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**THE ROLE OF NGO'S IN AGRICULTURAL  
CREDIT AND RURAL DEVELOPMENT**

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## THE ROLE OF NGO's IN AGRICULTURAL CREDIT AND RURAL DEVELOPMENT

In spite of the implementation of successive development plans the poverty situation in Bangladesh is gradually worsening. The landlessness and marginalisation of the peasantry is increasing over time. Percentage of below poverty line people was 15% in 1963-64, 62% in 1975 which swelled up to 81% in 1984. According to World Bank Report (1987), the percentage of below poverty line people enjoying less than 2722 calories a day has declined from 82% in 1974 to 73% in 1984 but the percentage of absolute poor taking less than 1805 calories a day has increased from 45% in 1974 to 50% in 1982.

On the other hand, the percentage of landless people was 17.5%, in 1961, which went up to 37.6% in 1973-74 and to 54.7 in 1984. According to the Agricultural Census (1983-84) households having land less than an acre has increased from 24 lakh in 1960 to 62 lakh in 1984. According to the census the percentage of landless households is now 54% of total population.

The effect of the processes of polarization on the landlessness is alarming. This will be clear from the following table.

Table 1: Land distribution according to income:

Income Groups	1960	1968	1974	1977	1978	1984
Bottom 60%	25	24	19	11	9	1.2
Middle 30%	39	40	43	40	39	40
Top 10%	36	36	38	50	52	59

Siddiquir Rahman, Atiqur Rahman, BIDS, 1981, BRAC 1984

The Report is written by Zafar Ahmad, Research Economist, BRAC.

## The NGDO's

NGO's think that the everwidening syndrome of poverty and landlessness is the result of the occurrence of development and the problem has to be addressed at the grass root level by building power at the grass roots.

There is no reliable statistics on the exact number of NGO's in the country. By ADAB (Association of Development Agencies in Bangladesh) membership there were 730 NGO's registered till the end of 1988 compared to only 9 organizations in 1973. The number of registered NGO's in Srilanka is 75 while it is one thousand in India. But the total number of NGO's involved in the socio-economic development activities is only 250 out of which 40% are international and the rest 60% are national organizations. Ten big NGO's have a total membership of about 1.5 million and they approximately cover 10% of the below poverty line people of the country. About 17.5 percent of the total foreign aid to Bangladesh comes to NGO's.

The NGDO's (Non Government Development Organizations) in Bangladesh has wide ranging perspectives and strategies which are followed by a diverse range of development programmes. But their development approaches follows a definite pattern. In NGDO approach individuals are organized into group based on socio-economic homogeneity and common interest and credit, awareness, skill training and market information are made available to them. This is a complex and difficult endeavour necessitating highly motivated unconstrained and skilled change agent, a role which NGDO's have been playing. NGDO's work with the poorest section of the population who are on the increase in the country through a process of polarization and marginalisation. NGDO's want to make the poor competitive in their

own situation by building up participatory organization, inculcating values consistent to their goals, awareness building and by building a sound economic base. The whole approach is based on participatory systems and seeks to start some process oriented changes in the society. Bringing economic changes is an essential component of the strategy which NGO's seek to achieve in their development programme through the creation of remunerative self employment.

Table 2: No. of villages covered and sexual distribution of membership

Name of NGO	Year	Villages covered	Member	% of Male	% of Female
BRAC	1988	7241	256668	40	60
ASA	1985	1788	107247	77	23
Proshika (MUK)	1987	2244	222430	67	33
NIJERA KORI	1985	1024	41241	63	37

Source: annual reports, Sen, 1989 Table 3 & 4

One important aspect of NGO coverage is the increasing involvement of the womenfolk in development activities. In BRAC programmes 60% of the target people are female.

