Does Microcredit Help Promote Development and Peace at the Household Level in Bangladesh?

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Abstract
This paper examines if microcredit for the rural poor in Bangladesh has any instrumental role in achieving development and peace at the household level. This study has been conducted among the microcredit borrowers of the Grameen Bank (GB) and Bangladesh Rural Advancement Committee (BRAC). Structured questionnaires have been used to understand the amount of borrowing and the patterns of use of the loan. Ethnographic case studies are used to explore the ways in which microcredit and its use have impacted on the lives of the borrowers. This study has found out that microcredit has positive impact on the lives of the borrowers. The return from the microcredit investment through small-scale enterprises has contributed towards economic ease of the families, thereby contributing towards less domestic violence, gender equality and peace at the household level. Such findings, however, have yet to be established at the macro societal level through large-scale longitudinal studies.

Key Words: Bangladesh, Microcredit, Poverty, Peace, Development.

Introduction
The award of the Nobel Prize to Grameen Bank (GB) has brought back the issue of microcredit, development and peace at the fore. The Nobel Prize award committee argued that GB, under the extraordinary guidance of her founder Dr. Muhammad Yunus, has played an instrumental role in achieving peace through development. This study has taken this issue seriously to examine if microcredit plays any important role in establishing peace though development. From the Nobel committee’s point of view poverty is a major challenge in achieving peace, thus alleviating poverty is one of the main routes through which peace can be achieved. GB’s contribution in achieving peace by alleviating poverty through microcredit has been justified and a Nobel Prize has been awarded.

Microcredit has been considered as one of the important ways of improving the economic life of the mass poor (Chowdhury & Alam 1997; Hashemi & Morshed 1997; Hossain 1988; Saiful 2005; Sarker 2012). It has now become familiar in many countries because of its popular recognition after winning the Nobel Prize. It has been generally understood that peace is inextricably linked with the elimination of poverty. Peace is not possible without equitable social justice, alleviating poverty and development. Thus, development is prioritized because of its instrumental role in fighting against poverty and achieving peace. Microcredit can open up an opportunity for the mass rural people, who do not have any collateral and considered not bank-worthy for running small-scale business enterprises. It is believed that microcredit generates self-employment and self-reliance, which consequently pave the way towards overall sustainable development and peace in the society. Keeping these considerations in mind, this study takes microcredit as an area of investigation for understanding: (1) the impact of microcredit on the life conditions of the borrower, (2) the patterns of loan utilization, and (3) the ways microcredit impact on the everyday household decision-making, gender equality and balance of power between genders.

Microcredit, Poverty Alleviation and Peace: Some Conceptual Issues
Microcredit has become a household term in Bangladesh. It has been considered as a convenient tool in fighting against poverty and achieving development. Microcredit can be defined as a tiny collateral free loan to be provided to the poorest of the poor to help them start or expand their self-employment pursuits. For further clarification, Dr. Yunus says, “Microcredit is a well tried and well founded method that can bring financial services to the poorest of the poor. Microcredit promotes entrepreneurship, and pits each individual poor person, especially women, in the driving-seat in their own lives. Microcredit is more about people than about money. It is a question of trusting people. Credit means to trust, to give someone credit” (Yunus 1999:12).
It is globally accepted that microcredit is the extension of very small loans for the unemployed, poor entrepreneurs and others living in poverty that are not bankable. These individuals lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the minimum qualification to gain access to traditional credit. The formal and conventional banking mechanism is primarily based on collateral. In order to be eligible for loan, one has to prove that, in case of his default willingly or unwillingly, the lender can hold of his assets. Thus, the borrower is never trusted in traditional banking. In a situation where majority of the population cannot provide collateral, they are automatically considered not creditworthy.

