



Microcredit to End Poverty

Hope, confidence, progress, and peace of mind are just some of the benefits Bangladeshi women received from a rural livelihood project.



Bhugroil, Bangladesh - Prosperity means different things to different people. To some, it may signify a big house and an expensive car. To 40-year-old Dulaly Begum, it means nutritious food for her family, a "semi-permanent" house, and, most of all, the opportunity to educate her children.

Ten years ago, Dulaly Begum was one of millions of Bangladeshi women resigned to a life of deprivation and despair. "At that time, I had nothing," she said. "We were often short of food. There was no scope for earning an income, no money to do anything."

Then she heard about a new cooperative association for women like her: women from rural households with no assets. "I heard about the advantages of joining the group from Mazeda Begum, the manager of the group in my village," she said. The Assetless Women's Cooperative Association in Bhugroil village, Rajshahi region, was one of many set up under the Rural Livelihood Project run by the Bangladesh Rural Development Board, with financial support from ADB.

The project mobilized the poorest of the poor in 15 regions in rural Bangladesh, helping to set up separate associations for men and women from households without the land or assets that could generate income or be used as collateral for loans. The associations allow their members to save small sums of money in interest-earning accounts, train members in income-earning skills, and give them credit to start small businesses. The loans come from revolving funds that follow methods made famous by Nobel Prize winner Muhammad Yunus and his Grameen Bank (village bank).

Life-Changing Loans

Poor people receive small loans without putting up collateral. In repaying their loans, the borrowers are answerable to their neighbors and fellow members of their association. If they don't make their payments on time, they may delay a loan to a neighbor. The loans are invariably repaid within the stipulated 50 weeks, along with interest at a rate of 10% per annum, said Mazeda Begum, the manager of the association in Dulaly Begum's village.

Provided she repays on time, each member is entitled to borrow repeatedly. Most of the money goes to first set up, then to expand, a village-based business. The women reinvest some of their own profits into the business, but they also use the money to improve their homes, send their children to school, cover the family's medical expenses, and save something for emergencies.

Dulaly Begum joined the savings scheme with a weekly contribution of 10 taka - the equivalent of 15 US cents. Saving roughly 60 cents a month in this way, she has accumulated 6,850 taka. She has also taken 8 loans from the association, 7 of which have been repaid already. These loans, and the training provided by the association, have changed her life. She now rears calves, selling them as cows or bulls at a profit after a couple of years. She also processes rice, which her husband sells at the weekly market, and grows rice and mustard on leased land. She has a house with a tin roof that does not have to be rebuilt after every heavy rainfall. For the first time in her life, she has savings.

According to the 10 poverty indicators that Professor Yunus released through the Grameen Bank in 2006, Dulaly Begum and others like her have now moved out of poverty. Among the indicators marking a shift out of poverty are a decent house (one with at least a tin roof), safe drinking water, a sanitary latrine, savings, and education for the children.

Dulaly Begum shares this view. "I am well off now," she said. "The family eats regular meals and has better food. I have money; I am doing business. Best of all, my sons are going to school and getting an education." She put her older son, Ariful Islam, in school soon after she joined the association. He finishes school this year. The younger son, Shariful Islam, is in Grade 6. "I want to see both of them do their B.A. (bachelor's degree) - at least," said Dulaly Begum, who herself had no opportunity to study beyond Grade 2. Her husband has not been to school at all.

Intangible Benefits

An education for her two children brings hope for the future. They will have better employment opportunities and an easier life than their parents. Hope is one of the intangible benefits of the project. Another is confidence. "Because of the association, I can stand on my own feet now," Dulaly Begum explained.

This is a refrain heard often among members of the women's cooperative associations. In a society where a woman's role has traditionally been limited to the home, doing business or going to an office is a significant change in itself. In the neighboring village of Baghata, 32-year-old Shefali Begum said the project has changed her life in ways she could not have imagined. She is the chairwoman of the Upazila (sub-district) Assetless Central Cooperation Association. "It feels good to go to office," she said simply. This has made her part of something bigger than herself, a force for good in the upazila. "I can motivate people to improve their lives, and through the association, I can help them get the credit and training they need to do this," Shefali Begum explained.

Shefali Begum's own social status has improved, even within her own family, since she was elected to her position as chairwoman. "My husband values me more," she said with a smile.

The project has done much to improve the status of women in the villages. "Women never used to go out of the house in these villages," said Dewan Anisuzzaman, Regional Director for the project in Rajshahi. "Now there is a chairwoman of the association at the upazila level - an elected representative."

For the members of the women's associations, the project has also brought financial security. For the first time in generations, women from the poorest section of society - those without any assets - have money. The savings might seem meager to an outsider, but in rural Bangladesh this money is the only insurance poor families have against illness or accident.

Peace of Mind and Progress

Mazeda Begum, manager of the village-level association in Bhugroil, withdrew 2,000 taka from her savings in 1988 to have surgery to remove a tumor. She now has 7,125 taka in her account. "This is my nest egg, built up over the years with my 10-taka-a-week savings," she said. She earns 4% annual interest on her savings.

In Baghata village, Bibijan, 37, has taken four loans, of which she has repaid three. She reinvests the bulk of her savings in her calf-rearing business, but has also deposited 2,400 taka with the association since 2002. With a family of five to feed, as well as the capital needed for her business, saving is not easy, but she believes it is important to set aside some money for a rainy day. By accepting the small deposits the women can afford, the association provides the opportunity to accumulate some savings, 10 taka at a time. "It is good to save this money," Bibijan said. "Otherwise we'll eat it all," referring to the fact that a large proportion of her earnings are spent on food for the family.

The support of the cooperative association, with its savings and credit facilities, has brought both security and hope. Two words the women use often in describing the project are "shanti" and "unnati" - meaning peace of mind and progress.

Mazeda Begum explained the reasons for this. "People have savings now," she said. "People who didn't have homes have their own houses now - houses with indoor sanitary latrines. The jobless have work. Most households have access to safe drinking water in their own homes - for others there is a common tubewell in the village."

Mazeda Begum herself used to live as a squatter on government land; she, her husband, and her three children all lived in a small makeshift house built from bamboo sticks and straw. Today, she can point with pride to a pucca (permanent) house built with bricks and mortar on land she owns. "It feels good and it brings me peace of mind," she said. "I had nothing. But now I have assets and I run a business."

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