

**RURAL DEVELOPMENT AND MICROCREDIT:  
A COMPARATIVE STUDY OF CONVENTIONAL MICROCREDIT  
AND ISLAMIC SHARIAH BASED MICROCREDIT**

By

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# CERTIFICATE

The thesis titled "RURAL DEVELOPMENT AND MICROCREDIT: A COMPARATIVE STUDY OF CONVENTIONAL MICROCREDIT AND ISLAMIC SHARIAH BASED MICROCREDIT" submitted by Md. Rafiqul Islam, Roll No. 040415027F, Session: April 2004 has been accepted as satisfactory in partial fulfillment of the requirement of the Degree of Master of Urban and Regional Planning (MURP) on July 2009.

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It is hereby declared that this thesis or any part of it has not been submitted elsewhere for the award of any Degree or Diploma.

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Md. Rafiqul Islam

**Dedicated**  
**To**  
**My**  
**Parents**

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## **ABSTRACT**

The study entitled, "RURAL DEVELOPMENT AND MICROCREDIT: A COMPARATIVE STUDY OF CONVENTIONAL MICROCREDIT AND ISLAMIC SHARIAH BASED MICROCREDIT" was conducted on three villages namely Sukhati of Newashi Union, Boromani of Bamondanga Union and Shapkhoa of Raigonj Union of Nageswari Upazila, Kurigram. Data were collected through structured questionnaires and Focus Group Discussion (FGD) to identify the qualitative as well as quantitative changes of rural development indicators such as economic, human resource and living environment related parameters of the microcredit beneficiaries as well as non-beneficiaries. The major concern of this study includes the analytical description of impact analysis of conventional and shariah based microcredit on rural development indicators. Thus this study furnishes a wealth of information of the beneficiaries and non-beneficiaries about land and livestock ownership, ownership of other assets, income and savings, housing, education, occupation, family planning, source of drinking water and sanitary latrine. In fact, this comparative study explores the impact of conventional as well as Islamic shariah based microcredit on the rural development indicators of the selected three villages of Nageswari Upazila in Kurigram District.

This study reveals that both conventional and Islamic shariah based microcredit have positive impacts on the rural development indicators. This programme has increased the land ownership, income and savings, housing quality, awareness regarding education and family planning, safe drinking water and uses of sanitary latrine. In fact, there has been an exaggeration of impact of conventional microcredit programme on rural development in Bangladesh.

## **List of Abbreviations**

AB	= After Borrowing
ADB	= Asian Development Bank
AMWAB	= Association of Muslim Welfare Agencies in Bangladesh
ASA	= Association for Social Advancement
BARD	= Bangladesh Rural Development Academy
BB	= Before Borrowing
BRAC	= Bangladesh Rural Advancement Committee
BUET	= Bangladesh University of Engineering and Technology
C.I.	= Corrugated Iron
FGD	= Focus Group Discussion
Govt.	= Government
HPSM	= Hire Purchase under Shirkatul Meelk.
i.e.	= That is
IFAD	= International Fund for Agricultural Development
MACCA	= Bangladesh Masjid Council for Community Advancement
MB	= Microcredit Beneficiaries
MO	= Microcredit Organization
NGO	= Non-Government Organization
No.	= Number
RDRS	= Rangpur Dinajpur Rural Soccity
Sq.	= Square
TMSS	= Thengamara Mahila Sabuj Sangha

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### **1.1 Background and present state of the problem:**

Bangladesh is a developing country with nearly 70 percent of the people living in rural areas. Without proper development of our rural areas, we cannot achieve meaningful development of our country. Several programs were undertaken by Government and Non-Government Organizations (NGO) to develop the rural areas. Microcredit is one of the programs introduced by Akhter Hamid Khan in 1959 through establishment of Bangladesh Rural Development Academy (BARD) in Comilla. After Liberation War, microcredit program was continued to alleviate poverty. There are two types of microcredit organizations; one is conventional interest based microcredit and another is interest free Islamic Shariah based microcredit. At present, there are about 1,223 local and 147 foreign NGOs (ADB, NGO Affairs Bureau, 2000) in Bangladesh. Among those 720 NGOs BRAC, ASA, PROSHIKA, TMSS, RDRS etc. are continuing conventional interest based microcredit program in the country. They have about 1,46,43,453 (Islam, N, 2005) male and female beneficiaries in the country. On the other side, there are about 320 Islamic Shariah based NGOs (AMWAB, 2007) including local and foreign NGOs. Among those about 266 NGOs such as Muslim Aid, Bangladesh, Masjid Council for Community Advancement (MACCA), Al-Fallah Aam Unnayan Sangstha, Rescue etc. are continuing Islamic Shariah based microcredit programs with the help of local and foreign donors. It is a completely new dimension in microcredit system in our country. In Islamic Shariah based microcredit programs funds come from *Zakah, Sadakah, Fitrah* of rich men and various organizations of Muslim world. Investment disbursed under Islamic Shariah based microcredit is termed as Bai-Muajjal, Musharaka, Mudaraba, Bai-Salam, Bai-Istishna, Hire Purchase, Hire Purchase under Shirkatul Meelk (HPSM) etc. This study will focus on the impact of both conventional and Islamic Shariah based microcredit on three

main indicators of rural development: **Economic Indicators** including ownership of land, ownership of livestock, income and housing; **Human Resource Indicators** including education and occupation and **Living Environment Related Indicators** such as use of sanitary latrine and drinking water.

## **1.2 Objectives and possible outcome:**

### **Objectives of the study:**

- To find out the difference between conventional microcredit and Islamic Shariah based microcredit systems.
- To compare the effectiveness of conventional and Islamic Shariah based microcredit in rural development.
- To find out the problems and prospects of both conventional and Islamic Shariah based microcredit in rural development.

### **Possible outcomes of the study:**

It is expected that the result of this study will be able to determine the strength and weakness of the conventional and Islamic Shariah based microcredit on ownership of land, income, expenditure, housing, possession of household assets, education, occupation, health, safe drinking water and using sanitary latrine etc. which are the main indicators of rural development. This study is also expected to identify the problems and prospects of both conventional and Islamic Shariah based microcredit organizations and will suggest some recommendations to overcome these problems to make effective contribution forwards rural development. Finally, the outcomes of this study will help the policy makers to identify the rural development indicators for effective and efficient policy and plan formulation.

### **1.3 Outline of Methodology/Experimental Design:**

The following methodology was followed to fulfill the objectives of the study:

#### **1.3.1 Selection of Study Area:**

The study was conducted in Nageswari Upazila of Kurigram District. This Upazila is situated in northern part of Bangladesh. Nageshwari Upazila with an area of 415.80 sq km is bounded by Bhurungamari upazila and West Bengal of India on the north, Kurigram Sadar upazila on the south, Asam State of India on the east and Phulbari Upazila on the west. Three villages of this Upazila were selected for study purposes one of which having conventional microcredit beneficiaries only (along with non-beneficiaries); one having Shariah based microcredit beneficiaries only (along with non-beneficiaries) and one having no beneficiaries, that is, having no microcredit activities in the village. These villages are similar in socio-economic characteristics.

#### **1.3.2 Selection of Rural Development Indicators:**

In this study, a variety of indicators are used in assessing the impacts of microcredit program on rural development. For this purpose, various indicators are used in this study. These indicators are categorized as under:

##### **a. Economic Indicators:**

- i. Ownership of land: Average amount of land, land category and causes of change in land ownership.
- ii. Ownership of livestock: Average number of cows, goats, hens and ducks and causes of change in livestock possession.
- iii. Ownership of household assets: Average number of furniture, tube-well, rickshaw, petty shop and other household assets.



- iv. Income: Average monthly income, impact of level of education, occupation, amount of land and number of livestock on monthly income and average monthly savings.
- v. Housing: Average number of rooms, roofing materials, wall and floor materials.

**b. Human Resource Indicators:**

- i. Education: Level of education, adult education and by whose influence the beneficiaries and non-beneficiaries send their children to school.
- ii. Occupation: Occupations of beneficiaries and non-beneficiaries.
- iii. Family planning: Person(s)/media/organizations who informed about family planning method.

**c. Living-Environment Related Indicators**

- i. Sanitary latrine: Average number of users of a water source and owners of the drinking water source.
- ii. Drinking water: Average number of users of a latrine, owners of the sanitary latrine and providers of sanitary latrine.

**1.3.3 Sampling:**

A cross section of microcredit organizations and beneficiaries was selected for questionnaire survey. The whole selection process was conducted based on mainly random sampling. For villages with conventional and Shariah based microcredit activities 30 beneficiaries and 30 non-beneficiaries (from each village) and 30 non-beneficiaries were selected from village with no microcredit activities for questionnaires survey with the view to achieve the goal of the study. Among the microcredit organizations, 10 (ten) microcredit organizations were selected for sample survey. Among these 5 were local and other 5 were national microcredit organizations. Organizations that have been

providing microcredit and beneficiaries who have been availing microcredit since last 5 years were selected for questionnaire survey.

