Institute for Economic Research on Innovation

IERI Working Paper 2011 0108

Financing Social Innovation: A Case Study of Micro Financing in Bangladesh

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Abstract

Micro financing is perceived to contribute towards poverty reduction by developing small enterprises. We examined the Challenging the Frontiers of Poverty Reduction (CFPR) programme implemented by the Bangladesh Rural Advancement Committee (BRAC) between 2002 and 2007. We selected this case because it used a different approach of micro financing where assets were transferred rather than cash to participants. We examined two aspects of the programme: (i) the impact of micro financing through asset transfer instead of cash on reducing poverty; (ii) the factors that contributed to positive impact or little or no impact on the economic conditions of the participant households and the trajectories of changes experienced in these economic conditions. These were analysed using data gathered from a survey of 21 beneficiaries and also from the in-depth interviews of 8 of these households, which included both successful and not so successful cases. The study found that the asset transferring programme resulted in significant improvement in the livelihood of the majority of members. However, in some cases the beneficiaries did not see any or significant improvement in their livelihood. The study revealed that households that demonstrated proper planning, hard work, and personal interest in the business they started have witnessed improved quality of life through micro financing, while idleness of members and absence of proper planning resulted in failures. To some extent, it was found that social barriers can also contribute to failures, even if the beneficiaries work hard and are highly motivated. Based on these findings, the study makes some policy recommendations.

Keywords: Enterprise development, social innovation, microfinance, poverty reduction, ultra poor, Bangladesh.

IERI Working Paper ISSN 2070-5387

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1. Introduction

Bangladesh has come a long way since it was considered as a bottomless basket three decades ago. In spite of its vulnerable ecosystem, the country is making significant progress, although the poverty rate is still high (BBS, 2009). To achieve the committed Millennium Development Goals (MDGs) of 2015, the development process of the country must strive towards rapidly expanding employment creation opportunities. Financing entrepreneurs to develop own businesses can facilitate employment creation and industrial growth. Developing the small and medium sized enterprises (SME) sector through financial support can be a tool for this, as it is difficult for the SMEs to have the same level of access to banks and other financing organisations compared to the large enterprises. It is even more difficult for micro enterprises. In this situation, micro financing is considered to be one of the innovative ways of filling this important gap. Micro financing generates opportunities for self-employment. It makes it possible for the deprived households to access finance to run micro enterprises and achieve a flow of earnings. Bangladesh has witnessed pioneering developments in micro finance culminating in one of the greatest achievements for the country when the 'Nobel Peace Award 2006' was given jointly to Dr. Muhammad Yunus and Grameen Bank for their contribution towards poverty reduction through micro financing.

Various organisations in Bangladesh have adopted different types of micro financing programmes to support the poor. The schemes are no doubt supportive but often they are yet to reach the ultra poor. To achieve meaningful poverty reduction it is imperative that this group is targeted and helped to make a sustainable earning. Bangladesh Rural Advancement Committee (BRAC) is a leading nongovernmental organisation and is also one of the largest in dealing with micro credit in the country. BRAC initiated the micro financing programme called 'Challenging the Frontiers of Poverty Reduction (CFPR)' in 2002 with the main goal to increase the ability of the ultra poor socially and economically. CFPR followed a different approach towards of micro financing, that is, asset transfer instead of cash funding to help set up micro enterprises. The programme started in 2002 and from that time different studies looked into different components of the programme and their impacts. In 2005, a study was conducted to explore the differences between the participant and non-participant households of the CFPR programme. The study found major differences between these groups of household in a range of indicators. That is, it found increase in income, asset holding, savings and food security in the case of CFPR programme participants compared to non-participants after three years of programme implementation. Although studies concluded that there was general improvement among most of the CFPR beneficiaries, they also found that there were CFPR participant households which could not show significant positive outcomes. If so, what were the causes for such failures? This caught our attention. Furthermore, we found that little attention was paid to understanding the differences among trajectories of changes or no change experienced by the successful and unsuccessful members after coming under the CFPR programme. This made us to focus our study only on the CFPR participant households and try to identify the factors which contributed to significant improvements in economic condition and livelihood in majority cases and the factors that hindered such improvements in some cases.

The paper is structured into 7 sections. Section 2 provides a literature review on two areas – poverty reduction through micro financing and previous studies on the impact of CFPR programme. We discuss our research design in section 3. Section 4 provides an overview of the growth of micro financing in Bangladesh; and section 5 discusses the major features of the CFPR programme. Section 6 analyses the data and presents our findings; and finally in section 7 we draw our conclusions and make some policy recommendations.

2. Literature Overview

Poverty Reduction through Micro Financing

To achieve the MDGs, Bangladesh needs to witness major improvements in the areas of reducing poverty, supporting education for the children, physical conditions of women and children, and empowering women. Mainly, to reduce poverty the country has been trying to develop entrepreneurship through micro financing. But, Littlefield (2003) argued that the outcome will be effective only if this financial service can reach the ultra poor group on a continuous basis, and in significant volume and range. Momtazuddin (2003) also advocated a strong policy intervention for SME sector, as SMEs foster entrepreneurship, help the formation of new businesses and facilitates inter sectoral linkages. Further argument is that as SME sector creates job opportunity and generates earnings, particularly for the deprived people with low income in the rural regions, it should be declared as a priority sector. Mukras (2003) argued for supporting of SMEs by lending money to them in an affordable and low interest rate for lessening the poverty. Kimabo (2005) also stressed that it is necessary to overcome the barriers to the growth of SMEs by substantial support to stimulate the development of the sector, which in turn will help to decrease the poverty level. A report from the Evian Group at International Management Institute (IMD) (2008) observed that appropriate financing for SME development is required, though there are a number of small and big projects or institutions already providing funds for SME growth.

