

SUMMARY OF DOCTORAL THESIS

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Title: **MICROCREDIT ACTIVITIES OF MICROFINANCE NGOs (MF-NGOs) and  
POVERTY PROGRAMS: PERSPECTIVE FROM BANGLADESH**

非政府組織マイクロファイナンスの小信用機能と貧困問題  
—バングラデシュを事例に—

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**SUMMARY**

This study investigated the microcredit activities of MF-NGOs from the selected study area in Bangladesh. Poverty alleviation is the common and overriding objective of microcredit operation in every society and microcredit loan is a packaged program for poor borrowers. Bangladesh is called the place of haven for microfinance and the model of development tool for poverty reduction in the world. Before 1970s poor people in the rural areas were borrowed money from informal lenders at a very high rate of interest. These informal lenders or mohajans were mostly outside of the government regulations although all contracts usually made between the mohajans and the borrowers were enforced through the rural power structure. After 1976, followed by Grameen Bank model, microcredit operation has been and continues to be targeted lifting poverty from targeted segments of population in Bangladesh. At present, there are 1200 NGOs working in Bangladesh on various aspects of economic development. Among them 721 of these NGOs are engaged in providing microcredit to a variety of borrowers in all over the country through its 16.62 million rural poor borrowers acting as a tool for poverty alleviation. Yet there are some criticisms about the activities of MF-NGOs all over in Bangladesh. The present study also found that MF-NGOs were collecting higher interest rates or service charge along with the additional costs beyond their initial commitment to the rural borrowers. On the other, it is stated that MF-NGOs has run a remarkable number of target-oriented programs to improve the socio-economic conditions of extremely poor women, who are being excluded from the facilities of the on-going commercial banking system in the country. But several studies concluded that for a decade of one borrower's membership in MF-NGOs has done little more than keep one's head above water. It was also found from this study that loan money uses in various purposes the money sanctioned for. Moreover, it seems that the small MF-NGOs are doing better than the big MF-NGOs comparing the performances. Therefore, it can be concluded that there are many controversies regarding the role of microcredit programs and drawbacks operated by MF-NGOs. Thus, this research precisely aims to highlights the target people especially the poorest women, their participation of income earning activities, uses of loan money and the extent of the actual service charge of MF-NGOs and what would be the probable service charge of MF-NGOs to run their business.

Information was collected by randomly selected area of Sadar Thana of Tangail district in Bangladesh. It was found that there were some big MF-NGOs and some small MF-NGOs were operating microfinance activities for several years in the study area. For the study purposes, one big NGO like BRAC and four small NGOs were selected randomly from the PKSF partner organizations. The required data were collected by pre-designed questionnaire with sampling size of 50 i.e. 15 from BRAC and 35 members from other four small MF-NGOs respectively. Again the small NGOs were also divided into two on the basis of service charge (interest rates).

The findings of the research were pointed out that considering the disbursement and the recovery rate (99%) of microcredit programs, there is no risk of loan of MF-NGOs and for that they might be reduce the service charge in some extent; Big MF-NGOs should reduce their service charge; the present study estimated that MF-NGOs can run their business within (9-12)% interest rate or service charges and they should not take any additional cost more than TK. 8 from the rural poor borrowers. On the other, officially all the member borrowers were women but only 32% of them actually handle the loaned money instead of male relatives used all the remaining part; According to the land ownership criteria, 66% of the respondents belong to the target group. The rest of the member borrowers (34%) belong to non-target groups and the average loan size is higher for them, which might be said that MF-NGOs were providing loan to non-target groups for personal, non-targeted interests too. It was also found that a large portion of the loans (38%) was used for non-productive purposes; the remaining 62% was spent for some other productive purposes but the returns were not enough to repay the money. Despite all of these limitations, the result of Gini-decomposition analysis suggests that microcredit nevertheless plays a significant role in reducing, to some extent, the income inequality in the society and thereby in reducing poverty. Finally, it was found that the performance of small and local based MF-NGOs are better than the big in the study area.

Therefore, it can be concluded that although there are many shortcomings and criticisms have arisen by several scholars and researchers, yet microcredit programs of MF-NGOs have made a successful breakthrough in reducing the income inequality in Bangladesh. It is fact that microcredit is not a panacea for poverty alleviation and rural upliftment in a developing country like Bangladesh. MF-NGOs should keep in mind that lending money alone could not help rural poor to come out of the poverty trap. Money must be channeled through proper institutions with proper training and strict monitoring about loan money use by member borrowers. Otherwise, lending will just enchain the rural poor in a vicious cycle of debt. Therefore the author emphasizes that considering the holiness of microcredit activities, MF-NGOs should not treated it as a lucrative profit-yielding business.