Impact of Non-Government Organisations and Microcredit Institutions on the Development of Bangladesh

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In this paper, I will argue that although local microfinance institutions and non-governmental organisations such as BRAC and Grameen Bank have played a significant part in the development and reduction of poverty in Bangladesh, some challenges remain. This paper will first present a brief background of the socioeconomic conditions of Bangladesh. The history of NGOs in the country and their transformation from primarily relief oriented agencies to being full-scale development actors will also be explored. I will analyse the relationship between the state and the non governmental agencies in delivering service to the people of Bangladesh. Furthermore, this paper will present the rise of microcredit institutions and facilities that have changed the economic landscape of Bangladesh. Finally, the essay will present the challenges that are faced by non governmental agencies in the country. This paper will bring forward the bureaucratic hurdles and the political opposition that are faced by such agencies. Public perception of NGOs will also be highlighted in this essay. I will also present the criticisms that some of the microcredit organisations such as Grameen Bank have faced due to their high emphasis on repayment of loans.

The aim of this paper is to study the extent and impact of non-government organisations and microfinance institutions on the development of Bangladesh. This essay will particularly focus on the activities of BRAC (Bangladesh Rural Advancement Committee) and Grameen Bank, pioneer development and microcredit institutions in the country. This paper will bring forward the history of NGOs in the country; their transformation from primarily relief oriented agencies to being full-scale development actors will also be explored. This essay will further explore the bureaucratic hurdles and the political opposition that are faced by such agencies. Public perception and criticism faced by NGOs will also be highlighted in this essay. To conclude, I will argue that even though non-governmental organisations face ever-changing challenges, they have greatly contributed to the development and poverty alleviation in Bangladesh.

The emergence of non-governmental organisations in Bangladesh can be traced back to the British colonial period. During the British era, NGOs were mostly working as religion-based trusts managing orphanages, schools and hospitals. The dramatic shift happened after Bangladesh achieved its

independence in 1971 from Pakistan following a bloody war. The post-war rebuilding efforts were largely led by non-governmental organisations. Voluntary organisations started pouring into the country with a massive inflow of funds. During the reconstruction effort these organisations were primarily focused in distribution of relief materials and basic construction. After the reconstruction effort slowed down, the non-governmental organisations were challenged to find to transform themselves to fit the needs of the young country. Through performing relief work, the NGOs had already built a group of dedicated volunteer workers and an efficient mechanism for working at grassroots level. NGOs state that it was during this period they realized that relief efforts do not solve the problem of the poor. They felt that if relief works, the resources they commanded could be channeled in a productive way by involving the recipients (Haider, 2011). One such Non-Governmental Organisation was BRAC (Bangladesh Rural Advancement Committee) which was founded in 1972. After initially establishing itself as a relief and rehabilitation organisation, BRAC shifted its focus to long-term development work. The NGO focuses on poverty alleviation and empowerment of the poor. BRAC's earliest project was "participatory development program" – a system in which residents of the community participated in planning and implementation of development programs within their community (Lovell, 1992). In 1975, the organisation set up a Research and Evaluation Division to analyze its activities and plan how BRAC would expand. The division proposed that efforts should be directed to form groups of ultra-poor people where they can play an active role on how to utilize funds and other support received from BRAC through collective decision making. The division came up with the concept of Village Organisation (VO) in 1977. Under this approach, the poorest segment of the society - those who own less than half an acre of land and survive by selling manual labor were targeted by BRAC. Each VO is made up of 40-50 members who are all female. When there is a group interested to come together, a VO is formed under the guidance of the local BRAC staff. Membership in a VO is the required to participate in BRAC activities. They are created within a small geographical area so that members are readily accessible for each other; usually the same village. VOs meet once each month for regular business as determined by the local group and to address issues brought up by the BRAC field staff. Some VOs are divided into smaller groups each having 5-7 members along with an elected leader from within. The VO has a management committee composed of small-group leaders, a chairperson, a secretary, and a cashier from within the VO elected by the VO members. The VOs organise a weekly meeting and a monthly issue-based meeting (Rafi and Mallick, 2002). These VO plan and conduct activities that will be beneficial to their community. Through VOs, BRAC impart knowledge to women about income generation and managing small scale businesses. They focus on six sectors in which it feels large numbers of women can be productively engaged; poultry, fishery, livestock, sericulture, agriculture, and agro forestry. For each sector BRAC offers training in improved techniques, provision of improved breeds and technologies, on-going supply of technical assistance, monitoring and evaluation as needed, and marketing of finished goods. VOs are also the primary outlet from where loans are disbursed to women in the villages. Through this program, BRAC has positioned itself as a capacity builder in the country for developing the poor. The organisation has extended its core services to health, education, social development and legal services. BRAC has been credited single-handedly with the reduction of child mortality in the country through its action in the rural areas showing rehydration techniques to mothers whose children were dying of diarrhoea. BRAC ran joint-campaigns with the Government of Bangladesh to spread the tuberculosis vaccine throughout the country (The Path Through the Fields, 2012). As of 2015, BRAC has become the largest non-governmental organisation in the world in terms of employees and the number of people it has served.

