successful program like Grameen. So, it is essential to study the problem of poverty alleviation within the framework of poverty theories. This would help to identify the problems that may face by the participants in the process of escape from poverty and hence, designing the program accordingly. Only this would ensure the sustainable escape from poverty for vast poor now participating in poverty alleviation programs, particularly in microcredit programs.

8.4.4. Need for Coordination of Microcredit Programs

Following the success of Grameen, hundreds of programs rushed into the field of microcredit program. This creates some duplication and unwanted competition among these organizations. The point is that, in some cases, this is affecting the quality of the program adversely. As evident, by now, all the poor of the country are suppose to have been covered by microcredit organizations. In reality, however, this is not the case. It indicates the possibility of duplication or enrollment of non-poor in these programs. These clearly emphasize the need for coordination among the microcredit programs.

8.4.5. Retaining Grameen's Wonderful Success and Achieving the Ultimate Target of Poverty Alleviation

Without any hesitation, it could be said that Grameen has achieved exemplary successes. For the first time it reached to the vast poor of Bangladesh and mobilized women in the society. These are simply great achievements. It is, however, revealed from the findings of the present study that a large number of Grameen participants have been dropping out, although there is no policy to encourage such dropout. This may overshadow the wonderful success of Grameen. Leaving these poor, in fact the poorest, the broad objective poverty alleviation from the society may not be achieved. I certainly not in a position to ask Grameen to stop giving loan to the poor women as the radical feminist did quoted earlier. Rather, I believe, to fulfill the high hope that Grameen has been able to create among the vast poor of Bangladesh, Grameen need to look into the process of how its participants play their roles within and outside the program, what are the problems they face in the process that affect their success, and what measures could be taken to reduce those problems. Obviously, these require large-scale study. Based on the present case study of one branch, however, I would recommend the followings to reduce dropout and achieve the ultimate target of poverty alleviation.

Designing a Sound Theory

The first requirement would be designing a sound theory about how Grameen will bring its participants out of poverty and how it will reduce poverty from the society. This is of vital need to guide the Grameen program into right direction. Absence of such theory, as appeared, creates problems like dropout, exclusion of poorest, and so on. Without being addressed these problems properly Grameen won't be able to alleviate poverty from the society.

Grameen should be Holistic Rather than Minimalist

Too much emphasis on financial viability has already confined the Grameen activities into loan disbursement and recovery only. This is severely undermining the social aspects of poverty and contributing to increasing dropout. Poverty is a social phenomenon. It interacts almost all aspects of life. Thus, being a poverty alleviation program, Grameen should emphasize holistic approach, rather than a minimalist approach focusing only on economic aspects. Emphasis on minimalist approach may help Grameen to become successful as financial institution, but obviously, not as a poverty alleviation program.

Grameen Workers Should Play the Role of Change Agent

The need for guiding the poor in the poverty alleviation process appeared as essential criteria for successful escape from poverty. Grameen workers work in close contact with the participants. They are, however, not playing the role of a change agent at present. Nevertheless, they possess the real potential to play the role of change agent. They should be properly trained up so that they can play the role of change agent to guide the poor all the way toward out of poverty.

Need for a Case Approach

Grameen follows individualistic approach of poverty. In practice, however, it little

concerns about the differences in individual and family factors. Findings of the present study clearly revealed that these factors are the ultimate determinant of success or dropout. The poor are also appeared as heterogeneous in many respects. These indicate the need for adopting a 'case approach' to ensure the success of the heterogeneous poor.

Need for Insurance Coverage for Affected Investors

It appeared that a significant proportion of participants dropped out because they faced problems in their investments due to various reasons, mostly out of their control. These led them in a severe economic hardship to repay the loan. The result was, off course, dropout. Crisis and insecurity is also common in Bangladesh society. Hence, the need for some kind of insurance coverage seems to be of vital importance. Otherwise, a considerable proportion of participants may fall in more economic hardship rather than coming out of poverty through participating in Grameen.

Need for More Motivational Work

Motivation to reject accommodation to poverty is an essential condition for escaping from poverty. Grameen participants could be seen as motivated because they themselves join with Grameen through forming group. Raising objections over child welfare fund, dropping out from the program, etc., however, indicate that the level of motivation is weak. It appeared that these participants have failed to perceive the utility of Grameen and those provisions. Hence, it is essential to conduct more motivational work among the participants. It also appeared that some participants dropped out because their desired loans were not sanctioned. It is evident that in these cases Grameen did have valid grounds for doing so and probably it was for the betterment of those participants. It seems however that Grameen may have failed to convince those participants about the matter. In short there might have been a gap between the authority and these

participants. This also indicates the need for more communication and motivational activities.

