

MICRO-CREDIT AND POVERTY ALLEVIATION IN SOUTH ASIA AND ITS IMPLICATIONS TO ASIAN DEVELOPMENT

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South Asia is generally characterized by low productivity, extreme poverty, growing inequality and high population density and growth rate. In fact, more than one-third of the world's one billion poorest people live in this region. The countries in this region are pursuing policies, economic and social development for the last fifty years and achieved some success in the field of economic growth. Despite this success, these countries have not been able to reduce poverty substantially.

In recent years, the remarkable achievements of micro-level efforts in poverty alleviation by Bangladesh have inspired many countries of the world. Particularly, the approach of targeted micro-credit programs of the Grameen Bank has become a model for specialized financial service to the poor. This 'model' got worldwide recognition through the First Micro Credit Summer of 1997. Grameen Bank replication micro-credit projects are now functioning in fifty-five countries of the world and has achieved a 'panacea status.' The poor, who are intended to be covered by this program, are not a homogeneous group, and the poverty has several dimensions (e.g., gender, political, social and cultural). A critical appraisal indicates that although the micro-credit program of the Grameen Bank has made significant contributions to poverty alleviation, it has not been able to reach all categories of the poor, resulting in limited impact on poverty eradication. It is argued in this paper that 'credit alone' is not enough for poverty alleviation. Diversified financial services to the poor and 'credit with social development' are needed for poverty alleviation. Social mobilization, conscientization and empowerment of the poor are necessary conditions for achieving the desired success in their upliftment. Since mobilization of the poor at national level is difficult at the moment, it can be done at the local level. For this, the local government bodies should be reoriented as pro-poor institutions.

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The experiences of the poverty alleviation program in South Asia have much significance to Asian Development. Asia can learn lessons from the success or failure of this program in South Asian countries. It is suggested in this paper that Asian agenda for alleviation of poverty should take into consideration not only 'today's poor' but also those vulnerable sections of society who may be 'tomorrow's poor.'

Before I discuss Micro-credit and Poverty Alleviation in South Asia and its implications to Asian Development, it is necessary to have an overview of South Asia.

I

South Asia comprises seven countries — Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. South Asia is a unity in diversity. These countries vary in size and population. India is the largest among them, both in size and population. Bhutan and Maldives are small in these respects. Bangladesh has the highest density of population. Hindus are predominant in India and Nepal. Buddhists are a majority in Bhutan and Sri Lanka. Geographically, Bangladesh, Bhutan, Pakistan, India and Nepal are in the subcontinent, while Sri Lanka and Maldives are island states in the Indian Ocean.

In terms of political system, India and Sri Lanka have uninterrupted democracy since their independence from colonial rule, while the democratic system is frequently interrupted by military regimes in Pakistan and Bangladesh. Bhutan and Nepal have monarchies, while a non-party presidential system exists in Maldives. Culturally, South Asia is the home of various ethnic groups and languages.

There are clear differences among the South Asian states with respect to economy. Indian economy is the strongest in this region. Industrially, India is far ahead of the other states in the region. Its natural resources are also enormous. The economies of Pakistan, Sri Lanka and Maldives are not very weak. But Bangladesh, Bhutan and Nepal are classified as Least Developed Countries (LDCs).

However, this does not mean that South Asian countries do not have anything in common. These countries were under British rule for a long time. The English language is known to the educated people of this region. Modern means of transport and communication, especially railways, brought South Asian people together. Like Europe, South Asia has a common past and heritage. It covers an area

of about 4.6 million kilometers, which is only 3.31 percent of the world's total land mass. About one-fifth (1,266 million) of the world's population live in this region. The population growth rate in South Asia is 2.1 percent, as against 0.7 percent for the developed world. The vast majority of the people of this region still live in villages. About 30 percent of the people live in urban areas. However, rate of growth of urban population is at present quite high in the region.

Agriculture is the main sector in the economy. As mentioned earlier, South Asia is generally characterized by low productivity, extreme poverty, growing inequality and high population density and growth rate. More than one third (i.e., 35%) of the world's one billion poorest people live in this region. Quality of life indices, such as, life expectancy, literacy, infant mortality, etc. are generally poor in South Asia (the only exception is Sri Lanka).

II

A brief discussion of inequality, of which poverty is a dimension only, may be relevant here.