Borrowing microcredit is considered one of the ways in which the poor acquire assets and become productive (Rahman 1999; Mathews and Ali 2002; Saiful 2010; Sarker 2012). This kind of program was first attempted in 1976 when Professor Dr. Muhammad Yunus, a Bangladeshi economist and first Nobel laureate, introduced an experimental project to examine whether the poor were creditworthy without collateral. With the idea of microcredit, poor people became able to form groups to gain access to institutional credit. The mechanism also allowed the money to reach the poor, especially women. After seven years of experiment, the idea took formal shape as a bank with its own charter. Thus, Grameen Bank (GB) was formally established in 1983 (Yunus 1998). On the other hand, Bangladesh Rural Advancement Committee (BRAC), Pioneer of the NGOs in Bangladesh was established in 1972 as a charitable organization to help resettle households displaced during the 1971 war. BRAC soon realized that relief simply maintained the status quo and dependency and relief is inadequate and unable to alleviate poverty. For this reason, BRAC focused on rural poverty and tried to develop a framework for poverty alleviation (Khandker 1999:17).

Associated with microcredit and development is the term poverty, which is perceived to be a condition that lacks a certain amount of material possessions or money. There are many definitions of poverty depending on the context and the situation. The UNDP (2003) defines poverty as “a denial of choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family, not having a school or clinic to go to; not having the land on which to grow one’s food or a job to earn one’s living, not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence and it often implies living in marginal or fragile environments, without access to clean water or sanitation”. Poverty has pronounced deprivation in well-being and comprises many dimensions of human life. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Poverty also encompasses low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice, and insufficient capacity and opportunity to better one’s life.

Poverty prevailed in the past, it exists now and will likely to remain in future as an indignity of human civilization. Therefore, poverty-free world may not be attained through eradications but it must be alleviated to a humane standards and tolerance. Among many other efforts to fight poverty, microcredit is by far considered as the most handy and efficient tool. It is now globally recognized that microcredit can play a crucial role in fighting against poverty and social injustice. And most importantly, microcredit establishes the fact that poor people are also bank worthy (Yunus 1997).

Poverty and underdevelopment are two sides of the same coin. Although the term development is contested, it can be defined as “the gradual growth of something so that it becomes more advanced, stronger” (Hornby 2005:418). Development is also understood as improvement in a country’s economic and social conditions. More specifically it refers to improvements in managing an area’s natural and human resources in order to create wealth and improve people’s lives. From the definitions above, it is clear that the implicit concept of development indicates the incorporation of development goals that go beyond economic ones, to mutual cooperation and helping one’s own community.

Another very crucial concept related to poverty and underdevelopment is peace. Peace is an ultimate goal of every society. Peace and conflict researcher John Galtung says, “Peace is the absence of violence” (Galtung 1990:9). On the other hand, James H. Laue defines peace as a positive concept which is “a process of continuous and constructive management of differences toward the goal of more mutually satisfying relations, the preservation of escalation of violence and the achievement of those conditions that exemplify the universal well-being of human beings and their groups from the family to the culture and the state” (cited in Harun-ur-Rashid 2005:1) Broadly, peace includes a condition free from discrimination, injustice, inequality, conflict and violation of human rights.

Peace and Development: The Linkages

Development is considered to be a precondition for establishing peace. Peace is generally expected when smooth and sustainable development is ensured. Thus, development paves the way of sustainable peace and prosperity. On the other hand, poverty is perceived to be a hindrance which diminishes an individual’s faith in his capability and confidence. Thus, inequality threatens the social fabrics and jeopardizes peace and security in any society, as Ali (2006: 41) notes: “microcredit is not a panacea for all poverty reduction problems but it is the beginning to an end, and not an end by itself”. In this connection Ali (2006: 23) states, “Poverty might be alleviated through an adoption of master plans and conventional strategy. The bigger thought was that poverty struck a below at the micro level”. According to the Norwegian Nobel Committee, “lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty. Microcredit is one such means. Development from below also serves to advance democracy and human rights”.

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Methodology of this Study

Microcredit programme of Grameen Bank and BRAC, two largest NGOs in Bangladesh, have been selected for this study. Survey, using questionnaire method, had been adopted as it is deemed appropriate for providing general and common information. The questionnaire was designed keeping in mind the objectives of this study. Theoretical explanations of various concepts and ideas related to microcredit, peace and development were used. Both primary and secondary data sources were used for this study. A number of libraries were visited for collecting secondary data, including Dhaka University library, Bangladesh Institute of Development Studies (BIDS), Grameen Bank library and library of Bangladesh Rural Advancement Committee (BRAC). Head offices as well as field offices of GB and BRAC were visited.