#### **1.3.4 Data Collection**

Primary data is of prime importance for successful completion of the study. For conducting the study efficiently and conveniently, the primary data collection process was divided into three major parts:

- ❖ Field survey
- ❖ Questionnaires survey
- ❖ Focus Group Discussion

##### **1.3.4.1 Field survey**

A detailed field survey was conducted to identify the rural development activities implemented by the beneficiaries of both conventional and Islamic Shariah based microcredit in the study area. These activities are grouped under broad categories of economical, human resource development and living-environmental related activities.

##### **1.3.4.2 Questionnaire Survey**

Questionnaire survey was conducted to have a clear opinion of the respondents regarding the rural development activities of the study area. Three types of questionnaire survey were performed to collect the useful data for the smooth operation of the study. These three types of questionnaire survey are:

- a) Questionnaire for the microcredit organization
- b) Questionnaire for the beneficiaries of microcredit
- c) Questionnaire for the non-beneficiaries of microcredit

### **Preparation of Questionnaire**

At first a draft questionnaire was prepared for microcredit beneficiaries, non-microcredit beneficiaries and microcredit organizations. A few microcredit beneficiaries, non-beneficiaries and microcredit organizations were selected for preliminary survey to pre-test the questionnaire. Depending on the feedback from the selected respondents, final questionnaire was prepared incorporating the information obtained from the preliminary interview.

### **Questionnaire for the microcredit organizations**

A detailed questionnaire was prepared for the microcredit organizations to gather a complete view about the conventional and Islamic Shariah based microcredit systems. Through the questionnaire the microcredit organizations were asked about sources of funds, mode of financing, funds transfer, deductions of installment at inception of contract, target group, objective of targeting, liability of the loan (when given to women), work incentive of employees, dealing with default, social development programs etc.

### **Questionnaire for the beneficiaries and non-beneficiaries of microcredit**

A separate questionnaire was prepared for the microcredit beneficiaries of both conventional and Islamic Shariah based microcredit to gain the comparative effectiveness and problems and prospects of these two types microcredit systems. The questionnaire was furnished with questions about economic indicators such as ownership of land (per capita land, land quality etc), income (monthly total income, per capita income, monthly savings etc), housing (roof and wall materials, floor space, number of room and number of occupants etc); human resource indicators such as education (literacy rate, adult literacy rate, level of education, type of education), occupation (major occupation, secondary occupation) and reproduction (number of children,

status of family planning procedures, awareness about excess children) and last of all living environment related indicators such as using sanitary latrine (type of latrine, number of users etc) and safe drinking water. Every microcredit beneficiaries was asked about these indicators considering prior and post status of entering into microcredit programs and non-beneficiaries were asked about indicators at present state and status 5-years ago.

#### **1.3.4.3 Focus Group Discussion**

Focus Group Discussions (FGD) were conducted among the group members of both conventional and Islamic Shariah based microcredit beneficiaries who were not selected as respondents for questionnaire survey of this study. FGDs were conducted in order to understand deeply their achievements and problems.

#### **1.4 Data Processing and Analysis**

The data obtained and collected by field survey, questionnaire survey and Focus Group Discussions was processed and analyzed by using MS-Word, MS-Excel, SPSS programs for preparation of the report and T-value was calculated to compare the condition of the beneficiaries before entering into microcredit and after taking the microcredit facilities.

#### **1.5 Limitations of study**

##### **Location of the study area**

The study is conducted in a small part of the country. All the findings therefore, are valid for the study area only and do not reflect the conditions of beneficiaries and non-beneficiaries of the country as a whole.

### **Sample size**

Fund, manpower and time are major limitations of the study. The data were collected by only one person within a restricted period of time. That is why data could not be collected to make the findings representative of the whole country. But care was taken to see that the sample data truly represent the population from which they were collected.

## **2.1 Background of the upazila**

Nageswari is the second largest upazila of Kurigram District in respect of its area and population. Nothing is definitely known about the origin of the name of upazila. It is learnt that in the past there was built a Hindu temple at the present place of the upazila headquarters. The temple was well known to all as Nageswar Temple. It is generally believed that the name of this upazila might have been originated its name from the name of this temple. (BBS 2005, Community Series: Kurigram)

## **2.2 Area and location of the upazila**

The upazial occupies an area of 415.80 sq.km including 26.53 sq.km riverine area. It is located between 25°59' and 26°13' north latitudes and between 89°35' and 89°52' east longitudes. The upazila is bounded by Bhurungamari upazila on the north, Kurigram Sadar upazila on the south, Asam State of India on the east and Phulbari Upazila on the west. (BBS (2005), Community Series: Kurigram)

## **2.3 Union, Mauza and Village of the upazila**

The upazila consists of one paurashava, 15 unions, 79 populated mauzas and 369 villages. The average population of each union, mauza and village are 21,489, 4,080 and 871 respectively. (BBS 2005, Community Series: Kurigram)

## **2.4 Characteristics of the study areas**

Three villages of three unions of the upazila were selected for the study. These villages were i) Shukhati, Ward No. 04 of Newashi Union, having only Islamic Shariah Based microcredit beneficiaries along with non-beneficiaries, ii) Boromani, Ward No. 01 of Bamondanga Union, having only Conventional microcredit beneficiaries along with non-beneficiaries and iii) Shapkhowa, Ward No. 01 of Raigong Union, having no microcredit beneficiaries i.e. no microcredit activities in this village. The distance from upazila headquarters

of these villages are about 3 km. A brief discussion about these villages are given below:

#### **2.4.1 Population and household:**

As per the source of respective union parishad, the village Sukhati has 2900 population, the village Boromani has 3055 population and the village Shapkhowa has 3180 population. Total number of household in Sukhati, Boromani and Shapkhowa is 483, 512 and 531 respectively. The average dwelling household size of these villages is 6.00.

#### **2.4.2 Source of drinking water:**

Tube well as a source of drinking water is predominant in the study area. Almost 100% of the households are using tube well water as drinking water.

#### **2.4.3 Sanitation:**

As per source of union parishad, in Sukhati about 80% households has latrine and among these 50% households have sanitary latrine. In Boromani, about 70% households have latrine with 52% having sanitary latrine. In Shapkhowa, about 60% households have latrines. About 48% of these households have sanitary latrines.

#### **2.4.4 Access to electricity**

Only a limited number of household of the study area has access to electricity. About 5% household of Sukhati, 4% of Boromani and 7% of Shapkhowa have access to electricity.

#### **2.4.5 Literacy:**

The literacy rate of the study area is higher than the other areas of the upazila. The literacy rate of Sukhati is about 60%, in Boromani about 70% and in Shapkhowa it is about 60%.

#### **2.4.6 Educational, healthcare and others institution:**

In Sukhati, there are one Govt. Primary School, one Semi-Govt. Primary School, one Ebtedayee Madrasha, one Satellite Clinic, one Post Office and six Mosques. In Boromani, there are one Govt. Primary School, one Semi-Govt. Primary School, one High School, one Ebtedayee Madrasha and three Mosques. In Shapkhowa, there are one Govt. Primary School, one High School, one Ebtedayee Madrasha, one Satellite Clinic and one Post Office.

#### **2.4.7 Sources of income:**

In the upazila, 76% households depend on agriculture as the main source of income with 44.71% depending on cropping, livestock and forestry, 1.01% on fishing and pisciculture and 30.33% on agricultural labour. Other sources of income are non-agricultural labour (3.59%), business and hawking (7.55%) regular employment (3.30%), transport and communication (2.32%) construction (0.59%). Others are engaged in small industry and weaving, religious service, rent, remittance etc. (BBS 2005, Community Series: Kurigram)



## Location Map

Location of the study area

### **3.1 Rural Development**

The aim of rural development is to bring about planned change towards the improvement of the economic and social lifestyle of the rural poor through increased production, equitable distribution of resources, and empowerment. In general, a planned change can be of two major kinds, rural institution building and advancement in technology. Although agricultural development constitutes a major part of it, rural development is a much broader process which aims at the development of the rural economy as a whole. In fact, it is a process that encompasses the entire gamut of technical, economic, political and social changes related to private and public efforts geared towards increasing the well being of rural citizens. (Amin, R (1997))

Specific targets of rural development in today's Bangladesh include the rural poor, especially the more disadvantaged groups of women and children. Rural development aims at building the capacity of these target groups to control their surrounding environment accompanied by wider distribution of benefits resulting from such control. The key elements of rural development in Bangladesh are: (a) poverty alleviation and raising the living standards of the rural poor; (b) equitable distribution of income and wealth; (c) wider employment opportunities; (d) participation of the local people in planning, decision-making, implementation process, benefit sharing, evaluation of rural development programmes, and (e) 'empowerment' or more economic and political power to the rural masses to control the use and distribution of scarce resources.