**Objective of Economic programme:**

The following are the objectives of NGDO's Economic activities:

- i) Providing employment for subsistence to all the landless households on the basis of the opportunities in the traditional sector.
- ii) Gradually replacing or supplementing conventional employments through introduction of technology with a view to ensure more remunerative employment to the poor.

iii) Through technology, scale and ownership on employment generating resources, creating sustainable sources of employment. Strategically the objectives correspond to the gradual need of the poorest. After achieving the goal of providing something for everybody, NGDO's concentrate on raising the productivity through capital intensity and technology. When the groups get institutionally advanced they can jointly undertake large scale enterprises run and managed by themselves.

#### **Justification of strategies**

As a part of the first level strategy NGDOs try to exploit all the possible avenues of income generation for the poor in their own surroundings, whatever might be the level of profitability. At the first instance, the poor need something to live on irrespective of the level of profitability. And even with credit it is difficult to get something for everybody in the traditional sector.

Such employment creation in the traditional sector results in significant income and employment increases, but experiences suggest that there is a limit to such increase. Repetition of very traditional activities with very primitive technology in a very imperfect situation gives them income which can barely provide them subsistence. The above constraints practically prepare a trap (called as subsistence level development trap) for the poor which can not be broken without removing the productivity constraints.

This brings NGDO's to second level strategy of introducing technology for productivity increases. In doing they take into consideration the feasibility criteria, the level of undesirable effects like labour displacement, the composition of labour, the

sectoral sources of inputs, and the sectoral sources of demand for output.

Income generated at both first and second level strategy is mostly eaten up and such sources of income do not sustain once the NGDO's support is withdrawn. Moreover, loan utilization potential of some participants is better than the others. Some schemes are more profitable compared to others while more enterprising participants make a better performance records. With a view to ensure that even the less enterprising participants get a share of more profitable enterprises and such income streams make a foundation of sustenance, the following institutional dynamics are set into motion.

- (a) There will always be some collective schemes wherefrom benefits will generate to everybody equally.
- (b) A certain percentage of profit of all the enterprises will come to the credit of the group to which entitlement of all the group members are equal.
- (c) Everybody saves in the group fund on regular basis.

The amount coming from a, b, and c gradually makes up an investible fund for the group which piles up slowly and give the group command over sustainable income sources.

The third level strategy comes up at a latter stages of institutional maturity when all the groups together collectively develop second level institutions and exhibits the skill, resources and entrepreneurial potentials of undertaking large scale economic enterprises.

The whole NGDO strategy works for making the poor the owners of

the technology and enterprises.

**Components:**

The whole contents of the economic programme can be grouped under the following four components:

- (1) Group formation & conscientization
- (2) Training
- (3) Credit
- (4) Support services.

**Group formation and conscientization:**

Selection of the target people who should be the landless or near landless selling manual labour and having very little assets, is done through baseline surveys. Intensive personal contacts and small group discussion are the means to make them aware of the need of group formation. After the group formation discussions in different forums, identifying the potential leaders and mobilizing them for conscientizing others, functional education courses, regular weekly meetings for deliberations on burning issues are some of the means through which conscientization & development of group values takes place. Contributory savings starts right from the beginning. Loans are not given unless the group meets some essential institutional and financial preconditions.

**Training:**

Training is a means to conscientization, skill development & human development which again affects the efficiency of credit program.

Training is participatory in nature and flexible enough to meet the changing need of the poor. It is a self directed learning process

in a atmosphere of openness, experience being the basis of analyses & facilitation.

## Credit

### General purposes

Income and employment generation, utilization of untapped resources, introduction of new activity and diffusion of technology appropriate for the poor.

### Basic Rules

(i) Recovery from the end activity, (ii) Absence of consumption loan, (iii) No loan for buying poor people's assets, (iv) Repayment after the receipt of income, (v) Ensuring participants contribution in the investment, (vi) Almost total absence of collaterals, (vii) Close supervision & monitoring, (viii) Prioritising development activities and (ix) undertaking schemes, socially and economically profitable.

### Pre conditions for loans

(1) Regular weekly meetings & savings, (2) Having bank accounts, (3) Ability to handle finances, (4) Savings worth certain percentage of loan, (5) Completion of educational courses and (6) An acceptable level of group solidarity.