The benefits from microfinance can be viewed socially and economically (Morduch and Haly, 2001; Honohan, 2004). According to Latifee (2003) there is sufficient evidence that microfinance can act as an effective tool for lowering poverty level by increasing the income for the poor, if used in a proper way. Haque (2008) argued that micro financing programmes boosted the capacity of the participating households to manage their financial need. It was observed that micro-credit programmes helped to lessen a number of factors that contributes to poverty. However, the poverty increases when the poor borrows money beyond their capacity. This capacity may be their financial capability or their working capability. If the micro credit is used for income generating activities and actions which create return that is more than the amount of the loan repayable, then the poverty may be reduced. If the activity does not create such opportunity, then there is less likelihood of poverty reduction. In this case the loan repayment burden may reduce the consumption and income of the participant household and will make little or no impact on poverty reduction. Sometimes credits are used in non investment activities. A poor person takes the micro credit and may use it for a non productive purpose such as repairing housing, repaying existing loan or to meet social obligation. In such cases the micro financing cannot contribute towards reducing the poverty (Zaman, 1999). On the other hand if the poor person uses the micro credit to build a micro enterprise, this can lead to poverty reduction through generation of new income.

The poor in Bangladesh are financed by micro credit programmes by various organisations. Research studies found that these micro financing organisations have played an important role in improving the economic condition and lifestyle of the poor significantly (e.g. Hossain and Knight, 2008). In the following sub-section, we review the literature on impact of CFPR Micro Financing Programme in Bangladesh, which is selected as our case study.

Impact of CFPR Micro Financing Programme

The largest micro credit providers in Bangladesh are BRAC and Grameen Foundation. Our case study -- BRAC's CFPR programme utilised the information on poverty to recognise and select the ultra poor participating households (Matin and Halder, 2004). Researchers found significant differences between the poor and the ultra poor -- two closely graded sets of the poor. The ultra poor were differentiated from the poor group by wealth ranking (Matin and Halder, 2004). The CFPR programme specifically targeted the ultra poor households in selected districts. The selection method was multi-staged and four steps were involved: (i) developing relationship with potential participant; (ii) PRA meeting (Participatory Rapid Appraisal); (iii) examining and initial selection, and (iv) final selection. Poor housing was one of the selection criteria of the project. The other factors for selection were households owning less than 10 decimal lands (1 decimal land = 436 sq ft), working (school aged) children and women working out of their house (Matin and Halder, 2004).

Research was conducted using samples of ultra poor members (households) which were participating in the CFPR programme for over a period of 18 months. The researchers examined how far the participant households could improve their livelihood. They employed quantitative analysis and case studies and found that lifestyles of the members have improved significantly. They showed increased ability to handle future financial crisis, with improved level of savings. Other areas of improvements included land ownership, frequency of taking meals, and extra activities for generating income (Matin and Walker, 2004). Assessment of the wellbeing measures indicated positive changes in lifestyle of the participating households mainly due to opportunities created by the CFPR programme for the members to save some cash and also their improved food intake (Matin and Haldar, 2004; Haseen, 2006). The food and calorie intake were not sufficient in 2002 among both the ultra poor members selected to participate in the CFPR programme and households that were not selected for the programme. After two years (2002 - 2004) of running the programme general improvement in calorie and food intake 9both qualitatively and quantitatively) was observed among the participant member households (Haseen, 2006). The enhancement of food and energy intake was especially observed among particular age groups of participants: school aged children, adolescent and adult people. However, the food and energy intake levels among the children under five years of age in the participant households did not show much difference (Haseen, 2006).

Sulaiman and Matin (2006) examined the impact of the programme from the community perspective. They studied about 6,000 houses living in more than 100 communities and tried to investigate the indicator of changes and the underlying causes of theses changes for the selected households. The study recommended that “intervention design for the poorest has to be far more comprehensive including promotional, protective and transformative strategies to make a real dent on extreme poverty.”

Rabbani et al. (2006) conducted another impact assessment based on 2002-2005 panel data. The objective was almost same as the previous studies, that is, to find the changes in the life styles of the ultra poor participating in the programme. The study found a clear evidence of the occurrence of the mainstreaming in the selected ultra poor group. The participant households showed significant improvement in financial and social growth. The study validated previous observation that the CFPR project has considerably enhanced the lives of the ultra poor by enabling them to help themselves (Rabbani et al., 2006).

It was also observed that the beneficiary’s involvement in the income generating activities, their self-interest, training condition and number of members obtaining the training had great relationship with the level of knowledge retention. The quality of micro financing programme was showed by the regular participation of the members. It was found that the ratio of borrower members increased by 85% between 2003 and 2007. This indicated big increase in participation of members and their regular access to loan (Borua and Solaiman, 2007). Narayan et al. (2009) also observed positive impact on the livelihood of participants, that is, increased self employment (farm) for both male and female family members, and a rise in income sources and per capita income.

To sum up, previous studies on the impact the CFPR micro financing programme on its member households observed significant improvements in terms of savings, food intake, new income generation, and ability to face future crisis. However, these studies did not focus on some important aspects of the programme: (i) the role of the special approach to micro financing in reducing poverty, that is, asset transfer instead of cash; (ii) the factors that contributed to failures among the CFPR members, that is, little or no impact on their economic conditions; and (iii) the trajectory of socio-economic changes experienced by the member households since they started participating in the CFPR programme. Therefore, our study focuses on these aspects.