The government's current rural development policy's main emphasis is, as manifested in the latest perspective plan and other public documents, on employment oriented growth, greater citizen participation in development activities, greater cooperation between public and private sectors, specialized programmes for the disadvantaged groups such as rural poor women, ethnic minorities, children, and the elderly people. Alongside the public initiative,

the voluntary and private organisations, more popularly known as the non-governmental Organisations (NGO) cover a wide range of rural development activities including those oriented towards development of income and employment, health and sanitation, agriculture and rural craft, vocational education, relief and rehabilitation, family planning, mother and childcare. There are many NGOs in the country including 89 international ones. Many national NGOs were born out of the relief and rehabilitation activities during the early 1970s. One predominant approach to rural development by the NGOs involves poverty alleviation through rendering small scale credit to the purposively organized groups of rural poor and landless people, commonly coined as the 'microcredit model'. A number of NGOs have achieved national and international reputation through this approach, notably the Bangladesh Rural Advancement Committee (BRAC), Grameen Bank, Proshika Manobik Unnayan Kendra, and Rangpur-Dinajpur Rural Service.

### **3.2 Microcredit**

Microcredit refers to programs that are poverty focused and provide services to very poor persons for generation of self-employment and income. Credit is a powerful instrument to fight against poverty. The role of microcredit in reducing poverty is now well recognized all over the world. Government, donors, development agencies, banks, universities, consultants and others have increasing interest in it. The word "Microcredit" did not exist before the seventies. Now it has become a buzz-word among the development practitioners. With the beginning of Grameen Bank and other such programs microcredit obtained a new identity, a new meaning and a place in development literature. It is no more a concept and now it is a worldwide movement. But there is an ongoing debate whether credit alone or credit plus is needed for poverty reduction as well as rural development. There are views

that credit alone on its own is inadequate to fight against poverty. The need for other services is also important in this respect.

Nobody says that credit alone is cure for all. Most of the practitioners believe that credit plays a vital role as an instrument of intervention for a poor person to discover her potential and to stride for better living. Now, it is considered that credit is a human right. It empowers to break the vicious cycle of poverty by instantaneously creating self employment and generating income. Microcredit is itself a very powerful tool. But if it is combined with others, it is definitely more empowering.

Former UN Secretary General Kofi Annan comments, "Microcredit is a critical anti-poverty tool- a wise investment in human capital. When the poorest, especially women, receive credit, they become economic actors with power. Power to improve not only their own-lives but also in a widening circle of impact, the lives of their families, their communities and their nations." (TMSS, 2006)

According to Microcredit Summit, "Microcredit programs extend small loans to very poor people for self employment projects that generate income, allowing them to care for themselves and their families." (TMSS, 2006)

### **3.3 Grameen Bank**

Grameen Bank a specialized bank established in October 1983 as a body corporate under the Grameen Bank Ordinance 1983 for extending credit exclusively to the landless men and women of rural areas of the country. The Bangla word *grameen* means rural and the bank emerged out of a rural banking project that began in 1976 at Jobra village of Hathazari upazila of Chittagong district. The project was an experiment initiated by Dr. Muhammad Yunus, a former professor of Economics Department of the University of Chittagong. The principal objective of the Grameen Project (GP) was to develop an organizational structure which can provide collateral-free

credit to the landless people in a reasonably dependable form. The project also explored the potentiality of the poor to generate productive self-employment with marginal financial support at reasonable terms and conditions.

Encouraging results of the experiment inspired Prof. Younus to expand the project in more villages of Tangail and Chittagong districts in November 1979 and he was extended funding support from the Bangladesh Bank for the purpose. In 1982, it was further expanded to Dhaka, Rangpur and Patuakhali districts with the financial assistance from the International Fund for Agricultural Development (IFAD). By that time the project took the shape of a new type of banking for the poor and the banking units of the project were kept attached with the local branches of Bangladesh Krishi Bank and of the nationalized commercial banks. In September 1983, the government decided to transform the project into a specialized credit institution under the name Grameen Bank, formally inaugurated in October 1983 with an authorized capital of Tk 100 million divided into ordinary shares of Tk 100 each. The paid up capital of the bank was Tk 30 million, of which 40% was subscribed by its borrowers themselves and the rest by the government and government-owned financial institutions.

The main functions of Grameen Bank are to provide collateral-free credit facilities in cash or in kind to landless persons for various types of income-generating and livelihood activities. The bank also accepts money on deposit, borrows money (against its assets as the security, or otherwise) for the purpose of its business excluding business in foreign exchange transactions. It invests in government securities, provides professional counsel to landless persons regarding investment in small business and cottage industries, and carries out survey and research.

The bank runs its credit programmes with the philosophy that credit for self-employment is a fundamental human right. It takes credit to the doorsteps of

the poor instead of the conventional practice of clients coming to banks. The principle works as a powerful instrument in ensuring access of the poor to credit for providing them a chance to improve their economic condition. Through small loans amounting up to \$300, Grameen Bank enables the landless, illiterate rural women to start their own businesses and thereby gain some independence, self-sufficiency, self-respect and self-empowerment. Credit delivery mechanism and the mode of repayment of the loans have become a model in poverty alleviation efforts in Bangladesh, other developing countries, and in some developed countries such as the USA, Canada, Germany and France.

Grameen Bank gives loans to individuals or group. The member-borrower alone is responsible for his/her loan although there exists informal interlocking responsibility among the members of a group. The bank has a sixteen-point guideline for implementation of its credit delivery and the social development programmes. All members of the Grameen groups are to know and follow this guideline, which teaches them to follow and advance the principles of discipline, unity, courage and hard work. It instructs the Grameen beneficiaries to bring prosperity to their families, reconstruct and repair their own houses to avoid living in dilapidated houses, grow, eat and sell vegetables all the year round, plant trees, keep the families small, minimize expenditure and save more, look after their own health, educate their children, keep children and the environment pollution free, build and use pit-latrines, drink tube well water or boiled water, give up the practice of child marriage, avoid taking and paying dowry, refrain from doing any injustice on any one, undertake collective and bigger investments, follow the rule of mutual help, restore discipline in case of breach or violation by the fellow members, introduce physical exercise at all centers, and take part in all social activities collectively.

Sources of funds of the bank are share capital, general and other reserves, various special funds maintained and managed by the bank itself, deposits and balance of other funds, borrowing from banks and other foreign institutions etc. Grameen Bank also raises funds by issuing bonds and debentures under guarantee of the government of Bangladesh and the rate of interest for these varies between 4% and 10%.

Grameen Bank is praised for success in its mission of alleviating poverty. Its success is attributed to employment creation and income generation through its extensive credit programmes for the landless rural poor of both genders. The special features of the institution are its high loan recovery rate, organization of its members into groups exercising peer pressure in loan repayment and proper utilization of the loans, close supervision by the bank's field staff, organized advisory services to the clients, and empowerment of the poor, especially the poor rural women by involving them in self-employment and income-generating activities. (Hashemi, S. M. (1997))

### **3.4 RDRS**

RDRS (Rangpur-Dinajpur Rural Society) set up by Lutheran World Federation in 1971 to help in the rehabilitation of refugees returning home after the war of liberation. Later, the operations of RDRS were shifted from refugee and infrastructural rehabilitation to general development. In 1976, it organized its work into a sectoral development programme. The sectors were construction, agriculture, health, community and women's development, economic activities, and emergency work. In 1988, RDRS brought all its activities (excepting leprosy and mother and child health projects of its Community Health Units) under two umbrellas. The first was the Comprehensive Project, which stressed social, economic and educational advancement through awareness building, literacy and skills' training and Microcredit for income generating activities, both off and on the farm. The



second umbrella was the Rural Works Project that covered physical infrastructure and the environment. Working towards the latter, RDRS developed roadside and homestead tree plantation schemes, which significantly changed the desolate and bare landscape. For greening the northwest, RDRS won many awards.

Alongside its core development project and experimental bilateral projects, RDRS stands ready to respond to emergencies and disasters in its working area and elsewhere. In 1988, RDRS spread its activities into the isolated sandbars of the river Brahmaputra. The *Char* (alluvium) Development Project remains one of RDRS success stories.

The organisation began its work in the remote and physically isolated northwestern corner of the country. Since inception, it has worked extensively and intensively in the very poor and backward rural areas of the Rangpur and Dinajpur districts. The region remained ignored by the commercial hub and political centres of the big cities and was highly underdeveloped. RDRS programmes put a greater emphasis on improving education for children and adults, creating awareness on primary healthcare and decreasing infant and maternal mortality rates, raising awareness of social issues, introducing the idea of women's development, and backing up increased credit provision with relevant skills' training.

In 2001, RDRS worked in 29 upazilas of Rangpur and Dinajpur zones covering 15 upazilas of the districts of Panchagarh, Thakurgaon, Nilphamari and Pirganj and 14 upazilas of Lalmonirhat and Kurigram districts and the char (alluvium) areas of Nageswari. The head office of RDRS is located in Dhaka but the main field headquarters are in Rangpur town. RDRS facilitates the rural poor and their organizations to build their capacity and confidence to advance empowerment and promote opportunities, awareness and access to development resources. It promotes partnership with the organized poor

and other civil society actors to advocate for greater justice and opportunity for the disempowered and to advance their self-reliant development.