Findings of the Study

It has been revealed from the survey that (44.44%) of the respondents are female and (3.17%) are male in Grameen Bank. On the contrary, (36.50%) of the respondents are female and (15.84%) are male in BRAC. It is also observed that most respondents were female (80.94%) whereas only 19.06% were male. A large number of female respondents belong to the age group between 25-40 years. On the other hand, most male respondents belong to 35-39 age groups whereas only 4.76% belongs to 45-49 age groups and 3.17% with 40-44 age groups. It means that most respondents are in the youth group.

Educational status of the respondents shows that most of the female respondents (30.15%) have primary educational status. A large number of respondents, however, are illiterate. Only a very few of them (3.17%) passed secondary educational level. The occupational status of the respondents reveal s that most of the female respondents (47.61%) are housewives. On the other hand, majority of the male respondents (9.52%) are small businessman. It has also been found out that 79.36% of the female respondents are married, whereas only 1.58% remains unmarried. On the other hand, the entire male sample (19.04%) is married. The survey further reveals that the majority of the respondents are Muslims while only 14% are Hindus.

Figure-2 below demonstrates borrower’s perception about microcredit. Surprisingly most of the respondents do not know why the loan had been given to them. They simply consider it like a bank loan which is to be repaid. Only 5% of the respondents know that NGOs have a specific goal for providing the loan such as eradicating poverty, empowering the women and ensuring social justice.
Figure 2: People’s Understanding of Microcredit

Figure-3 shows that majority of the respondents (39.68%) have invested their credit in animal husbandry and only 4.76% have invested credit in cottage industry. It is also found out that before borrowing credit; most of the respondents (69.85%) did not have any domestic animal. However, almost half of the respondents become owner of animals after joining the credit programme.

While asked about the impact of microcredit on the lives of the borrowers, 77.77% respondents mentioned that they have become self-reliant, whereas 15.88% have further become indebted and 6.35% mentioned no changes in their life style. In terms of women empowerment and decision making in the family, this study found out that 93.65% female respondents experienced improved family status in terms of family decision making power. On the other hand, remaining 6.35% female respondents informed that their family status did not change even after joining microcredit programme.

Table 1 below illustrates that monthly income of most borrowers have increased after borrowing from NGOs. This is primarily because of using the loan for income generating purpose through small scale enterprises. Many female respondents informed that they have become self-reliant through small home-based businesses like rearing poultry, small agricultural activities and running small village shops. Most women previously did not have the financial capacity to invest for such small enterprises. Microcredit, they believe, has opened up the opportunity to be self-reliant and financially solvent. Such financial solvency subsequently contributed towards women empowerment and higher social status for women.

Table 1: Improvement in Monthly Income after Borrowing

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>80</td>
</tr>
<tr>
<td>No</td>
<td>20</td>
</tr>
</tbody>
</table>

Figure 3: Use of Microcredit in Various Sectors

Figure-4 shows that majority (60.31%) of the respondents said that micro credit has brought changes in their housing condition. They have managed to make tin-roofed house instead of straw made one. On the contrary only 1.58% mentioned no changes in housing condition. The survey found out that majority of the respondents (45.32%) assumes that microcredit providers have motivated them for overall development, whereas only 4.76% of the respondents consider that microcredit providers increase consciousness about legal protection in case of any social or economic discrimination.

Moreover, many female borrowers explained that they would not depend on their husband or father once they are provided with an opportunity to do their self-reliant small business. They believe that microcredit help them to run their desired small enterprises at home.

Figure 4: Situation after Borrowing Microcredit

The figure below demonstrates that 93.65% of the respondents mentioned that their diet quality has been improved after borrowing microcredit, whereas only 6.35% opines no improvement in their diet intake quality. Regarding family planning information, most of the respondents (78%) refer ‘Yes’ about the need to keep family size manageable. On the other hand, only 22% said they don’t need family planning.
Conclusion

