

CHAPTER - VII

STRATEGIES FOR POVERTY ALLEVIATION

INTRODUCTION

In the context of developing countries failure of economic growth to create significant impact on poverty reduction had raised question among the economists about the appropriateness of the past development strategies. Mahabubul Haq formulated these questions in his discussion about seven sins of development planners in the context of Pakistan as well as other developing countries. The seven sins were¹: fascination with numbers which resulted in endless amount of work into econometric models; but not enough work into economic policy formulation or decent project appraisal; curious love for direct economic controls; too much faith in high rates of investment (irrespective of their contents); addiction to development fashions; divorce between planning and implementation; neglect of human resources; and growth without justice. The development fashions have always been changing. During 1948-55 import substitution was important; during 1960-65 export promotion was important; during 1966-67 rapid agricultural growth got priority; during 1967-68

1. Mahabubul Haq, The Poverty Curtain: Chances for the Third World, Colombia University Press, 1976, P.24-36.

population control was in fashion and during 1971-75 distribution issues became relevant.² The planners are often willing victims of these changing fashions, partly because they must keep up-to-date in the change of development and partly because they may end up with very little foreign assistance if they do not subscribe to the currently fashionable thinking in the donor countries.³

Thus while the faults and weaknesses of the development strategies were pointed out, new perspectives and ideas entered the field of development practice. Mainly due to slow growth and weak trickle down, necessity of direct attack on poverty in order to alleviate it gained prominence. That is how the issue of strategy for poverty alleviation came in the forefront of development practice. The present chapter is devoted to the discussion of the strategies of poverty alleviation in Bangladesh.

Bangladesh implemented and is still in the process of experimentation of various anti-poverty programmes. It is not possible to discuss all the programs within our given limited space. However, considering the importance of the programmes in the present context of rural Bangladesh, and availability of data at hand, we shall discuss three major on-going anti-poverty programmes. These are:

2. Mahabubul Haq, Op.cit., P.20.

3. Ibid.

(1) Integrated Rural Development Programme (IRDP),
 (2) Rural Public Works Programme (RPWP), and (3) Grameen Bank. Besides brief account about the programmes, main focus of discussion here will be on analysis of impact of these above programmes on the rural poor of the country.

1.

IRDP

When the new seed-fertilizer technology started spreading the agrarian sector of the developing countries, it was felt that its fruits were bound to be distributed unequally in a rural society with unequal distribution of land ownership. The small and marginal farmers vis-a-vis the larger ones would be at a relative disadvantage in benefiting from the new technology. Therefore a necessity was felt for development of an appropriate institution in order to safeguard the interest of the small and marginal farmers. The Integrated Rural Development Programme (IRDP) was the first major response to this felt need.⁴ Emergence of IRDP in the developing countries as well as in Bangladesh also is associated with some occurrence at the international level. The United Nations (UN) General Assembly resolution No.2681 passed in December, 1970 provided wide publicity to the decisive reorientation of the development strategy of IRD. The new so called "Unified" integrated approach begins with an analysis of

4. S.R. Osmani and Atiq Rahman, Income Distribution in Bangladesh, Research Report N.53, Bangladesh Institute of Development Studies (BIDS), 1986, P45-46.

the failures of the UN First Decade of Development and concludes from this that development must be conceived not only as an economic process, but as a process that affects the whole society.⁵

IRDP in Bangladesh originated from two-tier cooperative system of Comilla model. Two tier cooperative is a system of cooperative comprising primary cooperative society called Krishask Samabaya Samiti (KSS) at the village level and Thana Central Cooperative Association (TCCA) at the thana level. Members of KSS accumulate capital through weekly savings. Every KSS draws up joint production plans, creates a block of 50 to 100 acres of land in the village in order to facilitate the economic adoption of irrigation, institutional credit and improved farming. The KSS receives credit from TCCA to implement these plans.⁶ Seeing some technocratic success of two-tier cooperative at Comilla, after liberation it was decided to replicate this type of cooperative

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5. Wulf Rainer, "On the Concept of Integrated Rural, Development" (Tubingen, FRG), Vol.17, 197 , P.65, Quoted in A.Rob Khan, "Rural Development in Bangladesh - Major Issues Revisited", Bangladesh Institute of International and Strategic Studies Journal, Vol.5, N.4, 1984, P.461.
 6. M.A. Momin, "The Integrated Rural Development Programme in Bangladesh and its Growth - Equity Contradiction", Community Development Journal, Vol.22, N.2, April, 1987, P.99.