The distinctive characteristics of RDRS and its approach include intensive geographic focus and concentration, integrated and multidisciplinary programmes, relatively participatory management style and shared responsibility, experience and continuing capacity to learn, and to adapt and building sustainable peoples' institutions of, by and for the rural poor. The RDRS programmes focus on grassroots involvement through incorporating members of disadvantaged households (landless and marginal farmers) into 15-20 member primary groups. RDRS defines a disadvantaged household as one owning less than 1.5 acres of land or one whose earning members are forced to sell labour for more than 90 days per year for sustaining the family. Only one adult member aged 18- 45 from each defined disadvantaged household may become a member of RDRS groups.

Types of interventions by RDRS in their development efforts include institution building, creating social awareness, economic promotion and civic engagement. Micro finance is also a component of the organisation's programmes but RDRS considers that micro finance is a means to an end, just one tool for development, and not an end in itself. RDRS decided that it would separate micro-finance from its social and environmental sectors. RDRS also opted to alter its approach to social mobilization. The focus in the past had been on developing the 'poorest of the poor' at the grassroots. But this had not proved cost-effective, especially as it required an extensive network of field workers. Under a new strategy, RDRS focuses on the community level for discussion and works on all social, educational and health issues to create a greater impact on the community as a whole, not just on RDRS beneficiaries.

RDRS operates with an estimated annual budget of \$7.5 million and its programme coverage is approximately 1.5 million beneficiaries (63% women) of about 300,000 households.

### **3.5 BRAC**

BRAC (Bangladesh Rural Advancement Committee) a Non-Government Organisation set up in 1972 by its founder executive director Fazle Hasan Abed in Habiganj district. BRAC initially provided relief and rehabilitation assistance to REFUGEES returning from India after the War of Liberation. Later, BRAC turned its focus on the long-term issue of poverty alleviation and empowerment of the poor in rural areas of the country. At present, BRAC promotes income generation for the poor, mostly landless rural people through microcredit and programmes on healthcare, literacy, and education and training.

BRAC is now a multi-faceted organisation with over 27,000 regular staff and 34,000 part-time teachers working in 60,000 villages in all 64 districts of Bangladesh. The BRAC Development Programme has so far (2003) organised over 3.85 million landless poor, mostly women, into 113756 village organisations (VOs), each having 35-40 members. VOs serve as forums, where the poor can collectively address the key structural impediments to their development. These are also key institutions for the delivery of financial services to the poor. BRAC's credit programme was initiated in 1974. Until December 2002, it disbursed Tk 86.61billion (\$1.8 billion) among VO members to develop their income generation capacities. Members are also encouraged to save regularly. The savings deposited with BRAC stood at Tk 4.98 billion (\$86 million) in 2000. BRAC believes that microcredit is an important tool in breaking the cycle of poverty. But it also gives emphasis to training of its members in livelihood trades and income generating activities and in facilitating their linkages with consumer markets. BRAC's social development

initiatives are designed to increase members' awareness of their rights and responsibilities and to facilitate ways of tackling discrimination in their villages and their region.

At inception in 1972, BRAC had an annual budget of Tk 3 million (\$247,000). The whole of this fund was supplied by the donors. In contrast, the projected budget for BRAC for the year 2002 was Tk 9.42 billion (\$166 million) and the donor contribution accounted for about 21% of the amount.

### **3.6 Thengamara Mahila Sabuj Sangha (TMSS)**

Thengamara Mahila Sabuj Sangha (TMSS) an NGO, has been developed from a tiny beggars' organisation to one of the largest women NGOs in Bangladesh. Its objective is to promote emancipation of the ill-fated and neglected women through removing their poverty, illiteracy, ignorance, and religious and social superstitions and prejudices. It was initially formed in 1964 by a group of beggar women led by Fatema Bewa and Jomela Bewa, two regular beggars of the village Thengamara in the district of Bogra. In addition to begging, Fatema Bewa used to render domestic services to Abdul Mazid, the local social welfare officer, who convinced her to give up begging. She organised the beggars of the locality and started to regularly save a 'handful of rice' out of what they begged from door to door. The saved rice was sold in the market and the sale proceeds were accumulated to make a common fund. To collect the savings the beggars formed several groups, each containing 10 to 20 of them. The members of these groups developed a practice of meeting together, when their husbands were away, to discuss their affairs. The news about their activities spread over the surrounding localities. Soon after the liberation of Bangladesh, 14 such women groups were formed in 6 villages.

Initially, the members of these groups used to deposit their collection with someone reliable and trustworthy. Soon they found a leader Professor Hosne-Ara Begum of Bogra Mahila College to organize them. A 21-member

committee was formed for managing the organization consisting of 226 general members. They collected about 8 tons of rice. Gradually, they registered their groups as a non-government organization devoted to the development of the poor and distressed women. Under the leadership of Professor Hosne-Ara Begum, it became one of the largest women NGOs in Bangladesh within a short period of time. At present, the size of its operational annual budget is Tk 1,224 million.

TMSS desires to be strongly values-driven. Belief in human potential, peace and harmony guide its activities. Respect for women and their participation at all levels of organizational decision-making shape its all activities. It practices participatory decision-making at all levels and maintains accountability with transparency. Non-patriarchal, secular and non-partisan behavior constitutes the basic principles of the organization. TMSS opens itself to progressive thoughts and innovations and believes in self-sufficiency with environmental soundness. It is registered and affiliated with many organizations at home and abroad.

TMSS is involved in various activities such as training, empowerment of women, institution building, human resource development, environment development, human rights establishment, entrepreneurship development, education, health and family planning, gender relation and development, agriculture, fisheries and forestry, democratisation for strengthening the poor and rural development. (TMSS, 2006)

### **3.7 ASA**

ASA (Association for Social Advancement) formed as a non-government organization in early 1978 by a few development workers led by Shafiqul Haque Choudhury, the founder Managing Director. The formation of ASA was the outcome of efforts to create an alternative type of organization for the

benefit of the poor in the belief that the existing top-down development approach was not benefiting those who really needed development.

ASA started as a development NGO through a trial and error method and with close contact with grassroots people and with a relatively radical action agenda. Since 1978, ASA has crossed three basic phases, the foundation phase (1978-84), the reformation phase (1985-1991) and the specialization phase (from 1992 to till date). During the foundation phase, ASA's interventions were to empower the powerless through conscientisation for social action, legal aid, awareness build-up, rural journalists' development, communication support services and training programme for the poor. The reformation phase included development education for empowerment, credit programme for income generation, mini-irrigation programmes for landless and marginal farmers, women's development, health programmes and training programmes. ASA believes that if an organization implements several types of programmes, the development process slows down and the results are unimpressive. Specialization is the only solution to cover the huge number of poor people within a short time. ASA now specializes in micro-finance programmes and is committed to empowering landless and disadvantaged poor villagers, especially women in both urban and rural areas through promoting income generating activities. ASA motivates grass roots poor people to establish a decision-making system in their family and society, organizes the poor in groups, conducts awareness development campaigns and helps the poor to identify various issues relating to the violation of human rights.

ASA is basically a two-tier organization and has its central office in Dhaka and branch offices in operation areas. In between the branches and the central office, ASA has two mid-level field supervisory positions. They are the area manager and the divisional manager. The branch office is the basic element of the organisation at the field level for the formation of groups, collection of

savings, loan disbursement, and repayment. Each branch has one branch manager and 4 credit officers. One credit officer is responsible for 18 groups, each composed of about 20 members. A mature area consists of 5 branches and a division consists of about 35 branches. ASA has a relatively small central office with about 80 staff including support personnel in Dhaka headed by a Managing Director, who is assisted by four general managers, each having two to three associates ranked deputy or assistant general managers.

The present sources of ASA's micro finance funding in operation are the institution's own funds, members' savings, loans from PKSF, loans and grants from donors and other contributions. ASA does not receive any donor fund since 2001. Up to 31 December 2000, ASA accumulated a total of Tk 5,551.24 million which comprised members' savings 1,607.27 million, PKSF 1,600.00 million, Donors' grant 797.91 million, CORDAID loan 22.09 million, ASA's own 884.8 million and others 639.17 million.

The activities of ASA now cover all 64 districts and the programmes are implemented in 26,400 villages of 4,700 unions of 404 upazilas. It operates through 953 branches and plans to form 97 new branches by December 2001. Up to April 2001, ASA had 1.3 million members and 1.2 million borrowers. The expenditure budget of the organisation in 2001 was Taka 1.2 billion.

### **3.8 Muslim Aid Bangladesh**

Muslim Aid Bangladesh originally started as a relief agency in 1991. A few years later it took over as development organization aiming to tackle the root causes of poverty. This change in strategy brought some natural changes in its programme schedule. Now, Microcredit occupies a major share of its total involvement.