3. Research Design

Our study aims to investigate the following research questions:

1. How did the special approach of micro financing through asset transfer instead of cash perform as a tool of reducing poverty in the selected households of the CFPR micro financing programme?

2. What were the reasons or factors that contributed to either positive impact or little or no impact on the economic conditions of the households participating in the CFPR micro financing programme?

We employed mainly qualitative research approach in the study. To investigate the research questions, 21 CFPR participant households including both successful and failure cases from five villages in Rangpur district were selected purposively and surveyed using questionnaire. In addition, oral history accounts were gathered through in depth interviews from 8 of these 21 households. The questionnaire survey was mainly aimed on observing how the CFPR micro financing through asset transfer was acting as a tool of poverty reduction. The in depth interviews helped to trace the trajectories changes (both positive and negative) experienced by the households since they started participating in the CFPR micro financing programme.

Before we discuss the CFPR micro financing programme and present our data and analysis, we provide an overview of the growth of micro financing in Bangladesh to set the context for our study.

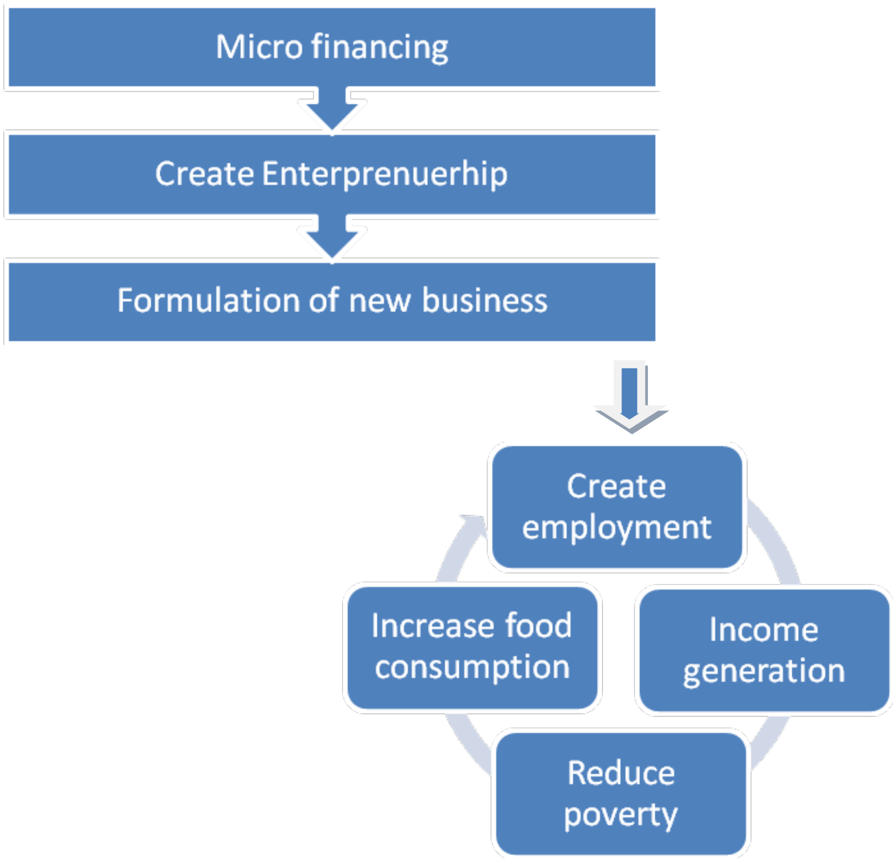
4. Growth of Micro Financing in Bangladesh

Bangladesh became independent in the year 1971 and its current population is about 142 million, with the population growth rate of 1.39% (BBS, 2009). The country is mainly based on rural economy and almost 63% of the population lives on agriculture. The level of poverty is high particularly in the rural regions and about 40% of the total population lives below the poverty line (According to the United Nations and UNICEF- Poverty line has been defined as earning the equivalent of $2 or less per day). High level of poverty is the result of mainly high population, high unemployment rate and the low rate of literacy. Malnutrition is a severe problem; especially among the women and children, and infant mortality is high (Bangladesh Bank, 2009). The employment-population ratio was 58.5% in 2005 and it does not appear to have improved significantly since then (BBS, 2009). Every year the labour force is increasing by 2.4% but the agriculture, industry and service sector cannot absorb labour force beyond 1.7% of annual growth. Alhough the majority of people’s occupation is agriculture, the sector is not able to provide additional employment opportunity because of the technological constraints (Khandker, 1998). At present the unemployment rate is 44% (BBS, 2009).

In this situation, one way of creating additional self-employment for the deprived or poor groups is to provide them with credit. Micro financing is a common way of providing the poor with credit (a little amount of loan). This loan can help to promote income creation along with self-employment. The government and non government bodies are considering micro financing as a major tool for reducing poverty in the country.

It is widely agreed that micro financing can create entrepreneurship and lead to new business start-ups. This can create employment and generate income, which in turn can lead to poverty reduction and increased food consumption and social wellbeing. Figure 1 illustrates the process of poverty reduction through micro financing.

Figure 1: Poverty Reduction through Micro Financing



Since the independence Bangladesh initiated a number of programmes such as Food for Work, Rural Works and Vulnerable group Development Programme to reduce poverty. Although they were effective to some extent, they could not generate sustainable income for poor due to their seasonal nature. The policy makers realized that to make a real impact on poverty reduction they need to come up with policy measure that will improve the capital and productivity of the poor in a sustained way. As a result, micro credit programmes were initiated in the 1980s (Khandker, 1998).