In the early 1960s, small and marginal farmers got some benefits from Comilla experiment due to vigorous supervision exercised by the East Pakistan Academy for Rural Development under the leadership of Dr. A.H. Khan, a dynamic personality who made skillful use of considerable foreign assistance in operating this programme. But later on when the two tier cooperative system was expanded first throughout Comilla district and then other districts; the cooperatives were not in a position to serve the interests of the small and marginal farmers. As there was no membership barriers in the cooperatives, the substantial farmers became the members of the cooperatives and cooperatives started being over represented and dominated by the rich farmers.⁸ For example, in Natore and Geibanda TCCA in 1973, the average landholding for KSS managers (Chairmen, Managers and model farmers) was 6.16 acres compared to 4.20 for KSS members and 2.83 for non-members. 78 per cent of managers owned more than 2.5 acres each compared with only 35 per cent of the general population.⁹

"Islam (1978:26-27), for instance, reports a survey of

7. For further details regarding origin of IRDP, Please see, M.A. Momin "Institution Building and Rural Development in Bangladesh", The Journal of Local Government, Vol.13, No.1, Jan-June 1984, P.45-61, M.A. Momin, "Rural Development Programme in Bangladesh", The Journal of Local Government, Vol.16, No.1, Jan-June 1987, P.33-37; M.A.Momin (1987), Community Development Journal, Op.cit., P.98-100.

8. M.A. Momin (1987), The Journal of Local Government, Op.cit., P.46.

9. Steve Jones, "A Critical Evaluation of Rural Development Policy in Bangladesh", in Steve Jones et al.(ed), Rural Poverty and Agrarian Reform, Allied Publishing Private Limited, New Delhi, 1982, P.92.

selected parts of Bangladesh which clearly shows that it is the large farmers who get cheap institutional credit (between 52 and 59 per cent of all such credit being received by the 32 per cent of households with holdings of more than average size) and Khan (1971:25) moreover shows that KSS managers' (Chairman, model farmers and managers), themselves are normally larger farmers, borrowed nearly five times as much as ordinary members (Tk 7762 as opposed to TK 1588) even though their holdings were only about one and half times as big. Further, large farmers (and particularly cooperative managers) were the biggest defaulters, managers' overdue loans being TK 1,534 compared with only TK 97 for ordinary members. In addition, there is little question that large farmers have best access to irrigation (See e.g. Strober, 1978). Deep Tubewells (DTWs) are sunk and lowlift pumps (LLBs) are positioned where they will irrigate the maximum land of large farmers and in view of their political power locally, these farmers are likely to be able to take irrigation water when it best suits them, irrespective of the needs of the smaller cultivators.¹⁰ After an evaluation study of Natore and Gaibandha Projects a conclusion was drawn by the evaluators, "The study demonstrates that while in Natore and Gaibandha about 30% cooperative farmer fall

10. Steve Jones, Op.cit., P.93-94.

under the category of big farmers (having more than five acres of cultivable land of their own), almost all the executive committee members are surplus farmers.....the benefits of the IRDP cooperatives, if there be any, have largely gone into the pockets of the big farmers."¹¹

IRDP was renamed as Bangladesh Rural Development Board (BRDB) in December, 1982. The failures of Comilla type cooperative to reach the poor has led the BRDB to initiate special cooperatives for the assetless rural people and disadvantaged rural women. Cooperatives for the assetless is called Bittayaheen (Bengali word for assetless) Samabaya Samity (BSS) and cooperatives for the women are Mohila (Bengali word for women) Samabaya Samity (MSS). These cooperatives are formed to facilitate support services in terms of skill development, credit and input supplies to the members in farm and non-farm activities in order to make disadvantaged section of the people of the society to participate in the development of the country as well as in their own decision making.

BSS and MSS are village based cooperative societies separately for male and female. Membership limitation of each society is minimum 10 members and maximum 50 members

11. M.A. Hameed and M.A. Rahman, "An Evaluation of Natore and Gaibandha Projects, IRDP", Dept. of Economics, University of Rajshahi, 1977, P.4.

and members should be the permanent resident of the particular area. A Managing Committee consisting of a Chairman, a Vice-Chairman, one manager and 3/6/9 Directors (exact number to be decided by the members of the society) run a cooperative society. Only an adult of age 18 or above possessing land not more than 0.5 acre who are not in a position to meet their subsistence requirements through sale of labour qualify for becoming members of BSS and MSS. From a family only one, preferably the head of the family can be the member of a society. Every member has to make a weekly saving of at least Tk.1.00 and to purchase a share within one month of acquiring membership. A member is eligible to get loan from the society against his specific production plan subject to a maximum limit of 20 times his total savings and share in the cooperative.

The specific objectives of BSS/MSS are:¹²

- 1) To organize the members into a formal economic organization.
- 2) To build their own capital through regular saving and purchase of shares in the society.
- 3) To arrange relevant training for development of professional skills of the members.

12. Salehonddin, Ahmed, M.A. Momin, M.Masum and M.Rahman, 'Impact Evaluation of Rural Development Programme with Emphasis on Equity through People's Participation', (Draft Report), CIRDAF, Dhaka, 1986, P.83-84.

- 4) To prepare production and employment plans for raising income of the members.
- 5) To arrange credit, raw materials and other inputs.
- 6) To arrange marketing of products for ensuring fair prices to producers.
- 7) To adopt suitable programmes for enhancing the socio-economic status of the members.
- 8) To promote family planning, health care, nutrition, functional literacy and other welfare activities.