Muslim Aid's microcredit programme emphasizes organization formation. Beneficiaries coming under the fold of Muslim Aid organize themselves into

groups. The members sit together regularly and take part in many capacity building and awareness promotional programmes. Muslim Aid offers small interest free credit to its group members to undertake income generating initiatives. The credit does not require any individual guarantee but the group is expected to oversee and monitor its member's repayment performance. Group recommendation is necessary to receive credit. At early stage (1993-2003) of the microcredit programme the method of credit was Bai-Muajjal investment. Later on from 2004 to 2007 the credit programme was Quard-E-Hasana that is without any charge. At present, the programme is running with 7.50% service charges to cover their administrative and establishment cost only.

### **3.9 Instruments of Islamic Financing**

#### **Mudaraba**

"Mudarabah" is a special kind of partnership where one partner gives money to another for investing it in a commercial enterprise. The investment comes from the first partner who is called "rabb-ul-mal", while the management and work is an exclusive responsibility of the other, who is called "mudarib". (Usmani, A T (2003))

#### **Murabaha**

'Murabahah' is a specific kind of sale where the commodities are sold on a cost-plus basis. This kind of sale has been adopted by the contemporary Islamic banks and financial institutions as a mode of financing. They purchase the commodity for the benefit of their clients, then sell it to them on the basis of deferred payment at an agreed margin of profit added to the cost. If a fund is created to undertake this kind of sale, it should be a closed-end fund and its units cannot be negotiable in a secondary market. (Usmani, A T (2003))



### **Musharaka**

'Musharakah' is a word of Arabic origin which literally means sharing. In the context of business and trade it means a joint enterprise in which all the partners share the profit or loss of the joint venture. It is an ideal alternative for the interest-based financing with far reaching effects on both production and distribution. In the modern capitalist economy, interest is the sole instrument indiscriminately used in financing of every type. Since Islam has prohibited interest, this instrument cannot be used for providing funds of any kind.

'Interest' predetermines a fixed rate of return on a loan advanced by the financier irrespective of the profit earned or loss suffered by the debtor, while Musharakah does not envisage a fixed rate of return. Rather, the return in Musharakah is based on the actual profit earned by the joint venture. The financier in an interest-bearing loan cannot suffer loss while the financier in Musharakah can suffer loss, if the joint venture fails to produce fruits. Islam has termed interest as an unjust instrument of financing because it results in injustice either to the creditor or to the debtor. If the debtor suffers a loss, it is unjust on the part of the creditor to claim a fixed rate of return; and if the debtor earns a very high rate of profit, it is injustice to the creditor to give him only a small proportion of the profit leaving the rest for the debtor.

(Usmani, A T (2003))

### **Qard**

A Qard is a loan, free of profit. The bank/financial institution uses this arrangement for its current accounts. In essence, it means that the customer's current account is a loan to the bank, which is used by the bank for investment and other purposes. Obviously it has to be paid back to the customer, in full, on demand. (Usmani, A T (2003))

### **Ijara**

Ijara is a form of leasing. It involves a contract where the bank/financial institution buys and then leases an item – perhaps a consumer durable, for example – to a customer for a specified rental over a specific period. The duration of the lease, as well as the basis for rental, are set and agreed in advance. The bank/financial institution retains ownership of the item throughout the arrangement and takes back the item at the end.

(Usmani, A T (2003))

### **Ijara-wa-Iktana**

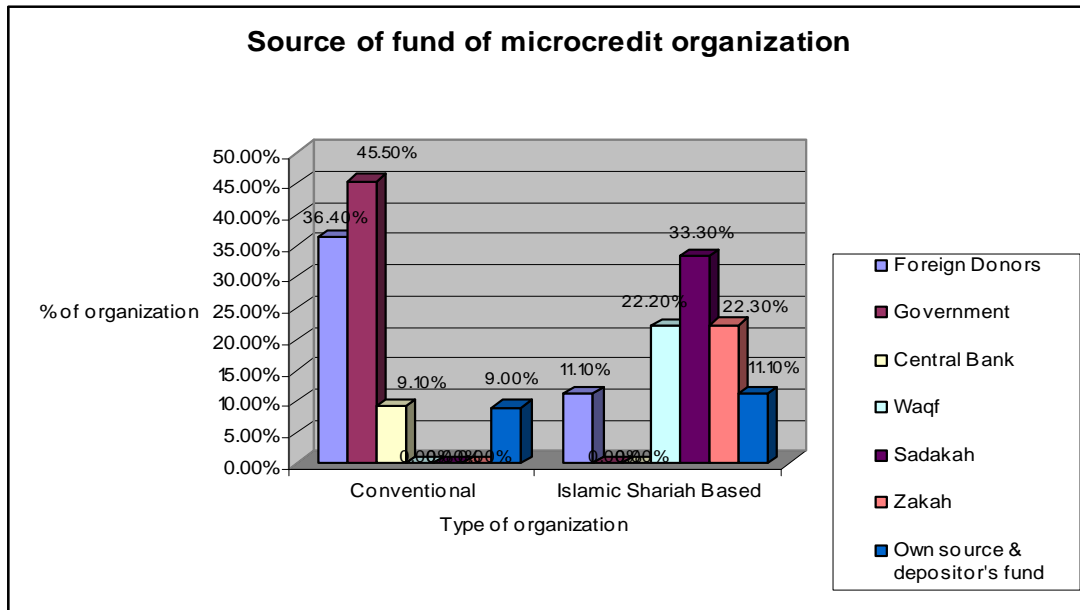
Ijara-wa-iktana is similar to Ijara, except that included in the contract is a promise from the customer to buy the equipment at the end of the lease period, at a pre-agreed price. Rentals paid during the period of the lease constitute part of the purchase price. Often, as a result, the final sale will be for a token sum. (Usmani, A T (2003))

Initiatives for Islamic Shariah Based Microcredit and Conventional Microcredit started concurrently in the mid-1970s. Given the newness of Islamic Shariah Based Microcredit, researchers and practitioners have, until recently, overlooked issues related to Islamic Shariah Based Microcredit. The innovative operational format of microcredit suits the poor, whose lack of physical collateral disqualifies them to borrow from traditional commercial banks. Group based microcredit borrowing acts as social collateral and lessens the asymmetric information problem that exists in financial intermediation (Ahmad, A. (1993)). Islamic Shariah Based Microcredit can retain this innovative format of operation of Conventional Microcredit and orient the program towards Islamic principles and values. Though the basic format of Islamic Shariah Based Microcredit will be similar to that of its conventional counterpart, there will be certain qualitative differences among them. The nature of Islamic Shariah Based Microcredit and their differences from Conventional Microcredit are discussed below:

#### **4.1 Sources of Funds**

Other than being interest-free, Islamic Shariah Based Microcredit would differ from Conventional Microcredit in several important ways. On the liability side, the sources of funds of Conventional Microcredit come mainly from foreign donors (both multilateral and national agencies), government and the central bank. Islamic Shariah Based Microcredit, in addition, can get funds from religious institutions of *waqf* and other forms of charities. The institution of *waqf* originated during the time of the Prophet (peace be upon him) and entails the use of cash, land, real estate for charitable purposes. There are certain conditions governing *waqf*, but the objective is to serve the poor and the community. The presence of *waqf* and charities on the liability side of Islamic Shariah Based Microcredit is compatible with the social financial intermediation role of microcredit.

Figure 4.1: Source of fund of microcredit organization



Source: Questionnaire Survey, February 2009

Conventional microcredit organization collects fund from foreign donors, government and central bank. On the other hand waqf, sadakah and zakah. The fund of conventional microcredit is not almost cost free but the same of Islamic shariah based microcredit is fully cost free. Conventional microcredit organizations receive 81.90% of their fund from foreign donors and government. On the other hand, 77.80% fund of Islamic shariah based microcredit come from waqf, sadakah, zakah which is almost cost free. Beside this, own source and beneficiaries deposit provide a vital source of fund. (Figure 4.1)