Social inequality exists in all types of human society. However, in earlier societies, inequality was not a problem to the rulers, scholars and philosophers. We know that savant Greek philosophers Plato and Aristotle did not advocate the equality of all men. Slave and feudal societies were based on the principle of inequality. The Hindu society of India was based on a hierarchical order, which also influenced other non-Hindu communities in South Asia. The principle of equality gained much ground after the French revolution. Since then, scholars as well as politicians are advocating the ideology of equality. However, it is often argued that inequality, instead of being reduced, has in fact increased in modern times. Although many of the old forms of inequality has disappeared or become less visible in modern societies, some new forms have emerged.

I agree with Beteille when he states, "The paradox of the modern world is that everywhere, men attach themselves to the principle of equality and every where, in their own lives as well as in the lives of others, they encounter the presence of inequality."¹

It cannot be denied that social inequality is one of the central problems of contemporary human society. In a democratic system, government is concerned with the well-being of all citizens of the state. People's representatives are very loud in raising the problems of the underprivileged and backward, in other words, poor

sections of the society. Non-democratic systems also cannot overlook this problem. In fact, the spirit of the modern age is in favor of equality.

It would be appropriate for us if we look at the question of poverty alleviation from the abovementioned ideological and moral context.

III

Poverty with its multidimensional damaging effect on the overall aspect of human life, has now become a regional as well as global concern. It is now well established that national level efforts alone are not sufficient to address the poverty-related issues.

As stated earlier, about one fifth of the world's population live in South Asia; and more than one third of the world's poorest people live in this region. Tables 1A and 1B clearly indicate the overall scenario of poverty in South Asia.

It is shown in the Tables that India has the highest number of people in the region. Nine hundred forty-five million people live in the 2,973 square kilometer area of India. Pakistan is the second largest country in terms of population and land area in the region (134 million people in a land area of 771 thousand square kilometers. One hundred twenty-two million people live in the 130 thousand square kilometer

Table – 1(A)
Some Demographic Features of South Asian Countries

Country	Population (millions, 1996)	Land Area (thousand sq. Km., 1995)	Population Density (people per sq. km., 1996)	GNP Per Capita (\$, 1996)	Av. Annual Growth %
Bangladesh	122	130	930	260	3.8
Bhutan	0.715	47	20	390	2.6
India	945	2,973	320	380	5.1
Maldives	0.256	0.3	850	1,080	6.9
Nepal	22	143	150	210	1.8
Pakistan	134	771	170	480	0.3
Sri Lanka	18	65	280	740	0.5
South Asia	1,266	4,781	265	380	4.4
High income Countries	919	30,951	30	25,870	2.0

Source: World Development Indicators.

Table – 1(B)
Some Demographic Features of South Asian Countries

Country	Av. Annual Pop. Growth rate (1980-86)	Crude Birth Rate	Crude Death Rate	Age Dependency Ratio (depends as proportion of working age population)
Bangladesh	2.1	28	10	0.8
India	2.0	25	9	0.6
Nepal	2.6	37	11	0.9
Pakistan	3.0	37	8	0.9
Sri Lanka	1.4	19	6	0.5
South Asia	2.1	27	9	0.7
High Income Countries	0.7	12	9	0.5

Source: World Development Indicators, 1998.

and area in Bangladesh Sri Lanka's 18 million people live in the 65 thousand kilometer land area of the island state. Bhutan has 47 thousand square kilometers of land for its 0.715 million people. The 0.256 million people of Maldives live in the 0.3 thousand kilometer land area of that state. Density of population in each of these countries is not consistent with their land size. Thus, we find that Bangladesh has the highest density of population per square kilometer, followed by Maldives, India and Sri Lanka. On the other hand, Pakistan, Nepal and Bhutan's density of population is below the South Asian figure. The average GNP (per capita) in South Asia is \$380. The GNP (per capita) of Bangladesh and Nepal are below the South Asia figure, while that of Maldives, Sri Lanka, Pakistan, Bhutan and India are above. We find such variation between the countries of this region with respect to average annual population growth rate, crude birth and death rate and age dependency ratio.

Quality of life is an important indicator of the condition of life of any people. Data on the quality of life in South Asian countries is presented in Table 2. It is shown in the table that indices of quality of life, such as life expectancy at birth, prevalence of child malnutrition, percentage of people with access to sanitation and safe water vary among the countries of the region. So is the case with respect to adult illiteracy and commercial energy use. The condition of the people of South Asia, in general, is very poor in these aspects. The only exception is Sri Lanka, where the situation is somewhat better than other countries of the region.