Among the economic activities of the societies, pond fisheries occupies the most prominent position in terms of membership involved among the various economic activities pursued by the landless cooperatives. However, in most cases, pond fishing was chosen not because of any economic calculation of profit but because they were made available to the cooperatives by the government.¹³ Other activities undertaken by the societies are cane and bamboo works, beekeeping, oil milling, goat/cow and poultry raising, net-making, rickshaw pulling etc.

13. Kamal Siddique, "Assessment of Strategies and Programmes for raising the productivity of the Rural poor - The Bangladesh Case", in Swapna Mukhopadhyaya (ed), The poor in Asia: productivity raising programmes and strategies, Asian and Pacific Development Centre (APDC), Kuala Lumpur, 1985, P.110.

For alleviation of poverty BRDB initiated BSS and MSS from 1974. The progress of the societies are shown below:

Table - 1

Progress of BSS and MSS

Type of Cooperative	Year	No. of Societies	No. of Members	Savings and Share Amount (Million Tk)
1	2	3	4	5
BSS	1977	112	4718	.6
	1980	638	18867	.64
	1985	9126	279179	10.8
MSS	1985	7946	249957	20.34

Source : BRDB, Quoted in Hasnat Abdul Hye, "Rural Poverty: The Continuing Challenge", The Journal of Social Studies, Dhaka, 1986, P.91.

from another available source it is known that by March 1986, the number of BSS increased to 11,975 and the number of MSS increased to 9,667 with 3,45,256 and 2,75,145 members respectively.¹⁴ Thus the progress of cooperatives for the destitutes and women in terms of increment of member of societies, number of members and savings and share amount is impressive. Till June 1985, BRDB disbursed Tk 4.68 million for BSS and Tk 1.76 million for the MSS cooperatives. About 19 income generating activities have been identified and loans have been disbursed for these for periods ranging from 1 to 4 years.

14. Salehuddin Ahmed, M.A. Momin, M. Masum and M. Rahman (1986), CIRDAP Study (Draft), Op.cit., P.85.

But how far the real poor people are benefitted from this societies remains a key question. The author is not aware of any evaluation of yet of the programme from which, impact of the programme on rural poor could be assessed. However, there are some criticisms of these cooperatives which will be discussed below.

Kamal Siddique criticized BRDB cooperative societies of the poor for the following reasons: (i) no bench mark survey was conducted to identify the landless, (ii) BRDB primary cooperatives were federated with the thana central cooperative Association (TCCA) of the Agricultural cooperatives originated from Comilla system. But unfortunately TCCAS were already dominated by the rich and powerful. While there is a class contradiction between rich and poor, expectation of bringing benefit to the poor by the rich is unrealistic, (iii) BSS/MSS cooperatives are to be organized around non-farm activities considering the fact that the members of the societies do not ^{have} much access to agricultural land. But BRDB do not have expertise in handling non-farm activities as it was agriculture biased from the beginning. Moreover, BRDB lack committed cadres to run such cooperative scheme, (iv) income generating activities have been undertaken without proper feasibility survey.¹⁵

15. Kamal Siddique (1985), Op.cit., P.124-125; Kamal Siddique, Bangladesher Grameen Daridra - Swarup O Samadam (in Bengali - Rural Poverty of Bangladesh - Characteristics and Solution), Dana Prakashani, Dhaka, 1985 P.108-110; Hasnat Abdul Hye, Op.cit., P.91.

Last but not least in importance problem to be discussed here is the intensive area development programmes implemented by BRDB from the period of mid seventies of this century. The main objectives of these intensive area development projects are: (i) increase of agricultural production at an accelerated rate; (ii) creation of new employment opportunities for the rural poor; (iii) more broad based spread of incremental benefits and, (iv) strengthening of rural institutions for effective delivery of development services to all irrespective of their economic and social status.¹⁶ Among them three important area development programmes are; (i) Rural Development - 1 (RD-1) project, (ii) Senajgonj Integrated Rural Development Project (SIRDP) and (iii) Noakhali Integrated Rural Development Project (NIRDP). These three projects were initiated with the assistance from the three external agencies e.g., International Development Association (IDA) of the World Bank, Asian Development Bank (ADB) and Danish International Development Agency (DANIDA) in some Upazillas of Bangladesh. Although in depth evaluation study regarding these projects are not available with the author, as it is known from various scattered sources that like other rural development programmes of Bangladesh the performance of

16. Salehuddin Ahmed, M.A.Momin, M. Masum, M. Rahman, (1986) ; Op.cit. P.78-79.

these projects specially to change the living conditions of the poor is not very satisfactory. From a source it is known that under these three programmes coordinated by BRDB but implemented by concerned departments of the government, a total of Tk 1.3 billion was spent but for the poor only 3 to 4 per cent of this amount was used.¹⁷

2. RURAL PUBLIC WORKS PROGRAMME (RPWP)

In the present territory of Bangladesh RPWP have been in operation in various forms for quite sometime. Main objectives of RPWP are to create socially useful infrastructure that will lead to rapid agricultural growth and generation of additional gainful employment for the unutilized labour force particularly in the slack seasons. There are two major RPWP in Bangladesh. These are Rural Works Programme (RWP) and Food for Works Programme (FFWP). RWP was initiated in the early sixties and intensified in the second half of the decade. After independence of the country importance of RWP, declined and was supplemented by FFWP. About 65 to 75 per cent of the total funds were channelled through FFWP in late seventies.¹⁸ There are also data available which tell about the decline of total employment through RWP. For example, during the initial years of operation of RWP, it generated direct employment for some 600,000 to one million