### Types of Loan:

There are three types of loans by duration:

- (1) Short term
- (2) Medium term and
- (3) Long term

Loans can be individual or collective. Appropriate management committees from among the group members supervises the loan.



Loans are given on a wide range of scheme which include crop cultivation, irrigation projects, food processing, livestock, rural transport, rural industries, small trading, fisheries, poultry and horticulture nurseries.

### **Supports Services**

With a view to help the beneficiaries in overcoming infrastructural constraints, the following technical and logistic supports are provided:

- (1) Facilitating the supply of necessary inputs wherever, it is not available.
- (2) Supplying Necessary Technical Supports: The services include consultancy on cropping pattern, crop intensity, pesticide use, pisciculture, irrigation, fisheries etc.
- (3) Warehousing & marketing facilities are provided by most of the area offices.
- (4) Special programme supports like vaccination for poultry and livestock are also provided.

### **NGOs in Agriculture:**

Since NGOs work mostly with those who do not have land, the number of agriculturally oriented NGOs spending a large component of their annual budget in agriculture is naturally very small. Clements and Khan suggests that there are only 80 NGOs having a significant budgetary allocation for agriculture.

**Expenditure on Agriculture as percentage of total budget**

Expenditure on Agriculture	Percentage of NGOs
Less than 5%	8.11
5% - 10%	5.41
10% - 20%	18.91
20% - 40%	35.14
40% - 60%	13.51

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**Table 3: Information of Grameen Bank (GB) till 31st August '88**

Land disbursed by GB	(Tk. lac)
Landless (male)	1,526.91
Landless (female)	23,756.03
Total loan disbursed	32,978.94
Loan disbursed in current month	1,256.42
 Loan Repayment	
Landless (Male)	8,004.95
Landless (Female)	18,350.84
Total loan disbursed	26,355.79
Loan disbursed in current month	1,029.45
 Rate of non-repayment after one year	1.78
Rate of non-repayment after expire the time of payment - two years	1.61
 Saving in group fund	
Landless (male)	769.78
Landless (female)	1,928.49
Total group saving	2,698.28
 Saving in emergency fund	
Landless (male)	185.67
Landless (female)	313.26
Total saving in emergency fund	2,698.28
 Loan from group fund	
Landless (male)	521.86
Landless (female)	714.12
Total loan from group fund	1,235.98

**Table 4: Information on BRAC's Employment Programme, 1988**

District/upazilas/Area offices	30/08/86
Village	7241
Households covered	131207
Total membership	256668
Male member	40%
Female member	60%
Total beneficiaries	669155
Total agricultural scheme	5038
Acreage	12091
Beneficiaries	30742
Irrigation	110
DTW/STW	34
HTW/LLP	1017
<b>Fisheries Schemes</b>	
Poultry schemes	20549
Sericulture (Nos)	3578
Ericulture (Nos)	1422
Small trading schemes	7000
Mandays of employment	21.2 million
Total disbursement Dec '88	272.3 million
Disbursement for Agriculture	20.2%
Total group savings	55.49 million

**Table 5: Information of Shawnirvar, 1988**

No. of group member	
Landless (male)	68,215
Landless (female)	3,89,005
<b>No. of Centre</b>	
Landless (male)	2,717
Landless (female)	15,823
Total No. of centre	1,854
No. of Total villages receiving service	9,936
Running branch No.	47

**Source:** Consolidated cumulative statement as on October 31, 1988

**Programme Impact:**

A wide range of evaluation studies suggest that there are positive changes in the lives of the rural households by NGO programmes. The income and employment situation of the programme households have changed significantly compared to non programme

households. The following table shows that compared to non programme households, the income of the programme households has increased varying from 29% to 102%.