The micro financing programmes in Bangladesh are executed by mainly the nongovernmental organisations, except some specific projects under some ministries. There are thousands of micro financing institutions which are operating special programmes. However, just 10 large micro financing institutions and the Grameen Bank account for about 87% of total investments (around BD Taka 93 billion (Approximately 1 US $=71.57 BDT) and 81% of total outstanding loan (around BD Taka 157.82 billion) and 81% of total outstanding loan (around BD Taka 157.82

billion). These institutions are providing employment for more than 200,000 people. Nearly 30 million poor are provided with Bangladeshi Taka 160 billion (£1.6 billion) from these programmes for a range of income generating activities (MRA, 2008). The aim is to help the poor to become self-employed and also to contribute to the national economy (MRA, 2008).

The leading NGOs engaged in micro financing are Grameen Bank, Bangladesh Rural Advancement Committee (BRAC) and Association of Social Advancement (ASA). Grameen Bank provides almost 211 types of services which include loans and human resources development related services. Loans are general, seasonal, for equipment, taking lease of livestock, and so on. The lowest loan-period is 6 months (livestock leasing) and the highest is 10 years (housing loan). Grameen bank encourages the borrower to take only a small amount of loan at the start.

BRAC started operating since 1974 and is the largest non-governmental micro financing institution in Bangladesh. It gives equal weight to both training the borrowers on various income generating activities and providing them loan. BRAC gives not only loans, but it also has projects which provide only asset instead of cash to the beneficiary. ASA was started in 1978 and it mainly provides loan for small business and income generating activities by the poor women (Abed, 2000). Table 1 shows the micro financing activities of some top NGOs in Bangladesh.

Table 1: Micro Financing Activities of Some Top NGOs in Bangladesh

Institution	District covered	No of members	No of borrowers	Outstanding loan Tk (million)	Outstanding loan in GBP (million)	Savings Tk (million)	Savings in GBP (million)
Grameen Bank	64	7,527,700	7,527,700	39,920	399.2	54,260	542.6
BRAC	64	8,448,107	7,053,798	43,240	432.4	14,850	148.5
ASA	64	7,132,427	5,675,784	29,180	291.8	5,240	52.4
Proshika Manobik Unnayan Kendro	58	2,724,101	1,761,638	3,940	39.4	2,160	21.6
TMSS	44	698,741	563,630	2,930	29.3	1,090	10.9
Buro Bangladesh	43	472,984	371,285	2,270	22.7	920	9.2
Jagorani Chakra Foundation	20	348,150	265,535	1,440	14.4	500	5.0
Shakti Foundation	45	181,990	158,763	1,170	11.7	570	5.7
Padakhep Manabik Unnayan Kendra	43	170,754	166,950	1,140	11.4	330	3.3
Caritas Bangladesh	40	376,922	302,196	1,030	10.3	600	6.0
RDRS Bangladesh	11	348,324	280,351	890	8.9	390	3.9
		28,430,200	24,127,630	127,150	1271.5	80,910	809.1

Source: MRA (2008), *List of Licensed MFI's*, Dhaka: Government of Bangladesh, Available at: http://www.mra.gov.bd/

5. Major Features of the CFPR Programme

Bangladesh Rural Advancement Committee (BRAC) started the programme called 'Challenging the Frontiers of Poverty Reduction: Targeting the Ultra Poor (CFPR/TUP)' in 2002. The programme was initiated particularly to reach the ultra poor, as it was increasingly realised that most of the micro financing programmes have failed to reach this group. There are a lot of programmes which are providing credit or food to the poor. BRAC recognised that providing the poor with cash may help them for a short term, but it cannot ensure a sustainable income generation (BRAC, 2009). This realisation drove BRAC to initiate the CFPR programme by identifying the ultra poor group and providing them micro financing (transfer of asset not cash) to develop self-employment.

Table 2: CFPR Programme Outreach in 2002

	Rangpur District	Nilphamari District	Kurigram District	Total
Number of area offices	15	12	11	38
Total no of PWR held	370	332	312	1014
Total number of households in PWRs	34,522	28,591	28,897	92,010
No of ultra poor in PWRs % of total house holds	7,966 23.08%	6,137 21.46%	9,418 32.59%	23,521 25.56%
No of households selected through inclusion-exclusion criteria	3133	2605	2782	8520
No of households finally selected after verification	2474	1812	2541	6827
No of households taken into the programme	1853 (5.38%)	1401 (4.90%)	1746 (6.04%)	5000 (5.43%)

Source: BRAC (2006), *CFPR/TUP Working Paper*, Dhaka: Bangladesh Rural Advancement Committee, series no.12, p. 2

There are total 64 districts in Bangladesh and among these districts Rampur, Kurigram and Nilphamary are the poorest three districts. The CFPR programme selected 5000 ultra poor households from these three districts in 2002. Depending on five major criteria the households were selected as ultra poor. These are: (i) dependent upon female domestic work or begging as income source; (ii) ownership of less than10 decimals of land; (iii) no male adult active member in the household; (iv) children or school going engaged in paid work; and (v) possession of no productive assets by the household (Ahmed et al., 2009, p. 5). The households which were member of any other micro financing programme or government project were excluded. The selected household were named as 'Specially Targeted Ultra Poor (STUP) or 'Selected Ultra Poor (SUP) (BRAC, 2009). The potential beneficiaries were indentified through participatory wealth ranking exercise (PWR). One PWR covered almost 150 households. The total number of PWR carried out was 1,014 in the selected three districts. The PWR showed 25% households as ultra poor (Rabbani et al, 2006), which closely matched the national survey. One fifth of these ultra poor were taken as the participants of the programme. The ranking process showed that the SUP households were poorer than the NSUP (not selected ultra poor) households (Matin and Halder, 2004). The programme covered in total 38 area offices. These area offices were situated in the selected three districts. Table 2 illuminates major features of CFPR programme.