Motivational Work for Husbands

Nearly half of the dropouts occurred through husbands' decisions. In Bangladesh, husband's control over wives' behavior is beyond question. It is embedded into the patriarch culture of the society and is very difficult to change quickly. Grameen is having the provision of conducting workshops with the guardians, mostly husband, of the women participants to motivate them about their wives needs and roles in the program. It is very useful in this regard. This will help to minimize family conflicts over program related matters and change the attitudes of husbands gradually. The provision should be strengthened and widen.

Again, as dependency of women on male relatives for investment and marketing is deep-rooted into the culture of the society it might also not be changed quickly. However, it should not be viewed as against the objective of poverty alleviation and women's empowerment. Rather it should be viewed as complementary. Only a smooth relationship and mutual respect between male and female, particularly between husband and wife, in the family could play a positive role in this regard. In rural Bangladesh most decisions are taken at the family level. Thus, decisions regarding loans are also likely to be taken by the family as a whole. This also should be considered as positive in terms of increasing interaction between household members and hence more cohesion in the family. However, misunderstanding or conflict may not unlikely. In such cases fellow group or center members and Grameen workers could play a role to mitigate conflicts. For the purpose, Grameen workers and members need to be oriented about the family systems and family dynamics of rural Bangladesh.

Provision for Conflict Resolution at Different Level

It appeared that conflict at different level significantly contributed to dropout. Conflict is usual in the group process. Thus, there must be some mechanism of conflict resolution within the program. The program workers could be trained up in group processes and conflict resolution techniques so that they can follow it during fieldwork.

Making Provisions for Childcare

Problem in childcare caused dropout in a large scale. If women are to bring into the work force, question of childcare becomes important. Introduction of childcare system throughout Bangladesh may not be easy. Grameen Bank could use its center for the purpose. Young children of the members, engaged in income earning activities, could be kept in the center under the supervision of member(s) by rotation. An honorarium could also be given to the respective member(s) from the center or child welfare fund. This would also open a scope of employment for some members. Government of the country could also come forward in this regard and may establish day care centers by using its existing facilities, such as, Family Welfare Center, Primary Schools, etc.; in the rural areas.

Relieving the Participants from Compulsory Program Activities

Delay or absence in meeting led to dropout for significant number of cases. It is evident that there are unavoidable events, such as pregnancy or delivery, young child in house, sickness, etc., which, if happen, the respective participants could not participate in the weekly meetings. There should be written policy provision to excuse the respective members from attending meetings in such cases.

Paying Honorarium for the Center Chairman/Secretary

It revealed that Grameen has been turned as a profit-making organization. In the

process of making profit the group/center's have significant contribution. Thus, the group/center could deserve remuneration for that. I have also mentioned the need for making some organizational provision through which participants could see some future utility in the organization. A provision of honorarium could ensure both the above requirements. This would also ensure a provision of employment for the Grameen participants.

Need For a Safety Net

Poorest of the poor have been either excluded due to policy options or dropping out from Grameen. It appears that Grameen's role in poverty alleviation severely undermined by dropout. Moreover, leaving the poorest of the poor poverty reduction from the society may not be possible. There might be a safety net program within the Grameen, which could accommodate the poorest of the poor with some special provisions.

Need for Welfare Measures

In the history of fighting poverty, welfare measures have played a prominent role. Because, there would always be a section who fail to manage their own income for survival. If Grameen prefer to be a complete poverty alleviation program it require having provisions for these poor. At present form Grameen could be best identified as a partial poverty alleviation program which includes only those who are successful as entrepreneur and excluded those who are the most vulnerable section in the society.

Boost up the Marketing Activities Nearer to the Women

Access to market has been appeared as the major problem for success of women as entrepreneur. It is not possible to create an atmosphere immediately where most women could participate in the market activities. However, marketing activities; such as, selling milk to the neighbors regularly, selling eggs, vegetables, etc., to incoming Hawkers,

establishing grocery shop within the household compound, and so on; are common in rural Bangladesh. It is also not uncommon to see women, particularly the poor, in the markets. Initiation could be taken from the programs' side to organize these traditional marketing activities in such a way that the members would become complementary to each other. Such as members engaged in production could market their products through members having access to market and engaged in business projects. The other possibilities to expand formal markets in villages. Government could easily take initiation in this regard through local government bodies.

Special Measures for Younger Participants

It revealed that younger participants are dropping out more. The reasons behind this were less mobility, childbearing, less marital stability, and so on. Mobility of women who are at the early stage of their marriage is extremely limited in Bangladesh society. The true obstacle is being imposed by marriage. This requires change in the attitude towards the newly married women. It is very difficult to achieve this immediately. So far, Grameen has been able to significantly contribute to increase the mobility of its member. It is, however, fell short than that required for assumption of the role of a successful entrepreneur. Thus, more innovative and effective measures are required in this regard.