Data regarding the percentage of population below the poverty line is shown in Table 3. It is shown in the table that Nepal has the highest percentage of people below the poverty line and Pakistan has the lowest percentage below that line. The condition of Bangladesh, India and Sri Lanka is almost the same. It is noteworthy

that poverty in rural areas of all the five countries is more acute than in urban areas.

Although data regarding all the indicators of progress of all the countries of South Asia could not be presented in Table 4, it is clear that the countries of the region have achieved noteworthy success in reducing infant and maternal mortality. The percentage of population with access to health care services has also increased in this region.

Now, let us take a look into the investment in human capital in the South Asian region.

Table - 3
State of Poverty in South Asian Countries

Country	National Poverty	Line (population)	
		Urban	National
Bangladesh (1995-96)*	39.8	14.3	35.6
India (1994)*	36.7	30.5	35.0
Pakistan (1991)*	36.9	28.0	34.0
Sri Lanka (1990-91)*	38.1	28.4	35.3

*Although data for five countries are shown in the Table, they represent 8 percent of South Asia's population. Survey year is shown in parenthesis.

Source: World Development Indicators 1998.

Data regarding investment in two sectors, namely health and education, are presented in Table 5. It is shown in the table that in the health sector, overall performance of India, Pakistan, Bangladesh and Sri Lanka are better than that of the other countries in the region. In the education sector, the performance of Sri Lanka is best in the region. Gross enrolment ratio of percentage of the school age population is 74 in Sri Lanka, 44 in India, 30 in Nepal, 21 in Pakistan, 19 in Bangladesh and only 5 in Bhutan. The illiteracy rate in the population of age 15 years and above is 74 in Nepal, 65 in Pakistan and Bangladesh, 62 in Bhutan, 52 in India and 12 in Sri Lanka. The overall situation is comparable between the countries of the region, the only exception being Sri Lanka.

Though data from different sectors provide somewhat different pictures about the level and incidence of poverty, the general picture of poverty in South Asia is unacceptable. The countries in the region are pursuing a policy of economic and social development over the last 50 years or so since their independence from colonial rule. The experience of these countries shows that economic growth is an essential means for enabling development, but economic growth, in itself, is not enough for an all round development. Despite some success in the field of economic

growth, e.g., raising per capita, these countries have not been able to reduce poverty substantially. It will not, therefore, be an overstatement that, in a sense, development in South Asia should mean eradication of poverty.

Table - 4
Some Selected Indicators of Progress Toward Development
in Five Countries of South Asia

Country	Net Primary enrolment ration (% of relevant age group)				Infant mortality rate		Under 5 mortality rate		Maternal mortality ratio	Health care (% of population with access)
	Male		Female		Per 1000 live births		Per 1000		Per 100,000 live births	
	1980	1995	1980	1995	1970	1996	1970	1996	1990-96	
Bangladesh	-	66	-	58	140	77	237	112	850	74
India	-	-	-	-	137	65	202	85	437	-
Nepal	-	-	-	-	166	85	232	116	1500	-
Pakistan	-	-	-	-	142	88	183	123	340	85
Sri Lanka	-	-	-	-	53	15	100	19	30	90
South Asia	-	-	-	-	139	73	-	93	-	-
High Income group countries	98	98	98	98	22	6	-	7	-	-

Source: World Development Indicators 1998.

Table - 5
Some Selected Indicators of Progress Toward Development
in Five Countries of South Asia

SECTOR	COUNTRIES						
	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
Health							
Population Per Physician (persons)	5,304	13,112	2,459	14,333	16,829	2,936	5,516
Population Per Nurse (persons)	6,417	-	1,701	158	2,755	5,042	1,288
Population Per hospital bed (persons)	3,158	-	1,371	-	4,010	1,769	365
Oral dehydration therapy (under 5% cases)	26	65	14	27	14	34	76
Education							
Gross enrolment ration							
Secondary (% of school age population)	19	5	44	-	30	21	74
Female (% of school age population)	12	2	32	-	17	13	77
Pupil-teacher ratio							
Primary (pupil per teacher)	63	37	60	-	39	41	12
Secondary (pupil per teacher)	28	5	23	-	-	19	-
Pupil reaching Grade 4 (1% cohort)	45	-	58	-	-	51	98
Illiteracy % population (age 15+)	65	62	52	-	74	65	12
Female % females (age 15+)	78	75	66	-	87	79	17
Newspaper circulation per thousand population	6	-	-	9	8	16	32

Source: World Development Indicators 1994.