A BIDS study (1980-82) on the performance evaluation of Grameen Bank shows that the income of the loanees of Grameen Bank has increased by 68% compared to those who have not borrowed from Grameen Bank. A similar Bangladesh Bank study shows an income increase of 58.6% in Grameen Bank programme areas. Mahbub Hossain has shown an income increase of 31% in BRAC while Zafar Ahmed has shown an income increase of 101% in programme households.

**Table 6:** Comparison of average per capita income per year of programme and non programme households

Evaluation	Organization	Project family	Non-project family	Difference in income (%)
BIDS 1980-1982	Grameen Bank	1740	1037	+ 68.0
CIDA (1985)	ASA	--	--	+ 39.0
Bangladesh Bank	Grameen Bank	9166	5806	+ 58.6
Hossain 1984	BRAC	1762	1346	+ 31.0
CIDA, 1985	Proshika-MUK	--	--	+ 34.0
Ahmad 1988	BRAC	19103	9508	+101.0
CIDA, 1985	BRAC	--	--	+ 46.0
Mustaq & Mahmud	BRAC	2769	3502	+ 26.0
CIDA, 1985	RDRS	--	--	+ 58.0
Bangladesh Bank	Shawnirvar	--	--	+102.6

Mr. Hossain also found that the average annual household income is Tk. 12,532 in the project areas while it is only Tk. 4423 for the non project households. This means that income of programme households is 83% more than that of non-programme households. On the other hand household income had increased upto 101% in the BRAC programme areas. From a survey of Bangladesh Bank it was found that income has been increased by 102% in Shawnirvar Bangladesh project areas.

Table No. 6 indicates the income changes of the households before as well as after the adoption of the project. From the table it is clear that income has significantly increased after the adoption of the project.

Table No. 7: The change in monthly/annual income between 1978 and 1987 after & before the adoption of the project

Time	Before the project	After the project	Rate of Change (%)
1978-1981 EDM	256 (Monthly)	686	+ 168
1981-1987 With the activities of BRAC	4730 (Annually)	19103	+ 304
1981-1987 Without the activities of BRAC	5993 (Annually)	9508	+ 59

It is clear from EDM survey that income had increased from Tk. 256 to Tk. 686 in 3 years i.e. the rate of increase is 168%.

On the other hand the achievement of BRAC for generating income & employment looks excellent. The study on BRAC depicts that annual

household income was Tk. 4730 in 1981 before receiving credit but this amount of income increased to Tk. 19,133 in 1987 after taking loan from BRAC. The rate of increase in income is 304%. It has also been found that income of those who had not received BRAC loan, had also increased. But the rate of increase is 59% which is much lower than the increase in programme households. If we assume that the income of all the households had increased by 59%, then we can say that actual income had increased by  $(304-59)$ , 245% for the programme households. However inflation was not considered here.

Mr. Zafar Ahmed adjusted income of both 1981 and 1987 by reducing it to real income using 1974 as a base year. He found that the real income of the non-programme households has, infact, decreased by 15.6% instead of increasing by 59% within the period of 6 years from 1981-1987. On the other hand the real income of the programme households had increased by 116% also verify the income increase by looking at the recovery performance of the indebted households. Table No. 7 indicates the picture of loan repayment of 4 agencies. It is evident from the data that the recovery performance is quite good in all the cases. The recovery rate is 90% or more in most of the cases. However the loanees are also able to increase their productive assets, capital goods from the additional income generated from undertaken schemes. Agricultural farm, livestock farm, poultry farm etc. are now being established by them with the additional income. This kind of contribution is always laudable if the rural realities are taken into consideration.

Changes in income is also reflected in the asset conditions of the poor.

Table 8: Changes in assets before and after the programme intervention

Name of organisations	Per capita assets without land		
	Before Programme	After programme	% change
ASA	695	960	38
BRAC	319	539	69
NIJERA KORI	345	562	63
PROSHIKA (MUK)	476	600	26
RDRS	367	430	17
GRAMEEN BANK	375	672	79

Source: UNDP - 1989

The table shows that the asset condition of the targeted households has also increased significantly. The highest percentage of changes is found among the beneficiaries of Grameen Bank, BRAC and Nijera Kori.