Childbearing is universal in Bangladesh. It is usual that young women will go for children. This, however, limits the program participation in many ways. The only viable means in this regard is to inspire the participants to adopt family planning in such a way that may not affect their role of program participation.

Emphasis on Group Processes

Group has been the vehicle of program implementation for all development programs. So as for Grameen too. But, in practice, group interests never get priority. For

example, there is group fund in Grameen. But it is just the accumulation of money, keeping the claim of individuals on their contribution in full. There is no provision of common fund that could be identified as group property. So the role of group has been confined with only screening and enforcing activities not as a potential organization. There should be provision of a group fund, which will be treated as groups' property.

Again, group is a dynamic social organization. It is also a tested effective tool for implementing development and poverty alleviation programs. It appears that there are successful and less successful members within the group. In this situation, if groups can get success as a whole, the objective of poverty alleviation would also be better realized. Hence, it is important that group are moving as a whole. That means group should get more emphasis than individual members.

Conflict is evident in the group process. But if it continues that may spoil the group cohesion. Although Grameen Bank policy ensures the maximum homogeneity among the group members in terms of socioeconomic background, it is natural that there remain certain differences in the individual and family characteristics among the members. These differences would cause differential achievements for the members in the program. Thus, in course of time, the homogeneity of the group would decrease. Again, so far, Grameen Bank is following the strategy of replacing the dropout members with new Ones. However, as mentioned earlier, scarcity of eligible persons may limit such possibilities. Such a situation may open the chance of inclusion of persons beyond the target group. This would also lessen the homogeneity of the group. All these are likely to create conflicts among the objectives of the group members. Apart from these, some program related factors such as; who will get the first loan, loan amount, loan repayment, etc.; may also cause conflicts among the group members. Nevertheless, group cohesion might be significantly jeopardized by such conflicts, which may contribute to more dropouts.

Groups and centers are the vital organizations of Grameen. Thus these should get highest priority in Grameen program implementation. No study could be found exclusively looked into the matter. Hence, it is necessary to study the processes of the Grameen groups to identify their potentials and problems. Grameen workers should be properly trained up in the group processes so that they can monitor the groups continuously and take necessary steps to keep the group cohesion intact.

Problem in Loan Repayment

Problem in loan repayment is found as the largest contributor to dropout. Whatever the cause(s) of problem in loan repayment, it indicates that these participants have failed to invest the Grameen loans in profitable sectors, which could provide them regular repayment money. No doubt these participants faced difficulties in collecting repayment money from other sources that ultimately led them to drop out. It clearly indicates that all poor may not be able to use the money through self-employment. Thus, they need necessary guidance in loan use.

Advocacy

The problem of persistent poverty alleviation is found deep-rooted into the unequal share of the poor in the social rewards available in the society and its subsequent individual and family consequences. Grameen is not addressing this aspect. It is, however, evident that sustainable poverty alleviation from the society depends on making the provision of access of the poor in the public sectors, such as education, health, employment, etc. Grameen could inspire its participants to avail the public facilities in a meaningful way, I mean, for example, not only education but a job after completion of education.

8.5. Conclusion

In this study I have intended to identify the potentials and problems of poverty alleviation programs in Bangladesh. It clearly revealed from the findings that microcredit programs, particularly Grameen, do have the real potentials of alleviating poverty. These programs, however, face some problems in the process due to various reasons, which I examined in context of Grameen. Grameen is engaged in Poverty alleviation and empowering poor and women. These are very difficult tasks. Nevertheless, its successes are exemplary. It is, however, evident that Grameen faces vital problems like dropout, exclusion of the poorest, and so on, which have already questioned its role in poverty alleviation and empowering women. Findings of the present study clearly establish the issue of dropout as a vital problem for the success of Grameen. The belief that microcredit programs hold, i.e., if provided the poor could use the loans successfully in micro-enterprises through self-employment without outside help, clearly not working well for increasing number of poor. It appeared that absence of a sound theory about how Grameen would like to bring its participants out of poverty might have caused these problems. Exclusion of dropouts, who faced the real problems in program participation, from studies on microcredit program also, hindered the possibility of identifying the problems faced by the participants. Reasons of increasing number of dropouts have been found embedded into the usual socio-cultural processes of the society and in the individual and family characteristics of the participants. It appears that it is urgent to combat the problem of dropout through introducing the components into the program that would effectively handle the causes of dropout identified in this study. In short, these could be ensured only through guiding the participants closely all the way out of poverty. The role of the Grameen workers is crucial in this regard. They need to be properly trained up and play

the role of true change agent. Findings of the study clearly indicate that for the success of Grameen and its participants Grameen program need to be more holistic, covering all socio-cultural aspects that affect poverty and women, rather than to be a minimalist one. These are essential to achieve the hope of poverty alleviation that has been created by Grameen and for the greater interest of the millions of poor participants of microcredit program worldwide.

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