17. Hasnat Abdul Hye, Op.cit., P.94.

18. S.R. Osmani, Atiq Rahman (1986), Op.cit., P.73.

persons per year.¹⁹ But in 1971, the number had fallen to 223,000 workers²⁰ and between 1972-77 employment generation ranged between only 28 - 68,000 man hours per annum.²¹ The differences between RWP and FFWP are: (1) In RWP, labourers are paid in cash whereas in FFWP payment is made in kind, in most cases in wheat, (2) labourers in RWP are paid at the prevailing market wage rate and sometimes even more, but the kind payment in FFWP is deliberately kept below the market wage. The objective here is to attract the poorest section of the labourers, under the assumption that the relatively better off among the poor will not compete for such work due to low wages. A limited distributive objective is thus embodied here to the extent that amelioration of poverty is sought to be combined with improvement of distribution within the poor.²²

Following the relative decline of RWP activities, the FFWP is the most important public works programme in the country. The following table shows the progress of FFWP during the period from 1974-83.

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19. J.U. Thomas, "The Rural Works Programme in East Pakistan", in the Development Policy-The Pakistan Experience, Harvard University Press, 1971, Quoted in Kamal Siddique (1985), Op.cit., P.70.
 20. M. Alamgir, The Experience of Rural Works Programme in Bangladesh, Institute of International Economic Studies, Stockholm, 1977, Quoted in Hasnat Abdul Hye, Op.cit., P.97.
 21. D. Asplund, The Public Works Programme in Bangladesh and Swedish Aid Objectives, SIDA, Dhaka, 1979, Quoted in Kamal Siddique, 1985, Op.cit., P.70.
 22. Kamal Siddique (1985), Op.cit., P.69; S.R. Osmani & Atiq Rahman, Op.cit., P.49-50.

Table - 2

Progress of FFWP in Bangladesh - 1974/75 to 1982/83

Year	Number of Schemes	Quantity of Wheat Utilized (in 000 tons)	Man-days Involved (in Million)	Man-days Available in the Country (in Million)	Man-days Involved in FFWP as % of Total man-days in the country
1	2	3	4	5	6
1974-75	-	31.5	8.6	7,210.1	0.12
1975-76	1,554	205.4	56.0	7,488.3	0.75
1976-77	2,328	219.1	60.0	7,666.2	0.78
1977-78	2,087	271.2	74.0	7,844.4	0.94
1978-79	2,113	226.1	62.0	8,022.3	0.77
1979-80	2,124	223.7	61.0	8,219.1	0.74
1980-81	3,927	352.5	96.0	8,425.5	1.14
1981-82	3,431	283.5	77.0	8,584.8	0.90
1982-83	3,921	371.1	101.0	8,725.2	1.16

Source: Q.K. Ahmad and Mahabub Hossain, "An Evaluation of Selected Policies and Programmes for the Alleviation of Rural Poverty in Bangladesh" in Rizwanul Islam (ed.) Strategies for Alleviating Poverty in Rural Asia, BIDS/ARTEP, Dhaka/Bangkok, 1985, P.23.

From the above table, it may be observed that beginning from 1974-75 number of schemes, quantity of wheat and man-days involved in general have increased. From a modest beginning the programme has risen to a level of more than 371 thousand tons of wheat utilization in 1982/83 involving 3,921 schemes and 101 million man-days. The employment created by the programme

increased from 0.12 per cent of the total available man-days available in 1974-75 to more than 1 per cent in 1982-83.

Now to examine the impact of both RWP and FFWP on the rural poor, data reveals that their contribution to the income of the rural poor specially of agricultural labourers is not at all negligible. It has been estimated that on the average 1.6 million households received an increment of 9-10 per cent of their income in the seventies. As against that, roughly half a million households gained 18 per cent of their income from RWP wages in the sixties.²³ The decline in the percentage gain in income reflects the fact that while market wage was paid in RWP, the payment in kind FFWP, which was the predominant form of public works programme in the seventies amounted to less than the market wage.²⁴ But the figures also reveal that the benefit has been spread in recent times over a larger proportion of the labour force. In terms of employment generation, it has been estimated that 16-26 per cent of extra employment needed to fully employ the labour selling households during the slack period between December and April is created every year by these programmes.²⁵ It has been found in a

23. D. Asplund, Op.cit., P.32, Quoted in Kamal Siddique (1985) Op.cit., P.72, S.R.Osmani & Atiq Rahman, Op.cit., P.50.

24. Kamal Siddique (1985), Op.cit., P.72, S.R.Osmani and Atiq Rahman, Op.cit., P.50.

25. D. Asplund, Op.cit., P.26, Quoted in Kamal Siddique, (1985), Op.cit., P.73, S.R. Osmani and Atiq Rahman, Op.cit., P.50.