The main thrust of the CFPR programme was on helping the selected the ultra poor (poorest of the poor) households to develop their own enterprises. The first task was to help them choose the appropriate enterprise for the beneficiary. For this, factors such as any past work experience, ability to run an enterprise, management skill of the participant, and social, environmental and market related factors were taken into account. The enterprise was finally selected through discussion with the beneficiary, after exploring his/her interests. Most beneficiaries were interested in poultry and livestock rearing, and some showed interest vegetable growing. The next step was to provide the beneficiaries with some training on the enterprise development (related to their interest). After the training every member was provided with appropriate assets which would help them to develop their enterprises. Normally the assets were transferred within a month of completing the training. After transferring the assets the programme provided necessary support to maintain the assets. Weekly monitoring and advice were provided. A small amount of stipend per week was also provided depending on the type of enterprise. The transferred assets' value was on average TK 6000 (£60). The average weekly stipend was Tk 70 (£0.70). Health care support towards the animals was also provided. Table 3 shows the supporting packages provided towards the beneficiaries. The programme was administered for 5 years and it ended in 2007. The supporting packages were provided for 2 years.

Table 3: Support Package of CFPR Provided to Participants

Component	Support received	Duration of support
Asset Transfer	Assets for enterprise e.g. cow, goat, poultry, nursery, non firm assets etc (on average 6000 per beneficiary)	One Shot in the beginning
Enterprise Development Training	Class room orientation and training Hands on training by enterprise management and technical supervision.	3-5 days training before asset transfer 2 years
Support for Enterprise	All inputs required to maintain the enterprise	The first cycle of enterprise
Weekly Stipend	Tk70	(Enterprise specific)Until income start from enterprise
Health Care Support	Free medical treatment: Training to build awareness Regular visit of health volunteers for preventive diseases	2 years 2 years
Social Development	Awareness raising training	2 years
Mobilization of Local Elite for Support	Community supports-material, information, guidance	2 year and continuous

Source; BRAC (2009), *Research Monograph Series, 2009*, Dhaka: Bangladesh Rural Advancement Committee, series no.39, p-7.

6. Data and Analysis

This section is described in two parts. The first part targets the changes in livelihood of sample participants of CFPR programme and the second part shows the trajectories of changes in success and the reasons/ factors behind these changes (success or failure).

The first research objective was to explore how the CFPR programme performed as a tool of reducing poverty in the participant households. For this a questionnaire survey was conducted among the selected 21 beneficiary households. The questionnaire covered questions related to the factors of poverty. The selected 21 households included both success and failure cases. Household income was used as the main indicator to determine a household as success or failure.

The second research objective was to find out the reasons or factors that contributed to positive impact or little or no impact on the economic conditions of the households participating in the CFPR programme. This was explored by collecting the oral historic accounts from the households about the pathway of socio-economic change in their livelihood from the year 2002 to 2009. The well being and the ill being accounts helped to identify some important key factors that contributed positively or negatively.

The socio-economic changes in a participant household of the programme were examined by gathering data from the main beneficiary through a questionnaire survey. The questionnaire was designed to explore the life style situation of the beneficiary before the programme participation, that is, at the beginning of the programme (2002), information on the livelihood during the programme (2005), and the present situation of the household (2009).

Most of the beneficiaries' own perception of poverty reduction and improved livelihood was linked to: cash savings, present asset, income, occupation, housing and sanitary condition. Therefore graduation from poverty was measured by collecting data on these indicators for the selected 21 households. Table 4 highlights the major findings of our study.

Income Change: The income data for three different phases was collected. The data showed that there was a clear positive impact of the programme on income of the participants. A high rate of sustained improvement in the income (57%) was observed. There were some beneficiaries who could not show a sustained improvement (33.33%) but showed an improvement during the first three years. The rate of failure was low.

Occupation Change: The data on occupations of the household members including the main beneficiary were gathered to trace the changes over the three phases. These information were collected from the main beneficiaries of the households and cross checked with other villagers. It was observed that begging as the main occupation has gradually disappeared after the programme participation. At the beginning of the programme for 55% of the households the main occupation was working as a day-wage labourer. At the end of the programme period this dropped to 35%. Running a small poultry rearing firm or cow firm was the main occupation for 25% of members. These occupations formed the second income source for 30% of the beneficiaries. It was noticeable that the cow and poultry rearing formed as a supporting occupation for 60% participant households in 2005, which was during the programme period. This figure decreased to 30% in 2009, that is, after the completion of the programme. This shift may be due to the emergence of new occupation -- 'own agriculture' (30%). The data suggests that some of the households were able to purchase some land to do 'own agriculture' – a new occupation for them.

Child Labour: Presence of child labour is major indicator of poverty and it amounted to 33.33% among the beneficiary households at the beginning of the programme. It was observed that this reduced gradually and it was only 4.76% by 2009. This major improvement among the participant households could be either due to significant growth in their income or to the awareness created against the child employment by the CFPR programme.