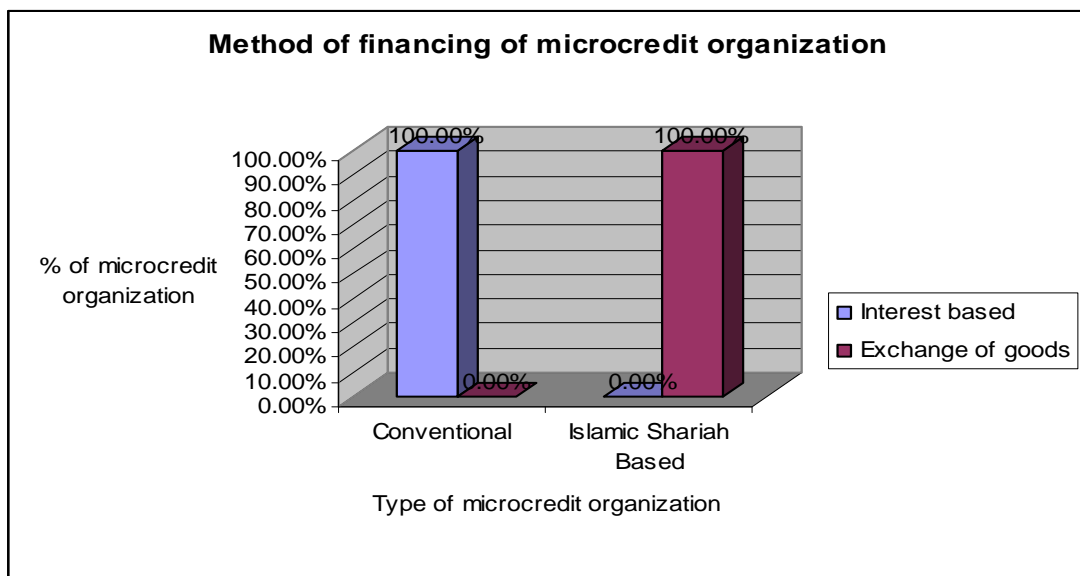
#### 4.2 Modes of Financing

On the asset side of the balance sheet, the bulk of the assets of conventional microcredit are interest-bearing debt, given for different activities. Interest (one form of *riba*) being prohibited in Islam, the assets of Islamic shariah based microcredit comprises different types of non-interest bearing financial instruments. Important aspects of Islamic modes of finance are that financial capital cannot claim a return on itself and that the transaction must involve a real good or object. Principles of Islamic financing are many and varied. The

type of financing instrument depends on the type of activity for which funds are granted.

Other than interest-free loans (*qard-hasan*), the principles of Islamic financing can be broadly classified as partnerships (*shirakat*) and exchange contracts (*mu'awadat*). Partnership can be on the basis of profit sharing or output sharing. Deferred-trading contract can either be a price-deferred sale or an object-deferred sale. Islamic shariah based Microcredit uses the Islamic instrument of financing such as Bai-Muajjal, Bai-Murabaha, Mudaraba, Musharaka, Ijarah, Ijarah wa iqtina etc.

Figure 4.2: Method of financing of microcredit organization



Source: Questionnaire Survey, February 2009

From the surveyed data, it is seen that 100% of conventional microcredit organizations provide microcredit on interest basis and 100% of Islamic shariah based microcredit organizations provide fund on the basis of Islamic shariah i.e. exchange of goods. (Figure 4.2)

### 4.3 Financing the Poorest

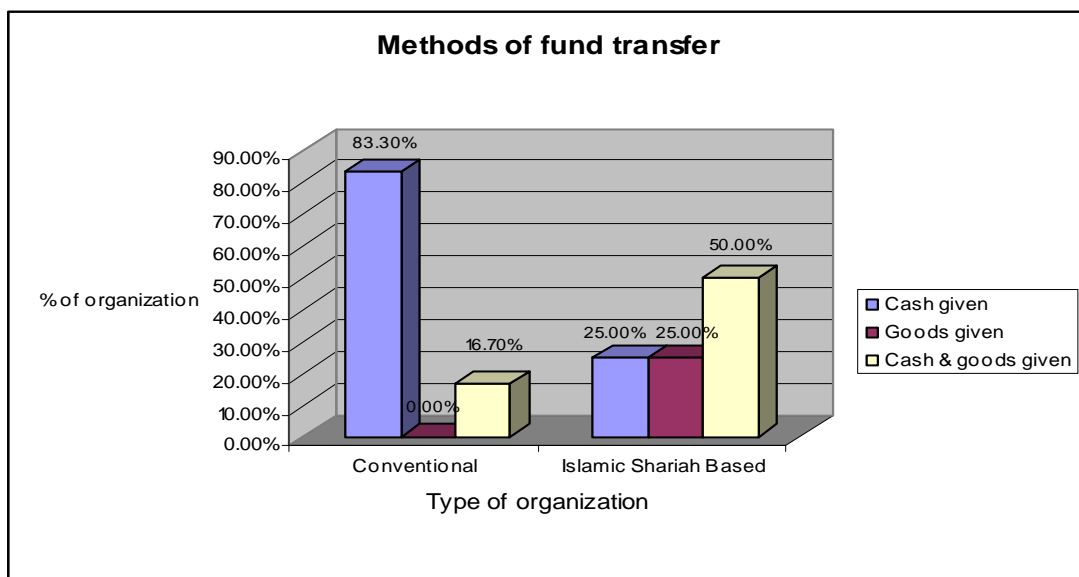
It is observed that the poorest sections of the population are left out by conventional microcredit. One reason is that extreme poverty leads to the

diversion of funds from productive activities to consumption and asset purchases. This lowers the overall return on investment and makes it difficult for the poor to repay the loans. The Islamic shariah based microcredit, however, can combine the institution of *zakah* and other forms of voluntary charity (*sadaqah*) in Microcredit to provide financial services to the poorest.

#### 4.4 Amount of Funds Transferred to Beneficiaries

Once a loan is sanctioned, conventional microcredit deduct a part of the principal for different funds (group and emergency funds). The beneficiaries, however, pay interest on the total amount sanctioned. As a result, the effective interest rate that the beneficiaries pay to the microcredit organization increases. Furthermore, it is easier for a beneficiary to divert funds to non-productive uses once cash is received. Under Islamic modes of financing this is not possible. In principle, when a good is being transferred to the beneficiaries, no deductions can be made. As cash is not handed out, the scope of diverting money for other uses becomes difficult.

Figure 4.3: Method of fund transfer from microcredit organizations to its beneficiaries



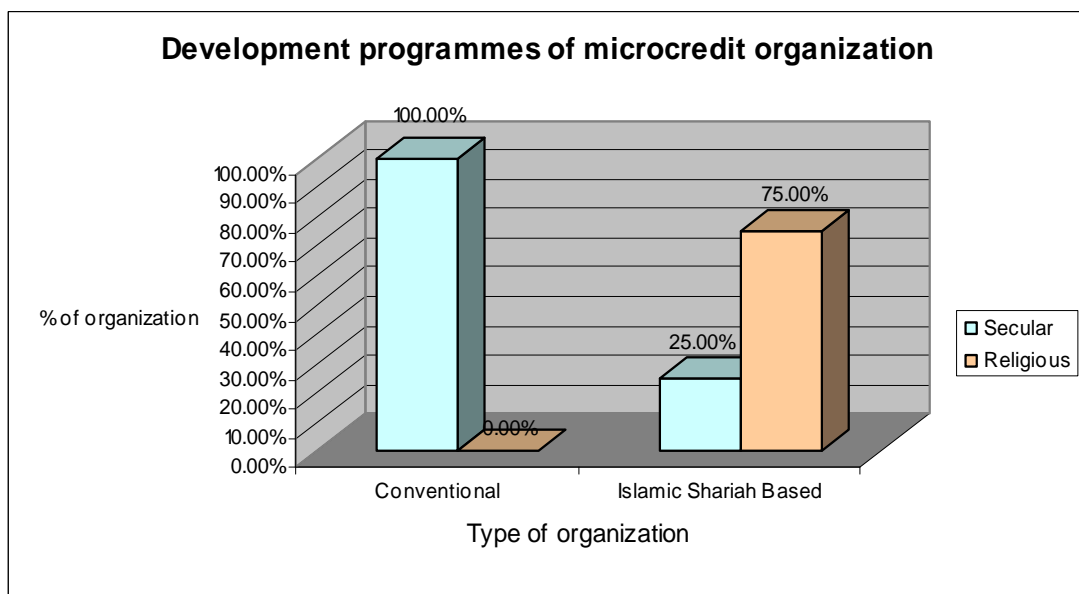
Source: Questionnaire Survey, February 2009

The conventional microcredit organizations mainly provide cash (83.30%) to its beneficiaries and in some instances both cash and goods (16.70%) are also given. On the other hand, Islamic shariah based microcredit organizations provide only cash (25.00%), only goods (25.00%) and both cash and goods (50.00%) to its beneficiaries depending on the methods of financing. (Figure 4.3)

#### 4.5 Social Development Program

Whereas the content of social development program of conventional microcredit is secular (and sometimes anti-Islamic) in nature, the counterpart of Islamic shariah based microcredit has Islamic content. In the social development program different behavioral, ethical and social aspects are introduced in the light of Islamic principles. Islamic approach has a couple of benefits. First, people feel more comfortable adapting to these norms as they take them as part of belief and worship. Second, the Islamic social development program builds the social capital (e.g., feeling of brotherhood and comradeship, obligation to repay debt), which helps repayment of installments regularly.

Figure 4.4: Nature of social development programme taken by microcredit organizations



Source: Questionnaire Survey, February 2009

According to survey data, it is seen that conventional microcredit organization never takes any religious activities among the beneficiaries. On the other hand, Islamic shariah based microcredit organization arrange both secular (25.00%) and religious (75.00%) social development activities. (Figure 4.4).