study conducted by BIDS and IFPRI (International Food Policy Research Institute) that about 70 per cent of the workers in FFWP come from functionally landless (owning less than 0.5 acre) rural households, a category which account for about 50 per cent of all rural households in the country. It tells about the fact that bottom groups are more than proportionately represented in the employment opportunities created by FFWP.²⁶

In order to find the distributive impact of public works programme, along with the impact of the programme on the rural poor, impact of it on the rural rich also should be examined. In the long run main objective of the public works programme is to increase agricultural production of the country. It is argued that higher agricultural production will lead to greater demand for rural works which will automatically increase employment opportunities. Therefore, it is obvious that main beneficiaries of the programme are those with land. The activities undertaken under the rural public works programme are improvement in irrigation and flood control facilities, construction of roads and market places which lead to productivity gains for the land owning class. Construction of roads and market places reduces the cost of transport of agriculture from which also the surplus farmers only get the benefit. Larger the farmers greater the chance of getting benefits from the above facilities made through rural works programme. The following table shows the situation in this direction.

26. Characteristics and Short-run Effects of the WFP (The World Food Programme) - Aided Food for Work Programme in Bangladesh, BIDS, Dhaka and IFPRI, Washington D.C., July 1983. Quoted in Q.K. Ahmad & Mahabub Hossain, Op.cit., P.79.

Table - 3

Agricultural Production by Farm Size in
FFW Project and Non-Project Area

Farm Size	Project Area			Non-Project Area		
	% of Farms	% of Cultivated Land	Average Production Per Farm (Taka)	% of Farms	% of Cultivated Land	Average Production Per Farm (Taka)
1	2	3	4	5	6	7
Small	63.0	29.1	5860 (15)	64.5	28.5	5,096
Medium	23.1	32.3	19240 (46.3)	22.1	30.4	13,152
Large	13.9	38.6	34721 (35.9)	13.4	41.1	25,557

Source : Development Impact of FFWP in Bangladesh, BIDS - IFPRI, 1985. Quoted in Atiq Rahman (1986), Op.cit., P.34.

Note : Figures within parantheses are percent increase in production compared to non-project area.

From the table, it may be observed that average production per farm each in cases of small, medium and large farms is higher in Project Area compared to Non-Project Area. It tells about the increase of production due to rural public works programme. It is also seen from the table that benefit in the project area from agricultural production in the farm production per farm increases with the increase of size of farms. This is seen from the figures in parenthesis which show percent increase in production compared to non-project area. Higher

percent increase in case of middle farmers than the large farmers may be explained by the fact that middle farmers are more innovative in use of the advantage of FFWP than the large farmers. While both the rich and poor class gets the benefit from the RPWP it is difficult to find the effect on the relative poverty. Major problem here is to isolate the indirect benefit due to the public works programme from similar consequences of other rural development programs (e.g., IRDP). The general presumption however is that gains to the land owning class are much larger than those for the labourers. According to Akhter Hameed Khan, the Chief Architect of RWP in Bangladesh, this programme was ".... by no means a panacea for the misery of the landless. Nor was it.....an attempt to redistribution of income..... it could neither furnish full employment nor lessen the disparity between owners of land and hired hands.... the unearned increment of the landowners was a hundred times more than the wages earned by the labourers...."²⁷

Thus the programme benefiting the rich more than the poor facilitate concentration of power and strengthening of existing rural institutions with their inherent weaknesses and unequal order. Therefore, M. Alamgir reviewing the RWP in 1960s said, "The rural works programme did not bring about any fundamental change in social organization at the local level, rather it formalised the existing institutions

27. Akhter Hameed Khan, "The Comilla Projects: A Personal Accounts", paper presented at the workshop on Rural Development, Addisababa, Ethiopia, 1973, P.8; Kamal Siddique (1985), Op.cit., P.74.

and contributed to the strength and solidarity of the dominant classes in the village power structure.²⁸ From the experiences of rural public works programme it has been seen that like KSS/TCCA system these programmes are also administered by the dominant landowning elites, union council chairmen and a few close allies without representation of actual landless labourer. For example in a study of 1981 for the Swedish International Development Authority (SIDA) found that "64 per cent of project Committee (PC) members of RWP owned more than 5 acres of land and only 6 per cent owned less than one acre. Although as per rules the project committees were each supposed to contain a landless representative, but practically out of ten committees studied only one had any "Landless" members, and they were richer farmers' sons who had not yet inherited their fathers' land.....of the labourers actually employed in the project, 83 per cent had no knowledge whatsoever of the existence of PC and not one labourer was aware of the provision under RWP for a representative of the landless to be on the Committee."²⁹

The domination mentioned above put the following impact on RPWP Project: (1) Substantial portion of the resources are

28. M.Alamgir, The experience of RWP in Bangladesh, UN, ESCAP, Bangkok, 1977. Quoted in Steve Jones, Op.cit., P.104.

29. SIDA, 'Some Aspects of Target Group Involvement in Rural Works Programme', Dhaka, Nov.1981, (Mimeo). Quoted in James K. Boyce, "Agrarian Structure and Agriculture Growth in Bangladesh", The Journal of Social Studies, N.31, January, Dhaka, 1986, P.8.