With an annual expenditure of \$1 billion and a reach of 138 million people, BRAC has established 48000 schools and has a team of 117000 healthcare workers (BRAC at a glance, 2015).

In Bangladesh, another non-governmental organisation that has been at the forefront of development is Grameen Bank. In 1976, Dr. Muhammad Yunus, a then university Professor of Economics, started a project by lending an amount of \$27 to forty-two ultra-poor people in a village named 'Jobra' near to his university. Just after the independence of Bangladesh, the postwar economy faced a massive famine in 1974. Dr Yunus started visiting the villages near his university and looked at the condition of the people. He saw people with extreme poverty with no way to come out their predicament. Yunus found that in order to survive, the people take loans from the local informal money lenders with strict loan terms. Since he did not believe in charity, Yunus felt that the living conditions of the people could be made better off if they have access to credit on soft terms. He made a list of 42 people and found out that they needed \$27 dollars to survive. He then provided them the funds from his own savings as no banks were willing to provide the people with the loans. These loans allowed the recipients to diversify their sources of income and in turn better their living conditions. After several years, in 1983, this project was transformed into a formal bank called Grameen Bank. It was established as a specialised bank with its own charter to work exclusively with the poor (Dowla, 2006). The bank follows a unique way in granting small loans. Rather than relying on traditional financial collaterals, Grameen Bank believes in using 'social collateral' (Dowla, 2006). These loans are not disbursed to individuals but to small groups who are collectively responsible for the repayment of the loan. Grameen Bank has a particular emphasis on women, who receive 95 percent of the bank's loans. They are considered better recipients because they do not have access to traditional lines of credit in rural Bangladesh. Moreover, it also allows them to be empowered and play their role in the economy ("Grameen Bank: Taking Capitalism to the Poor", 2004). As of December, 2015, it has 8.81 million borrowers, 97 percent of whom are women. With 2,568 branches, Grameen Bank provides services in 81,392 villages, covering more than 97 percent of the total villages in Bangladesh ("Introduction", 2015). Since the inception of Bangladesh, non-governmental organisations have been at the forefront of development in Bangladesh. Activities by such organisations have spread throughout Bangladesh. They assumed a vital role in certain sectors, such as, poverty reduction, family planning, gender issues, primary health care, education, rural development, improvement of infrastructure and environment protection. However, these sectors seem to be neglected by the government (Haider, 2011). In Bangladesh, it has been argued that NGOs have become a powerful force due the failure of the state to provide such facilities. Such organisations have also threatened the power and legitimacy of the government. Moreover, there is a growing trend for NGOs to compete against governments for foreign aid and sharing political power at local level (Haque, 2002). This has created friction between the government and the non-governmental organisations. From the government's side, the first issue that needs to be tackled is the accountability with NGOs. This resulted in the formulation of 8 ordinances/act that govern NGO activities. The bureaucratic hurdle has been criticized by the NGOs as restrictive and they say these laws have resulted in lengthy bureaucratic procedures, harassment by officials leading to corruption. The Government has stood by its position by claiming that these rules are there for transparency and accountability (Haque, 2002). However, there are instances of partnership between government and NGOs in development sectors. Collaboration can be particularly seen in the health sector. In Bangladesh less than 40 percent of the population have access to primary healthcare. To respond to the overwhelming health challenges, the government encourages the involvement of NGOs in health service delivery. Collaboration between the government and NGOs in