#### **4.6 Target Group**

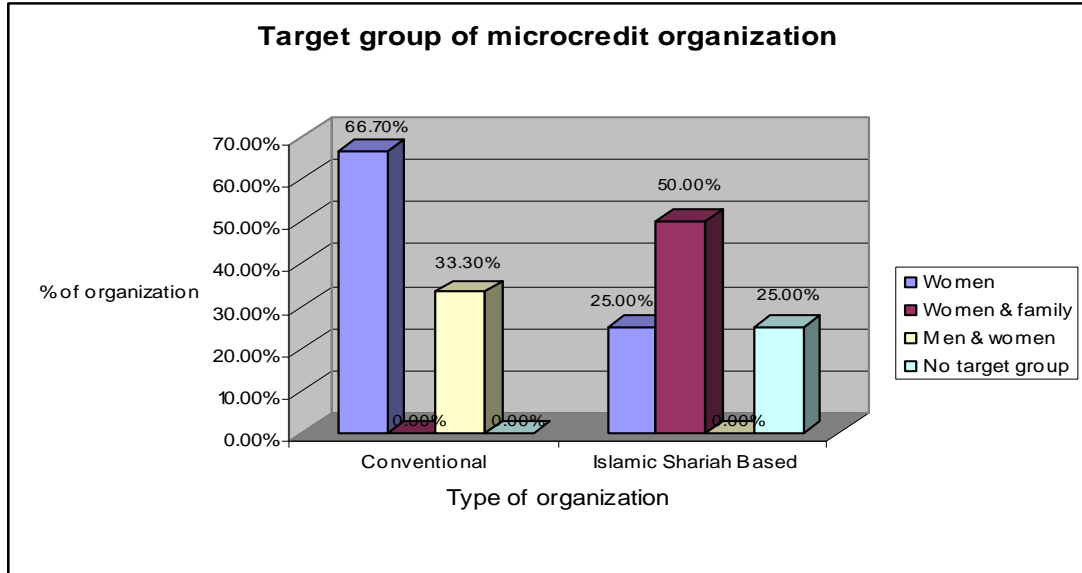
The majority of the clients of conventional microcredit are women. The objective of targeting women in conventional approach is to empower them. The rationale is that women use the funds productively to increase their income levels. As a result, they become more independent and this increases their self-respect. The male members of the household usually persuade the women to obtain credit and often use it. The women, however, are responsible for the repayment of the installments. This creates tensions in the family.

Though the majority of beneficiaries of Islamic shariah based microcredit are women, the underlying objectives of choosing them are very different from those of the conventional approach. Islamic shariah based microcredit target group is the family. This is evident in the contract between the Islamic shariah based microcredit organization and the beneficiaries. Both, the women and the spouse sign the contract and are liable for the repayment of the funds. Islamic shariah based microcredit organization deal with women, as it is more convenient and efficient. It is easier for women to attend the weekly meetings, as men go out to work and are not available. Another important externality of dealing with women is that they are at the receiving end of the social development program. It is believed that imparting Islamic teachings to women serves the purpose of dissemination better as they convey these values to the other members of the family (particularly children). This



attitude, along with the other religious content of the social development program does not create tensions in the family.

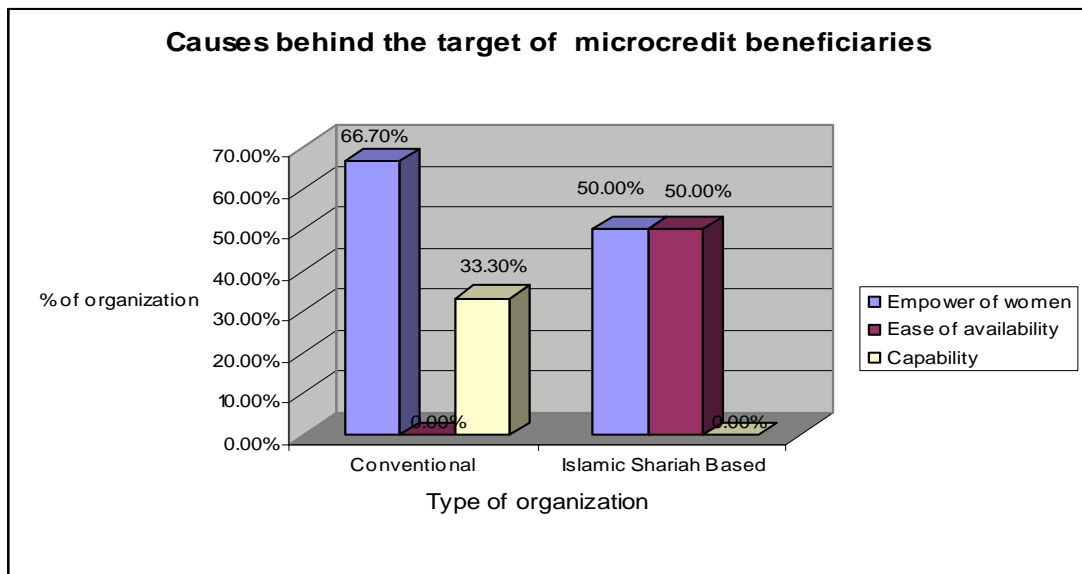
Figure 4.5: Target group of microcredit organizations



Source: Questionnaire Survey, February 2009

Target group of conventional microcredit is women (66.70%) and women and family (33.30%) which is different from Islamic shariah based microcredit organization. Women and family (50.00%) is the main target group of Islamic shariah based microcredit organization. (Figure 4.5)

Figure 4.6: Causes of targeting of beneficiaries



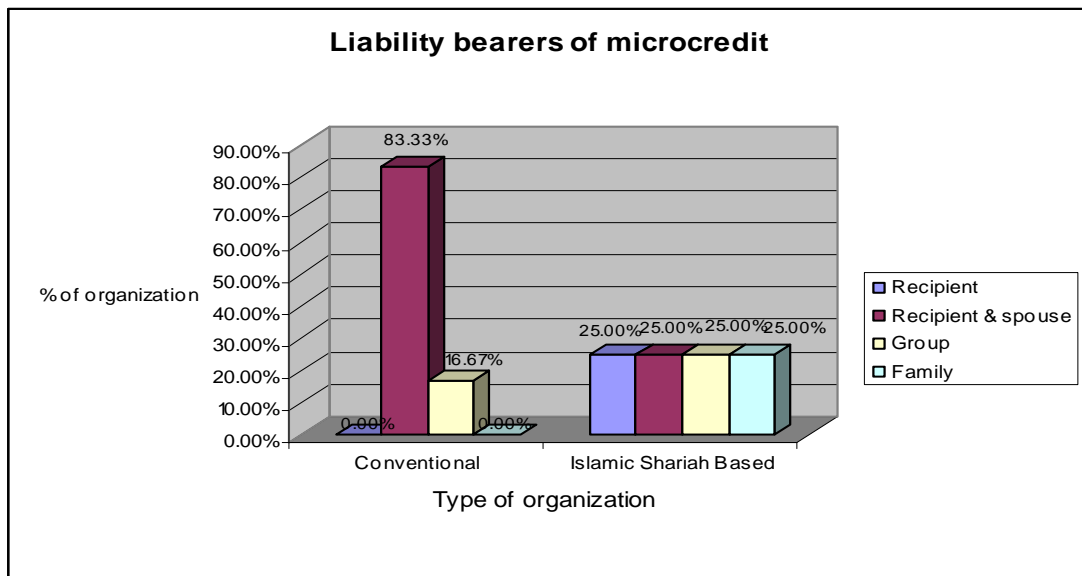
Source: Questionnaire Survey, February 2009

Women empowerment (66.70%) and capability of the beneficiaries are the main factors for targeting the beneficiaries of conventional microcredit. Women empowerment (50.00%) and ease of availability of beneficiaries (50.00%) are the main factors of targeting the Islamic shariah based beneficiaries. (Figure 4.6)

#### 4.7. Liability of borrowed money

Once the credit goes from microcredit organizations to its beneficiaries for a specific purpose and for a specific period, the question arises who will bear the liability of the credit. This differs from conventional and Islamic shariah based microcredit system. In conventional microcredit system, the recipient (83.33%) and group (16.67%) bear the liability of the credit. But in Islamic shariah based microcredit system, recipient, recipient and spouse, group and family bears liability of the credit equally. (Figure 4.7)