misappropriated. According to a SIDA report at least 15.30% of total funds end up illegally in the pockets of government officials, local leaders, contractors etc.³⁰

Similarly an evaluation for the USAID reported "a very strong indication that less than 70 per cent of the wheat withdrawn from FFWP finds its way to the labourers".³¹

(2) As a result of insufficient investment and inadequate attention quality of the work suffers. In a study it has been found that quality of the facilities created under FFWP is rather poor, and often, projects are not completed in the season in which they are started so that the incomplete canals, roads or dams are damaged during the monsoon and resources are needed in the next season for purposes of restoration.³² (3) Project Selection is subject to biases in favour of activities which either (i) offer maximum opportunities for leakage or (ii) enhance the value of lands owned by the de facto bosses of the PCs. The former has been argued to result in a bias in favour of road construction, the main use of RWP funds, since these are said to offer greater scope for misappropriation.³³

30. S.de Vylder and D.Asplund, Contradictions and Distortions in a Rural Economy, The case of Bangladesh, SIDA Policy Development and Evaluation, Stockholm, 1979, P.193, Quoted in James K.Boyce, Op.cit., P.8.

31. B.Newman, "Graft and Inefficiency in Bangladesh Subvert Food-for-work Plans", The Wall Street Journal, April, 1981, Quoted in James K.Boyce, Op.cit., P.8.

32. BIDS - IFPRI Report (1983), Op.cit., Quoted in Q.K. Ahmad and Mahabub Hossain, Op.cit., P.82.

33. D. Asplund, Op.cit., P.21, Quoted in James K.Boyce, Op.cit., P.8-9.

The latter means that in so far as productive investments are attempted, they will be selected not to maximise social returns but to maximise facilities to the dominant individuals.³⁴

Rural public works programmes which is one of the major antipoverty programme in Bangladesh may also bring some negative implications for the poor. Taking such kind of measures government may delay or take no interest in the strict choice of appropriate agrarian reforms including drastic reduction of landownership ceiling which should be a significant antipoverty solution in the Bangladesh context. As RWP/FFWP make rural class structure rigid, the most disadvantaged may have lesser chance of coming out of their disadvantageous position in the socio-economic life of the country.

3. GRAMEEN BANK

In Bangladesh existing banking institutions mostly serve the interests of the middle and large farmers. Therefore, Grameen Bank (Rural Bank) project/^(GBP) was initiated to provide financial resources to the land~~poor~~ farmers including landless at reasonable terms and conditions so that they can generate productive self-employment without any external assistance.

34. James K. Boyce, Op.cit., P.9.

The GBP had the following specific objectives.³⁵

- i) To extend banking facilities to poor men and women.
- ii) To eliminate exploitations by the money-lenders.
- iii) To create opportunities for self-employment for the vast unutilised and underutilised manpower resource.
- iv) To bring disadvantaged people within the folds of some organizational format which they can understand and operate, and can find socio-political and economic strength in it through mutual support.
- v) To reverse the age-old vicious circle of "low income, low investment, low income" into an expanding system of "low income, credit, investment, more income, more credit, more investment, more income."

In December, 1976 GBP operations were launched in Jobra, a village near the Chittagong University Campus on experimental basis. From September 1983 Grameen Bank (GB) had been functioning as a public sector specialised credit institution. From that time it has started setting up its own branches in various places of the country. A branch of GB which is the lowest bank tier is generally run by seven persons. One field manager and six bank workers. All the bank workers at field level are required to live in the

35. Kamal Siddique, "An Evaluation of Grameen Bank Operations", Swapna Mukhopadhyay (ed), Case Studies on Poverty Programmes in Asia, APDC, Kuala Lumpur, Malaysia, 1985, P.157.

villages where they are assigned to work. A bank unit covers an area of about 15 to 22 villages located in one or at most two unions. Any household owning upto 0.5 acre of land is eligible for the loan. In order to get credit, villagers have to form a group of five like minded persons of similiar social and economic status. The GB workers help perspective loanees to form groups of five and train them about the rules and procedures of GB. Each group elects its own Chairman and Secretary. In the same locality a number of groups are federated into a centre and a chief of the centre is elected who conducts weekly meetings, recommends loan proposals and assists workers of GB. Members can use the credit in any productive activity in his/her choice but he/she must repay the loan as stipulated in regular weekly instalments.

Now coming to the progress of GB it can be said that it has progressed at a rapid rate. The following table-4 shows the present status of GB.