It may be mentioned here that the South Asian Association for Regional Cooperation (SAARC) comprising Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka was launched in 1985. One of the prime development agenda of SAARC is to usher in a new era of cooperation to promote the welfare of the people of the region and bring out a substantive change in the quality of their lives. The sixth SAARC summit held in Colombo in 1991 paid more attention to poverty alleviation. In line with the thematic importance set up by the Colombo summit, an Independent South Asian Commission on Poverty Alleviation was constituted. The issue of poverty alleviation got further impetus in the SAARC Dhaka Declaration in 1993. The Commission thoroughly reviewed the poverty scenario of the region and critically examined the intervention strategy undertaken by the SAARC countries. It noted that macroeconomic structural reforms without adequate “social nets” for the poor and disadvantaged would lead to social unrest. The Commission also assessed the inadequacies of the past policy packages to address poverty alleviation and suggested a pro-poor policy framework to the member countries. The new premise for policy interventions, as suggested by the Commission is based on two equally strong fronts — the open economy industrialization and concurrent poverty alleviation front.²

I have already discussed the state of poverty in South Asia. It was also mentioned earlier that South Asian countries are committed to alleviate poverty through strategic intervention. However, it is a well-known fact that social development and poverty are affected by a number of likely factors: economic growth, level of income, access to multiple components of social services (health, education, family planning, nutrition, water and sanitation), social integration, environment protection, rural development, the maturity of institutions and the regulatory, political and legal environments. The relative importance of these factors and their interaction are not known with any degree of precision and are arguably difficult to predict. Income is widely acknowledged to be a good predictor of poverty rates, but at the same time leading scholars to believe that economic growth is not all that matters in reducing poverty. It is now widely believed that targeted social interventions reduce poverty more quickly than long term economic growth.

The remarkable achievements of micro-level efforts in the alleviation of poverty by Bangladesh have inspired many countries of the world. Particularly, the approach of the targeted micro-credit program of the Grameen Bank, BRAC and some other non-government organizations has proved that necessary services can be provided effectively to the poor by specialized financial institutions and the poverty of the poorest of the poor can be reduced significantly within a short period of time. The World Bank has acclaimed “the revolution in innovative micro-

credit” in Bangladesh.³ The success of the Grameen Bank and similar micro-credit efforts in Bangladesh and elsewhere eventually captured the attention of such people as President Clinton, who has made it a centerpiece of his strategy to lift people out of poverty. The Micro-credit Programme got worldwide recognition through the First Micro-credit Summit held in Washington in February 1997. The Summit set an ambitious goal of providing credit for self-employment and other financial services to 100 million of the world’s poorest families by 2005.

It should be mentioned here that although a number of NGOs in Asia and Latin America have developed their own models of micro-credit, the model developed by the Grameen Bank of Bangladesh has gained wide acceptance in various parts of the world. Wood and Sharif rightly observed, “the beauty of the Grameen Bank model lies in the extent to which it can work within limited objectives almost independent of political economy and culture.”⁴ Currently, Grameen Bank replication micro-credit projects are functioning in 55 countries of the world, and in some countries, a number of the projects are funded by the Grameen Trust. The characteristic features of the micro-credit program, in general, are:

- (i) collateral free credit with simplified documentation and flexible terms and conditions;
- (ii) high rate of recovery of credit ensured through close supervision of end-use;
- (iii) provision of strict group exercise (e.g., weekly meetings, savings, mobilization, repayment of weekly installments and awareness raising, etc.); and
- (iv) most of the members/loans are women.

The major sources of funds for Micro-Finance Institutions (MFIs) are:

- (i) External Donor Agencies;
- (ii) Loans from National Agencies;
- (iii) Internal Savings of the members; and
- (iv) Sponsors Equity and others (including interest and service charge).

Grameen Bank Replication Micro-credit Projects (GBRPs) are functioning in 55 countries of the world. Data on the performance of 33 Grameen Trust-Funded GBRPs in four South Asian countries are presented in Table 6.