Table 4: Impact of CFPR Micro Financing Programme on Poverty Reduction: Summary of Findings

Indicators	**Pre-CFPR Programme (2001)**	**During CFPR Programme (2002-2007)**	**Post-CFPR Programme (2009)**
Income Change		Showed an improvement during 2002 to 2005	Sustained improvement in the income (57%) Could not show a sustained improvement (33.33%)
Occupation Change	Main occupation was day-wage labourer - 55%	By 2007 day-wage labourer dropped to - 35% Poultry rearing firm or cow firm as the main occupation - 25% of members Poultry rearing firm or cow firm as second income source - 30% Cow and poultry rearing formed as a supporting occupation for 60% in 2005 it dropped to	cow and poultry rearing as a supporting occupation dropped to – 3-% New occupation emerged - 'own agriculture' (30%).
Child Labour	33.33% among the beneficiary households	Reduced gradually between 2001 and 2007	Only 4.76% by 2009
Food Security	All selected households were experiencing	By 2005 significant reduction in food deficiency; severe food	Overall ability for food consumption has increased (it was

	deficiency in food	deficiency of more than 1-2 times a week was much less than that of 2002.	never deficit).
Housing Condition		All beneficiaries had to share rooms	All beneficiaries managed to build their own rooms with separate kitchen
Toilet Facility	All the beneficiaries used unhygienic toilet facilities	By the end of the programme about 85% of households had hygienic toilet facilities.	
Cash Savings	All the selected households had no cash savings at all	Due to compulsory saving rule, the participants had some savings	Showed some financial savings
Asset Holdings		Cow ownership was 5%. The poultry and goat ownership was 40% .	Cow ownership increased to 75%. The poultry and goat ownership also increased to 80%.
Self Perception on Food Security	Deficiency in food consumption was 85.71%	Even by 2005 some households were able to have excess food supply	Deficiency in food consumption has declined to 29%
Self Perception on Poverty			67% believed that their economic status has improved 23.48% believed that their poverty status is as same as in 2002; and 9.52% mentioned that their poverty level has increased.
Ability to Manage Crisis			57% said that they have achieved the ability of managing short term crisis such as death of poultry or livestock, theft, and destruction of their house by storms (to some extent). Only 10% of the participants said that they did not gain ability to face and

			manage crisis.
Self Confidence on Enterprise Development			58.3% were confident that they can run the existing business properly. 45.9% were confident of expanding the existing business. Only 34.6% were confident of creating and running a new business
Future Planning of Income Generating Activities			65% of the beneficiaries have clear future plans such as buying some land for growing vegetables, increasing poultry and livestock, buying a rickshaw and starting a small/micro business such as sewing traditional garments

Food Security: This is the key concern for the poor countries like Bangladesh. To reduce the poverty level high emphasis has been given to this sector. The data showed that the food consumption level has increased significantly by 2009. In 2002, when the programme started, all selected households were experiencing deficiency in food consumption constantly. By 2005 during the programme participation it was also noticeable that the situation became better. During this period the severe food deficiency (i.e. deficit of more than 1-2 times a week) was much less than that of 2002. But in the year 2009 the overall ability for food consumption has increased (it was never deficit). This is a major positive impact of the CFPR programme on poverty.

Drinking Water: It was observed that even before participating in the CFPR programme all the beneficiaries (100% of sample respondents) had access to pure water for their cooking and drinking purpose. This was possible because of the tube well projects implemented by a number of non-governmental organisations mainly supported by foreign donor agencies.

Housing Condition: To assess the change in housing condition of the member participants we analysed the total rooms in the houses and the availability of separate kitchen during the selected three year period (2002-2005). All the beneficiaries (100% of sample respondents) who had to share rooms during this period have managed to build their own rooms with separate kitchen by 2009, which indicates an improvement in their economic condition.

Toilet Facility: Almost all the beneficiaries used unhygienic toilet facilities before participating in the CFPR programme. By the end of the programme about 85% of them had hygienic toilet facilities. This change was probably due the income generated by the programme and also the awareness created by its initiatives.

Cash Savings: In 2002, all the selected households had no cash savings at all. By 2009 the households showed some financial savings. It appears the programme helped them to develop cash saving behaviour which increased in all the cases. They started saving some cash just after they joined the programme, as saving was compulsory. The beneficiaries had to deposit some amount and started saving cash at the local area offices. Due to this compulsory saving rule, the participants had some savings at the end of the CFPR programme.

Asset Holdings: Comparison of the asset holdings of the participants between pre and post CFPR programme participation showed an increase in the ownership of cow and poultry. Between 2002 and 2009 the cow ownership increased from 5% to 75%. The poultry and goat ownership also increased from 40% to 80%. CFPR programme was designed to reduce poverty among its ultra poor beneficiaries by transferring assets. The assets were mainly poultry and live stock. The beneficiaries were provided some training which enabled them to develop skills in poultry and animal rearing. This system of asset transfer along with training helped the participants to develop micro enterprises for income generation.

Self Perception on Poverty: When the perception on the poverty status among the participants was explored in 2009, 67% believed that their economic status has improved; 23.48% believed that their poverty status is as same as in 2002; and 9.52% mentioned that their poverty level has increased. These measures indicate that the programme had significant impact on reducing poverty among majority of the participants.