This study has established the fact that microcredit opens up an opportunity for the poor and their inescapable poverty, particularly the women who have long been considered as vulnerable, oppressed and non-bankable. The innovative idea of microcredit, championed by the Noble laureate Dr. Muhammad Yunus and his Grameen Bank, has proved the fact that the poor are bank-worthy and their long oppressed destiny can be changed through microcredit. This study has confirmed that the credit recipients have become self-reliant after properly using their loans. The credit recipients, especially women, have been able to raise their social and family status through decision-making power in the family level. The borrowers of loan from Grameen Bank and BRAC in the studied village have demonstrated that economic solvency and family income can be raised through proper utilization of the loan. As has been demonstrated, most of the borrower’s monthly income has increased due to proper utilization of loans which have been used for many different income-generating purposes. This study has further established the fact that the idea of group work in the microcredit system further reinforces cohesiveness among the group members. Beyond their weekly meetings regarding repayment of the installments, group members come forward to help each other in case of any difficulty and jeopardy. The group, which has been facilitated by the NGOs, has become a crucial platform beyond meeting immediate needs related to financial borrowing. In times of crisis, group members provide substantial support for each other. This study has also found out that conflicts and quarrels among the credit borrowers are less existent and they hardly face any problem in paying their installments.

Apart from its immediate economic contribution, microcredit has challenged the long-practiced patriarchal value system in the society by providing women an opportunity to become self-reliant through small enterprises. Many female respondents in this study have strongly stated that their voices are now valued in the family, as they have started contributing financially. The revenues that have been generated from investing microcredit are used for better housing, sanitation and children’s education. Thus, women have appeared as a real change-maker at the family and community level. It is for sure that microcredit acts as a safeguard against gender-based discrimination and domestic violence at the family level. The byproduct of microcredit programme, as it generates income and creates job opportunity for millions of young people at the village level, have further established the fact that juvenile delinquency, drug-addiction and many more social offences can be reduced through microcredit.

Thus, it can be concluded that the idea of microcredit, if implemented and monitored properly, may change the many social parasitic conditions, including but not limited to poverty, unemployment, gender-based discrimination, family violence and conflict. The root of many social conflicts and violence faced by the Third World countries is poverty, which can be genuinely alleviated by providing them an

### Table 1: Comparison of Monthly Income before and After Borrowing Microcredit

<table>
<thead>
<tr>
<th>Amount of Monthly Income</th>
<th>Male Before</th>
<th>Male After</th>
<th>Female Before</th>
<th>Female After</th>
</tr>
</thead>
<tbody>
<tr>
<td>501-2500</td>
<td>41.67</td>
<td>50.00</td>
<td>58.82</td>
<td>68.63</td>
</tr>
<tr>
<td>2501-4500</td>
<td>16.67</td>
<td>25.00</td>
<td>27.45</td>
<td>27.45</td>
</tr>
<tr>
<td>4501-6500</td>
<td>16.67</td>
<td>16.67</td>
<td>5.88</td>
<td>3.92</td>
</tr>
<tr>
<td>6501-8500</td>
<td>8.33</td>
<td>0.00</td>
<td>1.96</td>
<td>0.00</td>
</tr>
<tr>
<td>8501-10500</td>
<td>0.00</td>
<td>0.00</td>
<td>1.96</td>
<td>0.00</td>
</tr>
<tr>
<td>10501-12500</td>
<td>8.33</td>
<td>0.00</td>
<td>1.96</td>
<td>0.00</td>
</tr>
<tr>
<td>12501-14500</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>14501-16500</td>
<td>8.33</td>
<td>8.33</td>
<td>1.96</td>
<td>0.00</td>
</tr>
</tbody>
</table>

### Figure 7: Opinion if Peace is Possible through Microcredit

The figure-7 below shows that most of the respondents believe that economic solvency can ensure peaceful living. However, only 10% respondent did not believe that credit may ensure peace. When asked how credit may ensure peace in the society, many respondents spontaneously held that poverty is the root to all social inequality, injustice and discrimination. If daily necessities are met, many people would be happy. Many respondents further believed that microcredit can generate employment and many youth can be self-reliant, which would consequently reduce many criminal and juvenile delinquent activities.
opportunity to fight against their odds, which microcredit offers. Individuals must not be blamed as passive subjects or victims of poverty, but should be considered as an active agent of social change, if appropriate opportunity, avenue and advantages are provided with. It is no longer just an idealistic envision or dream to have a fair, just and peaceful world. Microcredit, if applied and used properly, can be instrumental in achieving peace, prosperity and the overall well-being of the humanity.

References

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