From the table-4 it can be observed that by April, 1986 the number of branches of GB has increased to 232. This number is significant considering the fact that Bangladesh Krishi Bank (BKS) has only about four times of branches of GB (i.e. over 1000), BKB being a specialised financial institution of the country in the field of agriculture operating since 1960. Among five districts of operation

Table - 4The Coverage of Grameen Bank as of April, 1986

Districts of Operation	No. of Branches	No. of Villages Covered	No. of Members Enlisted (000 Persons)	Cumula- tive Amounts Loan Disbursed (Mil.Taka)	Percent of Target Group House- holds Covered
1	2	3	4	5	6
Chittagong	42	530	32.5	185.6	7.6
Tangail	45	892	38.7	319.0	24.4
Rangpur	56	1037	45.1	205.6	9.0
Dhaka	54	1116	40.8	241.0	6.6
Patuakhali	35	617	33.8	150.8	23.1
Bangladesh	232	4192	190.9	1102.0	3.1

Source : Grameen Bank, Monthly Statements. April 1986, BBS, Report of 1983/84 Agricultural Census of Bangladesh, Dhaka, 1986. Quoted in Mahabub Hossain, Credit for alleviation of Rural Poverty. The Experiences of GB in Bangladesh, Working Paper, N.4, BIDS, 1986, P.12.

of GB Rangpur had the highest number of branches followed by Dhaka district. GB has about two hundred thousand members. Here in the above table percent of the target group household covered (Col.6) has been estimated from the number of households operating less than 0.5 acre land reported in the 1983-84 Agricultural Census on the assumption that GB

membership is restricted to one person per household.³⁶ In that sense GB in Bangladesh with its two hundred thousand members can cover two hundred thousand households. It covers more than six per cent of the total villages in the country. Villages covered are highest in Dhaka followed by Rangpur. In Tangail and Potuakhali Districts about one-fourth of the target group is covered by GB. In other districts it covers 7-9 per cent of the target group. But if the country is taken as a whole, coverage of its target group is very negligible which is little more than 3 per cent. Therefore, it is argued that GB has to go a long way to be an effective organ of antipoverty programme at the national level.

The progress of GB in terms of disbursement of credit, recovery of loans, members enlisted etc. are shown in the table-5. Some of the progress of GB activities are seen from the above table. While the total number of members enlisted in a year varied from 6.3 thousand persons in 1982 to 62.7 thousand persons in 1984, the total number of GB members in the country increased from 14.8 thousand persons in 1980 to 171.0 thousand persons in 1985. Yearly amount of credit disbursed increased from only 17.1 million Taka in 1980 to

36. Mahabub Hossain (1986), Op.cit., P.12.

Table - 5Progress of Activities of GB, 1980-85

Activities	1980	1981	1982	1983	1984	1985
1	2	3	4	5	6	7
1. Members enlisted ^{per year} (thousand) persons	12.6	9.3	6.3	27.9	62.7	50.0
2. Amount of credit disbursed (Min. Taka) (Yearly)	17.1	33.5	41.9	99.3	304.4	428.4
3. Cumulative Amount disbursed (Min. taka)	20.1	53.7	95.6	194.9	499.5	927.7
4. Amount of Credit recovered (Min. Taka) (Yearly)	5.9	25.4	31.5	59.0	199.5	379.8
5. Total members (Thousand persons)	14.8	24.1	30.4	58.3	121.0	171.0
6. Outstanding loans (Min. Taka)	12.8	21.0	31.4	71.7	176.7	225.4
7. Cumulative Saving in Group and Emergency fund (Min. Taka)	1.6	4.8	9.6	19.4	44.2	85.6
8. Average size of loan per member (Taka)	1155	1390	1378	1703	2516	2505

Source : Grameen Bank, Annual Reports, 1984, 1985. Quoted in Mahabub Hossain (1986), Op.cit., P.14.

to 428.4 million taka in 1985. Yearly amount of credit recovered increased from 5.9 million Taka in 1980 to 379.8 million taka in 1985. It may be added here that the recovery disbursement ratio for 1985 was 89 per cent for GB loans, compared to 58 per cent for agricultural loans issued

by the Krishi Bank, 34 per cent for the nationalised commercial banks in 1983/84.³⁷ The cumulative amount saved by the GB members in group and Emergency Fund Swelled from only Tk 1.6 million in 1980 to 85.6 million Taka in 1985. It is very interesting to note that the cumulative saving in 1985 account for about 38 per cent of the outstanding loans of GB for its members. Average size of loan of per GB member also increased from Tk.1155 in 1980 to Tk 2505 in 1985.

GB has rapid expansion of female members also. In 1980, women accounted for 39 per cent of total members and 27 per cent of loans were disbursed to them by the Bank. By the end of April of 1986 the female members accounted 69 per cent of the total members and received 55 per cent of the cumulative amount disbursed.³⁸ All these developments reveal the quick progress of the GB activities in Bangladesh during the eighties.

In order to find the actual impact of GB on the rural poor, we shall examine the success of GB to reach the target group of households owning less than 0.5 acre of cultivable land. Data here to be used are from a survey conducted by Mahabub Hussain on 975 sample loanees selected through a multi-stage random sampling process which picked up 10 per cent of the branches of GB. The survey was administered during

37. Mahabub Hossein (1986), Op.cit., P.113.

38. Ebid., P.15.

July and August 1985. The following table -6 shows the distribution of sample loanees according to the size of the owned cultivated land:

Table - 6

Distribution of GB Loanees by the Size of Owned
Cultivated Land, 1985

<u>Size of Owned Cultivated Land (Acre)</u>	<u>Percent</u>
<u>1</u>	<u>2</u>
0	65.9
Upto 0.49	29.8
0.50 - 1.00	3.4
1.01 - 2.50	.7
2.51 and over	.1
<u>Total</u>	<u>100.0</u>

Source : Mahabub Hossain (1986), Op.cit., P.41.