It is shown in the table that 84.18 percent of the members are borrowers and of the total borrowers, 94.92 percent are women members. The repayment

rate of loan is 94.17 percent. If one takes repayment rate into consideration, the performance of the GBRPs can be termed as highly successful. Such success rates have gained 'Panacea status' for the model.

However, the success of the model needs a critical appraisal before we draw any conclusion on its role in poverty alleviation.

Rate of interest charged on loans is important in the evaluation of success of any credit program. If the rate of interest is high, positive return from the loans cannot be expected. It may be mentioned here that there had been a great demand, in most South Asian countries, to the government or other agencies to make provisions for credit for the rural people at low rate of interest. At present, Grameen Bank charges 20 percent interest and 5 percent group tax (refundable after a specific period of time) on its loans. It is, however, alleged that the effective rate of interest charged by Grameen Bank and other MFIs, as distinct from nominal rate of interest, works out up to over 30 percent, which is much higher than the interest charged by the commercial bank (18-22%).

Although access to own savings of the members should be considered as a basic right, usually they do not have access to their savings in MFIs.

Table - 6
Performance of Some Grameen Trust Funded Grameen Bank
Replication Projects (GBRPS) in Four South Asian Countries
 (As of 30th August 1999)

Country	Organization Name	Year of Establishment	No. of Members	No. of Borrowers	Women Borrowers (%)	Group Savings (balance)	Amount of Loan Disbursed	Amount of Outstanding Loans	Repayment Rate (%)
BANGLADESH	BAWPA	1992	4,042	2,417	100	81,657	5,034,361	1,021,729	100
	CMES	1992	3,695	667	100	15,037	4,000,623	19,995	100
	DSK	1993	7,172	6,457	97	1,080,393	18,003,895	3,072,622	97
	IDF	1993	14,545	13,217	100	1,083,895	20,093,244	6,061,196	100
	OMI	1992	2,065	1,693	100	1,083,895	20,093,244	6,061,196	100
	JAC	1984	3,530	2,532	88	41,006	1,097,881	83,912	98
	HOPE	1991	900	485	84	5,354	38,531	17,437	86
	CWFP	1976	385	204	100	1,945	12,937	8,338	100
	DESH'F	1995	1,162	1,162	100	15,189	1,057,062	48,321	100
	Hitachi BD	1993	1,077	516	100	6,627	30,208	16,400	99
	Green Hill	1992	365	127	70	1,519	7,292	5,747	50
	BAWSE	1990	2,227	1,624	100	28,306	1,012,333	53,362	100
Sub-total	12		41,165	31,101	94.92	5,084,870	56,086,700	14,080,320	94.17

Table - 6 (cont'd.)

Country	Organization Name	Year of Establishment	No. of Members	No. of Borrowers	Women Borrowers (%)	Group Savings (balance)	Amount of Loan Disbursed	Amount of Outstanding Loans	Repayment Rate (%)
INDIA	ASA	1993	7,584	6,545	100	73,416	8,017,748	2,84,165	98
	BSS	1997	107	97	100	5	10,000	3,203	49
	CRESA	1996	841	758	100	2,651	50,187	21,700	54
	RDO	1991	10,009	10,009	100	1,051,767	14,080,849	4,054,278	98
	SARS	1992	3,080	2,895	100	31,272	4,023,437	1,037,339	91
	SHARE	1989	25,465	19,306	100	55,160	48,010,822	17,009,227	100
	PIDT	1995	350	310	100	770	21,612	10,157	85
	SPHERE	1994	2,609	899	100	8,558	38,689	22,991	81
	VISA	1992	156	108	100	360	7,653	1,386	89
	GBUP	1997	3,658	2,746	100	5,678	1,066,570	82,889	92
	SRI	1966	487	399	100	19,989	1,028,154	40,704	100
	MASSES	1983	400	352	100	363	38,750	23,188	100
	ESAF	1992	515	231	100	1,486	16,650	10,436	97
BES	1998	1,085	353	100	1,927	35,152	18,625	100	
Sub-total	14		56,346	45,008	100	3,052,402	80,045,823	28,020,288	88.14

Table - 6 (cont'd.)