Table No. 9: Loan recovery rate of some institutions:

Evaluator	Recovery rate	Agencies
Alauddin	90.0 families	International Child welfare agencies
Agricultural Sector Review, UNDP, 1987	74.0 families	Shawnirvar
Agricultural Sector Review, UNDP, 1987	32.0 families	BKB
Alam BIDS, 1987	90.0 families	EDM
BRAC, 1988	95.6	BRAC
Ahmed & Chowdhury (Defaulted Loans)	86.6 male	BRAC
BRAC, 1988 (Defaulted Loans)	91.4 female	BRAC
Grameen Bank Statement October, 1988	98.2	Grameen Bank

Mahbub Hossain (1984) has concluded that after getting involved in development programmes households had increased their household expenditure by 2.3 times in health sector, 2.4 times in housing & 3.2 times in clothing over and above the fulfillment of their basic needs. As a result they had increased their standard of living. Atiur Rahman (1985) found in his report that the rate of illiteracy had significantly declined among the programme households. It was found that most of the programme people were female & these kinds of programme was also helpful for them for increasing efficiency, generating income employment, increasing production & giving them perfect knowledge about the market structure.

Wage rate of labourers has also increased in the project areas covered by the researchers.



NGO intervention has also brought about significant changes in the rural indebtedness of the target households. A recent study (Ahmad: 1989) on BRAC shows that the influence of non-institutional credit on programme households has drastically declined while the same has increased in non-programme households. The influence of money lenders has also experienced a drastic decline.

Another study (Ahmad: 1988) suggests that the percentage of below poverty line households in the non-programme areas has increased from 89.7% in 1981 to 97.4% in 1987 while in the programme households the percentage of above poverty line households has increased from 8.8% in 1981 to 74.1% in 1987.

#### Loans and Cost:

Table 10: Distribution of average loans per member Loanee by different Institutions (1985-1987)

Name	1985	1986	1987
BKB	2350	2481	2408
BRDB	356	547	1023
GB	2496	2312	2388
BRAC	668	795	1001
PROSHIKA	451	477	590

Source: Sen, 1989 Table 16

The table shows that average loans per member loanee is comparatively higher in case of unidimensional credit institutions like BKB and Grameen Bank. But BRDB, BRAC and Proshika works with multidimensional integrated approaches which demands a lot of attention on non credit functions. Consequently, average size of loans per member loanee is comparatively smaller in case of NGO's.

Table 11: Cost of operation of NGO's and GO's

Name of the Organisation	Cost per member Tk.
Grameen Bank	384
BRAC	937
RDRS	1962
PROSHIKA (muk)	308
BRDB	173

Source: Alam 1988, PP - 88, Sen 1989, Table 25

The above Table shows that the cost of programme operation per group member is found to be comparatively higher in case of NGO's. There are two apparent reasons for higher operational cost of NGO's.

- i) The multiplicity of services and intensive supervision. NGO programmes encompasses almost all aspects of people life which includes along with income and employment generating programmes, programmes on institutions building, education, health and training. This multiplicity and demanding need of maintaining programme quality raises operating cost of the NGO's.
- ii) Some NGO's, because of the specific need of the programme, need to start with huge overhead cost. From World Bank statistics Sen (sen: 1989) estimates that about 58% of the operating cost of RDP programmes of BRAC consists of overhead costs main item being the construction costs.

Conclusion:

Inspite of the meritorious performances at the grass root level with respect to empowering the rural poor through building sound

economic base, rural institutions and awareness, NGO approach suffers from a number of limitations. They are still operating on confined areas and far from having a national impact. Their efforts are yet to be coordinated and official formalities and bureaucratic intervention may often suspend, disturb or prolong the achievements of their developmental goals. Unless the NGO approach becomes an accepted national priority, bringing of the rural poor will remain a distant hope.

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