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Ability to Manage Crisis: The members were asked about the change in their ability to manage crisis by 2009. Of the total participants, 57% said that they have achieved the ability of managing short term crisis such as death of poultry or livestock, theft, and destruction of their house by storms (to some extent). Only 10% of the participants said that they did not gain ability to face and manage crisis. This data matched with that of income improvement, which suggests that the improvement in their income made the participants more confidant towards crisis management.

Self Confidence on Enterprise Development: The beneficiaries were asked specific questions to measure their self confidence as entrepreneurs. Among all participants 58.3% were confident that they can run the existing business properly, 45.9% were confident of expanding the existing business, and only 34.6% were confident of creating and running a new business. These responses indicated that the beneficiaries have seen significant improvement in their livelihood and became increasingly confident about their existing business. It appears the training provided by the programme and their experience as participants helped them to develop this confidence. Relatively small percentage of respondents showing confidence in developing a new enterprise may be due to lack of training and experience in starting new business.

Future Planning of Income Generating Activities: In 2009, that is, 2 years after completion of the programme, 65% of the beneficiaries have set out clearly their future planning for income generating activities such as buying some land for growing vegetables, increasing the size of their poultry and livestock, buying a rickshaw for one of the male members of the family, and starting a small/micro business such as sewing traditional garments. It appears that the future planning of the beneficiaries was related with their income improvement, cash savings and self confidence. The data showed that the percentage of members having a future plan matches closely with that of improved income group and improved confidence group.

The trajectories of socio economic changes (both positive and negative) experienced by the participants over a 7 year period, that is, between 2002 (starting of the CFPR programme) and 2009, were explored through oral history accounts. Individual interviews and detailed oral historic accounts were gathered from 8 cases out of total 21 beneficiary households surveyed. These accounts generated qualitative information that indicated the reasons why the changes were different among the participating households. That is, they highlighted the key factors that contributed to successful outcomes or failure to produce significant change in the livelihood of participant households. These are illuminated by Figures 3 and 4.

The factors such as **proper planning, strong motivation and hard work** were found to be the main factors for improving the economic conditions of the household and to achieve success, apart from keen **Interest in occupation** (selected enterprise). Furthermore, **harmony in the family** is another important factor which came out in the oral accounts that could determine the success or failure. That is, good cooperation among family members of the participant household in maintaining the asset provided resulted in success, while lack of cooperation among family members or presence of a sick family member or partner could lead to failure in achieving any positive improvement in the economic conditions of the participant household.

Figure 3: Trajectory of the Success Cases

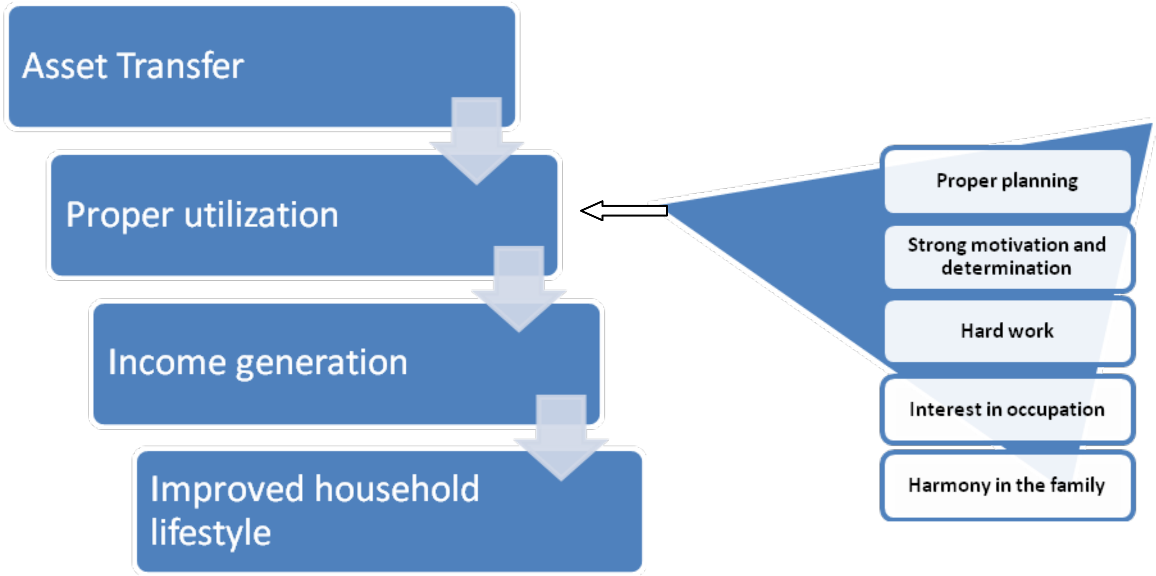
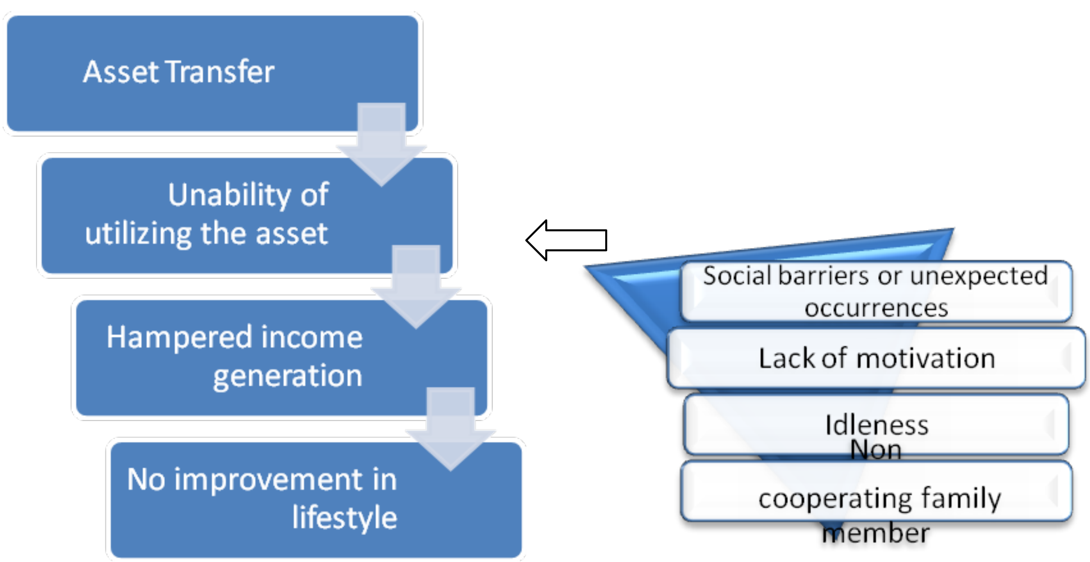