Country	Organization Name	Year of Establishment	No. of Members	No. of Borrowers	Women Borrowers (%)	Group Savings (balance)	Amount of Loan Disbursed	Amount of Outstanding Loans	Repayment Rate (%)
NEPAL	SBP, CSD	1993	27,255	24,269	100	3,029,747	41,089,019	10,093,506	100
	GB NEPAL	1993	39,717	39,132	100	11,000,368	1,097,013,691	32,001,920	100
	NIRDHAN	1993	20,171	15,770	100	1,090,035	35,036,965	10,012,920	100
	WCS	1995	412	275	100	3,180	35,950	19,665	98
	NERUDO	1992	430	420	100	2,168	41,809	18,203	100
	5		87,985	79,866	100	16,025,498	2,075,017,434	53,045,720	99.6
				(90.77%)				(19.43%)	
PAKIS-TAN	KASHFF	1996	262	1,232	100	2,692	1,049,366	78,566	100
	TARAQEE	1996	2,609	262	100	5,051	66,725	27,018	100
Sub-total	2		1,562	1,494	100	7,743	2,016,091	1,005,584	100
				(96.65%)				(48.86%)	
Grand total	33		1,087,058	1,057,469	100	5,678	1,066,570	82,889	
				(84.18%)					

Source: Grameen Trust, Dhaka, Bangladesh.

Only in recent times some MFIs (e.g., Proshika in Bangladesh) have introduced provision of voluntary savings with flexible and open access facilities.

However, collection, savings, access to and management of savings are not always transparent and standardized in many MFIs. This is particularly true for the beginner MFIs. In this connection, Khan states, "There is a big avenue of exploitation in the method of maintenance of savings."⁵

It is generally said that women are the poorest in the poor families and they are also the most weakly positioned category of social actor in society. The Grameen Bank and its replicas provide loans to poor women to uplift their position in the family and society. But the critics say that loans to small groups of women is 'essentially non-threatening to the male and class-dominated local political economy.'⁶ The effect of the focus on women borrowers is not often an unmixed blessing. As Wood and Sharif states, "There was even concern that the focus upon female borrowers was contributing to an inflation of dowry expectations in the locality..."⁷ A woman from Nepal told Todd, Editor of *Cashpor*, that her husband not only took over her grocery business, he had also taken a second wife. And Todd is convinced that most successful borrowers were "those husbands and wives working in partnership."⁸

The poor are not a homogeneous group. Broadly, they may be divided into two categories: (i) those who are able to use micro-credit and (ii) those who are ineligible for micro-credit. Usually, the first category of poor are covered by the programs of MFIs. The second category is bypassed because they are risky for loan purposes. Sharif and Wood's observation is important here. They say

while these institutions have managed to extend micro-credit services to the poor (an outstanding achievement), all the major NGOs and Grameen Bank admit that they have a serious problem in reaching the hard core poor, resulting in limited coverage (1997:374).⁹

Since Grameen Bank and other MFIs are running their micro-credit program with economic subsidy in the form of inexpensive funds and grants from donor agencies, there is a concern for the sustainability of such MFIs. However, after an analysis of Grameen Bank's cost effectiveness, Khandker *et al.* conclude: "The Grameen Bank's experience suggests that it is possible to develop a profitable financial institution that exclusively works with the poor."¹⁰

The preceding discussion indicates that the micro-credit program of Grameen Bank and other MFIs have made significant contributions to poverty alleviation.

However, they could not reach all the poor, resulting in limited impact on poverty eradication.

In the last two decades, the economy of many countries in Asia was growing faster than that of any other region of the world. Some Asian economies have now achieved the status of newly industrialized economies. Despite this success, Asia has remained the home of a vast majority of the world's poor. It should be mentioned here that although poverty exists both in urban and rural areas, the problem in Asia is mainly one of rural poverty. Also, the gender dimension of poverty in Asia cannot be ignored. As mentioned earlier, women are the poorest in the poor families and weakly positioned in society. One should also bring political economy of the countries into consideration for a proper understanding of poverty.¹¹ Woolcock has rightly mentioned, "The political, economic and cultural contexts in which poverty is embedded also needs to be addressed, since access to credit in and of itself cannot efface the structural causes of poverty."¹²

Asian countries have been fighting the problem of poverty for several decades. Many of them (e.g., some countries of East and South East Asia) have achieved success in reducing poverty. In South Asia, Sri Lanka's performance in poverty alleviation and social development is better than other countries in the region. The state of poverty alleviation in Bangladesh, Nepal and Pakistan are frustrating. However, South Asia's innovative micro-credit program (especially Grameen Bank of Bangladesh) has drawn the attention of the world. It has significance in the development strategy of Asia. Asia can learn lessons from the experiences of micro-credit programs in South Asian countries. The experiences in South Asia suggest that credit alone is not enough for poverty alleviation. Diversified financial services to the poor and 'credit with social development' are pre-conditions for poverty alleviation.