From the table, it is seen that about 66 per cent of the loanee do not have land at all and another 30 per cent have loanees of the GB are from the defined target group. Only about 4 per cent of the members belong to the non-target group households, which may mean that they own cultivated above the eligibility limit set by the GB. It may be mentioned here that in a survey of 611 loanees conducted by the same author in 1982, it was found that the proportion of non-target group households was 5.6 per cent.³⁹ Thus even

39. Mahabub Hossain (1984), Credit for the Rural Poor: The Grameen Bank in Bangladesh, Research Monograph 4, BIDS, Dhaka, 1984, P.59.

after the large expansion of the coverage of the bank, the membership not only remained confined mostly within the target group but there has been an improvement in the performance in this respect.⁴⁰

In order to find the impact of GB on the living standard of the rural poor, impact on income and poverty level of the GB members will be an essential information. The following table-7 shows the perception of the loanees themselves regarding the impact of GB on their economic conditions.

Table - 7

Perception of the Loanees about the Impact of GB
Membership in Their Economic
Conditions

Change in Economic Condition	Percent of Loanee		
	All Loanee N=975	Male Loanee N=441	Female Loanee N=534
1	2	3	4
1. Improved	91.2	92.7	90.0
2. Remained the same	5.7	5.2	6.2
3. Deteriorated	1.9	1.4	2.2
4. No response	1.2	0.7	1.7
Total	100.0	100.0	100.0

Source : Mahabub Hossain (1986), Op.cit., P.87.

40. Mahabub Hossain (1986), Op.cit., P.43.

From the above table-7, it is seen that 91.2 per cent of all loanee reported an improvement in their economic conditions after joining the GB. In case of males the proportion is little more (i.e. 92.7%) and for females the ratio is little less (i.e. 90.0%). The above data reveal that the overwhelming majority of the members have the perception that GB has contributed to an upliftment of their level of living.

In a sample survey in 1982, income data of GB members was compared with the data of 1980 before their joining to the Bank. The per capita income of the households increased from Tk 1037 per annum at the beginning of 1980 to about Tk 1374 per annum in 1982 at the constant base period prices. Thus their income increased by about 32 per cent over this period while the per capita income of Bangladesh as a whole increased by only 2.6% during 1979-80 to 1981-82.⁴¹

In order to determine the impact of GB Mahabub Hossain conducted in 1985 another depth household survey of 280 randomly selected households in five projects and two non-project villages. Non-project villages are from Tangail and Rangpur districts. It was found in the survey that GB members had about 80 per cent higher income compared

41. Mahabub Hossain (1984), Op.cit., P.99.

to the target group in non-project villages and about one-fourth higher compared to the target group non-participants in the project villages. The positive income effect is mainly due to large increases in income from processing and manufacturing, trade and transport services, which the GB loan finances. A comparison of income of different landownership groups in the selected project and non-project villages shows that the positive income effect has been the highest for the absolutely landless followed by the marginal landowners, but the income of the non-target group is lower in the project village compared to the non-project but the difference is larger for higher landownership groups. This indicates that the increase in income of the poor is partly due to redistribution of income from the rich. But it appears that the GB intervention also leads to significant additions to rural incomes. While the project and non-project villages have similar endowments of land and male workers, average household income is found to be one-sixth higher in the project villages compared to the non-project villages. The proportion of population living below the absolute poverty line estimated on the basis of a daily intake of 2150 k and 15 per cent income spent on non-food necessities is estimated at 50 per cent for the project villages compared to 71 per cent in the non-project villages. Among the GB target groups the poverty stricken population is

found at 76 per cent in non-project villages, 68 per cent among non-participants in project villages and 51 per cent among the GB members.⁴² Thus from the above discussion it becomes clear that GB has made significant contribution towards poverty alleviation in the areas of its operation.

Despite its remarkable success, GB has the following limitations.⁴³

1. GB could reach a small fraction of the rural poor of the country. It is argued that it will be difficult to expand it to a wide enough scale to produce significant impact on the alleviation of rural poverty at the national level.
2. In expanding operation the bank may face limitations from the demand side. As more and more members engage in the same income generating activities the prices of their goods and services will be depressed unless the market can be enlarged.⁴⁴
3. GB operation is constrained by low productivity of labour. It has been found that cottage industries financed by the GB has a labour productivity which is lower than the prevailing agricultural wage rate. Still the loanes pursue the activities because they can employ female members of the households in them who have very little opportunity cost.

42. Mahabub Hossain (1986), Op.cit., P.120-121.

43. Salehuddin Ahmed, M.A.Momin, M.Rahman and F.Rahman Wahab, Landlessness in Rural Asia: Bangladesh (Draft), CIRDAP, 1986, for further details on the prospects and constraints on GB, Please see, Q.K.Ahmad and Mahabub Hossain, Op.cit., P.91-95.

44. Hasnat Abdul Hye, Op.cit., P.96.