Figure 4: Trajectory of Failure Cases



Social barriers or unexpected occurrences in the household could become obstacles for success but they could be overcome by **determination, integrity and labour/ hard work.** To some extent social barriers can lead to failure of a micro finance beneficiary, even when he/she works hard. Accounts of all the success cases highlighted how the role of hard work and planning of the beneficiary played an important role.

7. Conclusions

This study set out to examine the CFPR programme of BRAC that aimed to contribute towards poverty reduction through micro financing of small enterprise development in Bangladesh. The programme employed a different approach of micro financing where asset was transferred rather than cash. The programme ran for five years, from 2002 to 2007. Previous studies have compared the participant households of CFPR programme with the households which were part of the programme and concluded that there was significant improvement in the life of most of the beneficiaries of CFPR. However, they failed to analyse why some households of CFPR programme did not experience significant socio-economic improvement while the others have witnessed such improvement. They also paid little attention on the pathways of changes that took place among the member households of the programme. Therefore, this study mainly focused on two aspects: (i) the impact of special approach of micro financing through asset transfer instead of cash on reducing poverty; (ii) the factors that contributed to positive impact or little or no impact on the economic conditions of the participating households, that is, the differences in experiences of the successful and no so successful households that participated in the CFPR micro financing programme.

First, we explored how effective the CFPR programme was as a tool of reducing poverty in the participant households by employing the following indicators to analyse the data gathered from 21 sample households: income change, occupation change, child labour, food security, housing condition, toilet facility, cash savings, asset holdings, self perception on food security, self perception on poverty, ability to manage crisis, self confidence on enterprise development, and future planning of income generating activities. We found that nearly in all indicators there have been significant improvements among the sample CFPR participant households. The income data for more than half the participants indicated a high rate of sustainable and improved income. It was also noticeable that child labour in the households was reduced and some specific small enterprise management became the alternative income source (e.g. poultry rearing, working in own agriculture land). According to the food security data all the households which previously had a deficiency in food consumption experienced improvements in their conditions, and more than half of the participants did not experience any deficiency of food after the programme participation. Major improvements were observed in usage of hygienic toilet and the housing condition. The asset holdings registered significant improvement and all the members had some cash savings after participating in CFPR programme. More than half the selected participants gained the ability to manage a short term crisis, which indicated significant improvement in the livelihood of the beneficiaries and also a sign of poverty reduction. Furthermore, the programme to some extent also helped to build their self confidence as entrepreneurs and enabled them to plan for the future. The overall findings from our survey data showed that the special approach of micro financing by the CFPR programme (asses transfer instead of cash) has proved largely effective as a tool for poverty reduction.

The oral historic accounts gathered from 8 households about the pathway of socio-economic changes in their livelihood from 2002 to 2009 revealed the factors that contributed to either success or failure of the beneficiaries. The success cases demonstrated that hard work, strong motivation, proper asset management, and appropriate planning were the main factors behind their success. They experienced significant improvement in their economic conditions. It was clear that the type of enterprise should be chosen according to the interest of the person who is going to run the enterprise. Harmony within the family members is also another factor for achieving improved change in quality of life and economic success. In was also found that, to some extent, social barriers can also contribute to failures of micro finance beneficiaries, even when they work hard and are highly motivated. Social obstacles could be overcome by strong determination, integrity and hard work of the beneficiary.

From these findings, following conclusions can be drawn. By transferring assets rather than cash micro financing programmes can help to increase the income, food consumption, housing condition, cash savings and asset holdings of the beneficiaries. By training the beneficiaries before asset transfer and enabling them to manage the assets with continued support during post-asset transfer period and helping them to generate some income, the beneficiaries' confidence as entrepreneurs can be developed. The empirical evidence from the study suggests that if there was an option that only those participants who could prove themselves as promising entrepreneurs would receive micro financing support, then the rate of success cases would have increased. It is possible to determine the working capacity, interest in the selected enterprise and planning ability of the potential beneficiaries through systematic and strong monitoring during the training period. This does not mean that the weak and unsuccessful members identified during the training period should be excluded from micro financing programme. If they are excluded this segment of ultra poor will be totally deprived from the opportunity to improve their economic condition by accessing micro financing. Rather it is recommended that this group is identified and separated during the training period and provided with more awareness, motivation and focused training. This may help them to understand their short comings and help them to build up their confidence level and become entrepreneurs.

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