It should be mentioned here that the poor are absent in the agenda for their upliftment. Currently, they are involved neither at planning nor at the implementation level of poverty alleviation programs. Social mobilization, conscientization and empowerment of the poor are necessary for achieving the desired success in poverty alleviation. Alleviation of poverty can be looked at as a process of ensuring access of the poor to a minimum bundle of goods and services. In this connection, Sen's observation is important. He says, "Ultimately, poverty removal is a matter of entitlement raising."¹³ Although the poor are unorganized, they are the majority in many societies. If they are organized, they can create pressure for the adoption of a pro-poor policy by the government. In democracies, the government cannot bypass the poor because of the latter's 'ballot power.' However, mere franchise is

not enough for the realization of the poor's rights and entitlements. As we know, once the election is over, they are forgotten. Moreover, electoral politics in developing countries (e.g., in Bangladesh, India, Pakistan etc.) may remain set in a 'patron-client framework.'

Since mobilization and conscientization of people at the national level is difficult at the moment, one can do the same at the local level. This is what many of the NGOs and MFIs are currently doing. Development of local institutions is also necessary for national development. Obaidullah's observation is relevant here:

Empirical evidence provides that the countries which have involved the local government for planning and development have been successful in achieving higher economic growth and per capita income, than the countries which have not used local institutions. This view is further corroborated by Oklay, Conyers and Siddiquee in the 1980s and 1990s.¹⁴

The local government bodies should be reoriented as pro-poor institutions. Finally, Asian agenda for alleviation of poverty should take into consideration not only the 'today's poor' but also those vulnerable sections of the society who may be 'tomorrow's poor'.

Notes

¹See Andre Beteille's *Inequality Among Men*, Oxford University Press 1997:1.

²See Mohammad Ismail Hossain's *Annual Report*, Palli Karma-Sahayak Foundation (PKSF), Dhaka, 1993.

³See Salehuddin Ahmed's *Annual Report 1995-96*, Palli Karma-Sahayak Foundation (PKSF), Dhaka, 1997:3.

⁴ See Geoffrey D. Wood and Iffath Sharif, *Who Needs Credit?*, The University Press Limited, Dhaka, 1997:32

⁵ See Mosharraf Hossain Khan's "Sources of Funds for MFIs: Micro-savings and Market Linkage" in *The Micro-Credit Review*, Occasional Papers Papers, Vol. 1 December 1998, No. 1, PKSf, Dhaka, p. 8

⁶ Wood and Sharif, 1997:30.

⁷ *Ibid.*, 1997:34.

⁸ See Judy Mann's "Small Loans are Changing the World," in *Grameen Dialogue*, October 1999, Dhaka, p.2.

⁹ Wood and Sharif, 1997:374.

¹⁰ See Shahidur R. Khandker, Baqui M.A. Khalily & Zabed H. Khan's *Credit Programs for the Poor: Household and Intra-household Impacts and Program Sustainability*, Vols. I and II, BIDS and the World Bank, Dhaka, 1996, p. 16.

¹¹ See Kamal Siddiqui's *The Political Economy of Rural Poverty in Bangladesh*, NILG Dhaka, 1987. See also H.G. Quibria's *Rural Poverty in Developing Asia* (Vol. 1), The Asian Development Bank, Manila, 1994.

¹² See Michael J.V. Woolcock's "Are Group-based Credit Programs for the Poor a Sustainable Economic Development Strategy?" A paper submitted to the Annual Conference of American Sociological Association held in Los Angeles in 1994.

¹³ See A.K. Sen's "Levels of Poverty: Policy and World Change," *World Bank Staff Working Paper* No. 401, World Bank, Washington, D.C., 1980, p. 53.

¹⁴ See A.T.M. Obaidullah's "Local Government of Bangladesh: An Instrument or An Institution?" in *Journal of the Asiatic Society of Bangladesh*, Vol. 43, December 1998, Dhaka, p. 38.

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