TB, maternal and child health and family planning, Immunisation, leprosy eradication and nutritional programmes has been efficient and effective. CARE-Bangladesh's maternal health project, BRAC's health and development programmes, and the leprosy control programmes of Health, Education and Economic Development (HEED) are among many excellent examples of successful government-NGO collaboration (Ullah, 2006). Another significant outcome of Government-NGO Partnership can be seen in the Extended Immunisation Program (EPI). The EPI program operates throughout the country in collaboration with numerous non-government organisations. During the mid-1980s government sought cooperation from NGOs including BRAC, CARE, Rotary International and many smaller NGOs. Government of Bangladesh did not have the sufficient manpower to carry out a large scale operation such as the EPI and therefore partnered with the NGOs. These organisations have strengthened the immunisation program throughout the country through providing training for vaccinators, managers and communicators, providing immunization services in areas where government services cannot easily reach, providing many of the communication materials and activities which have supported program expansion, and by involving local talent and resources for the program. Extended Immunisation program was very successful. The coverage of children fully immunized reached 62% countrywide as opposed to a mere 2% in 1985 (Osman, 2008).

However, despite all of this, non-governmental organisations have faced their fair share of criticism as well. The micro-credit institutions have come under scrutiny from both the public and the government. Micro-credit has even been termed as a 'death-trap' for the poor. The exorbitant rates of interest charged can be very damaging. It has been argued that the recipients of the loan who are mostly from the rural areas are not properly educated about the repayment procedures. Furthermore, the debt collection method employed by the NGOs have been criticized for their forceful behaviour and harassment (Melik, 2010). Furthermore, critics have argued that microcredit cannot alleviate poverty. Dr Jason Hickel, an anthropologist at the London School of Economics has claimed that such facilities make poverty worse. He claims most microfinance loans are used to fund consumption – to help people buy the basic necessities they need to survive. Therefore, borrowers do not generate income that can be used to repay existing loans (Hickel, 2015). Within the context of Bangladesh, there have been issues that can be related to the claim that Dr Hickel put forward. The phenomenon of overlapping where an individual or a group borrows multiple times from different NGOs to maintain sustenance. Another problem that can be seen in the context of micro-financing organisations is the lack of innovation. Almost all NGOs tend to follow the Grameen Model and has not changed with time and may not be sustainable in the near future (Zaman, 2013).

While all these criticisms may raise doubts about the functions of non-governmental organisations and microfinance institutions, it can be argued that such institutions have played a tremendous role in the growth of Bangladesh. The lack of ability of the government to provide the needed resources has catapulted NGOs into the day to day dynamics of Bangladeshi civil society. The country allocates a tiny proportion of its budget to social safety net 2.2 percent of GDP compared to the suggested 6-8 percent ("Allocate more for social safety nets", 2016). This is where the NGOs come in. Without the programs implemented and funded by NGOs, poverty in Bangladesh would have taken a turn for the worse. Even amidst the criticism, microcredit schemes have worked in most places. Mohammad Razzaque of Dhaka University studies two groups of people with similar incomes and household assets, one of which had regular borrowers from a variety of microfinance institutions and

NGOs and the other of which did not, to see whether microcredit helped. Among the first group the poverty fell from 78% in 1998 to 68% in 2004. In the second group, poverty fell from 75% to 70% ("The path through the fields, 2012). The social effects of women empowerment through NGOs and microcredit institutions cannot be undermined. Research by Dr. Alexandra Bernasek from Colorado State University has shown that women who borrowed money from Grameen Bank have a greater control over the money and many of these women purchased lands in their own names. Dr Bernasek commented that through empirical research it was found that the women who participated in the Grameen scheme were also less likely to be victims of violence carried out by their husbands compared to women who did not participate. She further mentions that women who were members of Grameen were more educated about family planning (Bernasek, 2003).

To conclude, it can be said that while NGOs and microcredit institutions have faced criticism, they have contributed to the socio-economic development of Bangladesh. They have tackled issues ranging from relief operations to infant mortality. However, at the same time it should be mentioned that there is much room to grow. Bangladesh is a poor country with 31.5% of its population living below the national poverty line and the changing climate remains the biggest issue that will face the South Asian country very soon. Bangladesh has a good track record of collaboration between NGOs and the Government. To address future challenges, both parties need to work on their existing strong relations and remove barriers to development and alleviation of poverty.

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