Figure 4.7: Liability bearers in different microcredit system



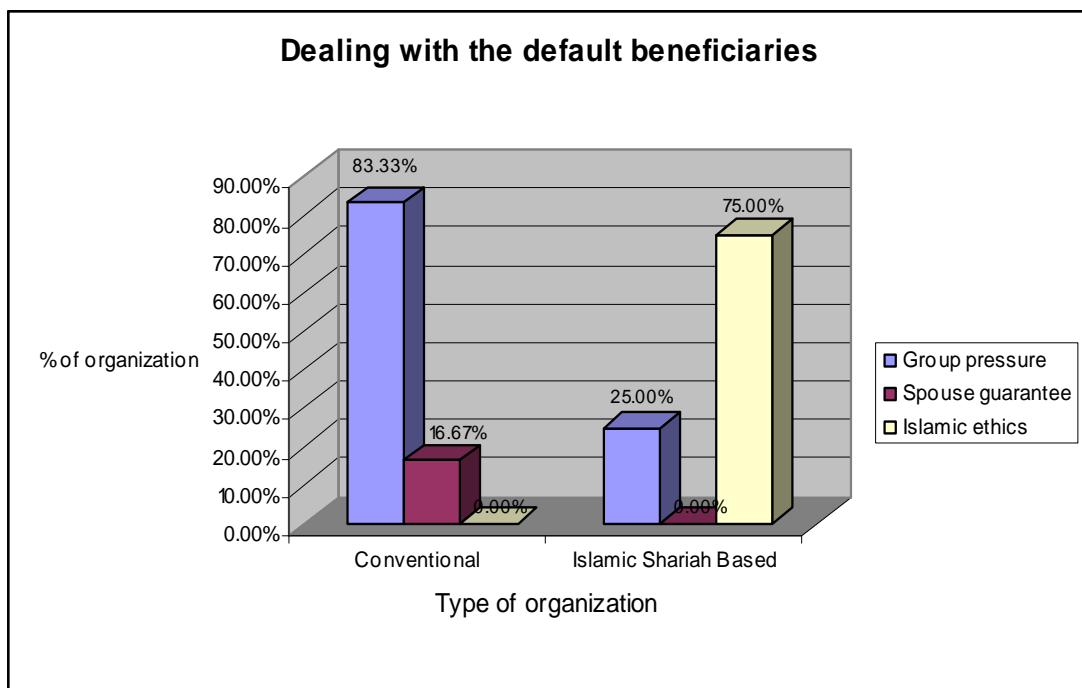
Source: Questionnaire Survey, February 2009

#### 4.8 Dealing with default beneficiaries

To deal with arrears and default, conventional microcredit organizations use group and center pressure. When this fails, sometimes threats are made and

in extreme cases assets are sold. Islamic shariah based microcredit organizations' approach has certain advantages when it comes to dealing with arrears and defaults. The spirit of brotherhood and mutual help created by Islamic teachings induces members of a group or the center to assist in paying the arrears. Other than the group/center members, the spouse of the member can also be approached. Furthermore, the Islamic doctrine of not paying back debt as sinful also motivates the members to repay their dues

Figure 4.8: Dealing with default beneficiaries



Source: Questionnaire Survey, February 2009

Method of dealing with the defaulting beneficiaries are quite different between conventional and Islamic shariah based microcredit. In conventional microcredit, group pressure (83.33%) and spouse guarantee (16.67%) are the tools to deal with a default beneficiaries. Islamic shariah based microcredit is very soft and rational to deal with the default beneficiaries. Islamic ethics (75.00%) is the main tool which is applied by Islamic shariah based microcredit. (Figure 4.8)

#### **4.9 Work incentive of staff**

Given the Islamic approach of Islamic shariah based microcredit organizations, the attributes of staff members working in them are different from the conventional microcredit system. All Islamic shariah based microcredit organizations inform that they recruit employees by first advertising the positions in newspapers. Other than profession related skills, the Islamic shariah based microcredit organizations also seek Islamic orientation and a desire to work for the betterment of the poor in the candidates. The employees, as such, not only work to earn a living but also take the work as part of their religious duty. This acts as an incentive to work effectively and decreases the shirking behavior of the staff members of Islamic shariah based microcredit organizations.

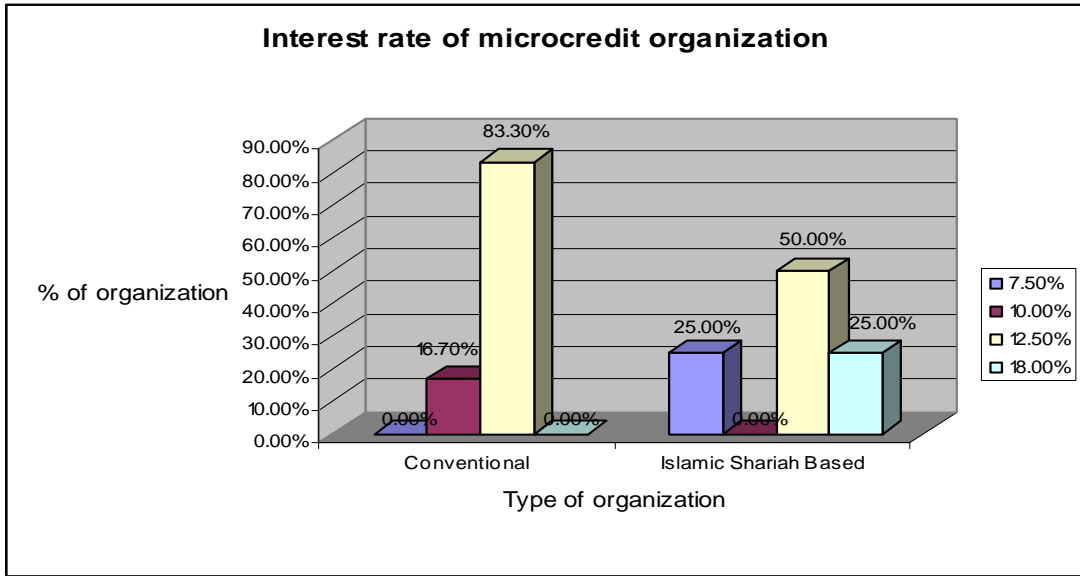
#### **4.10 Period of investment/loan**

The period of credit varies from 40 to 50 weeks. The first installment of conventional microcredit system starts after 10-15 days from the date of disbursement. Some cases, an amount equivalent to first installment or a certain amount is deducted from the sanctioned amount as security deposit or crisis fund. But in Islamic shariah based system, the starting time of first installment varies according to the nature of contract and nature of goods provided as microcredit.

#### **4.11 Interest rate on borrowed money**

Nominal interest rate charges on the loan/investment vary from 7.50% to 18.00% depending on the nature of credit. For conventional microcredit system the lowest interest rate is 10.00% but in Islamic shariah based system the same is 7.50%. It is revealed from the study that 83.30% of conventional and 50.00% of Islamic shariah based microcredit organizations charge nominal interest/profit at the rate of 12.50% on the loan/investment. (Figure 4.9)

Figure 4.9: Interest rate of different microcredit organizations

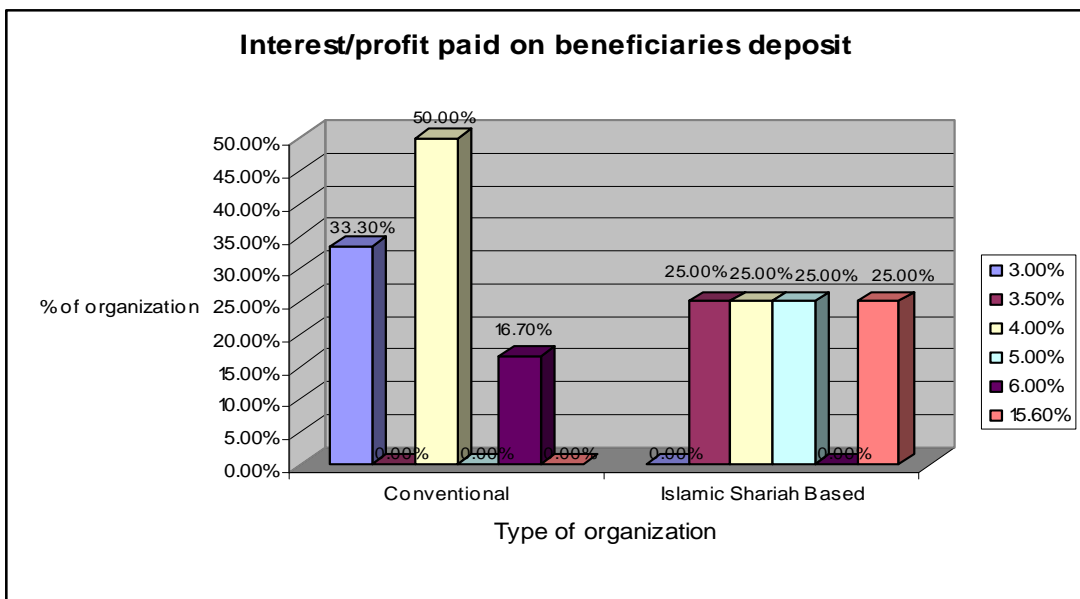


Source: Questionnaire Survey, February 2009

#### 4.12 Interest on depositor's money

Deposit of beneficiaries is one of the sources of fund of microcredit organizations. Both types of microcredit organizations collect deposit side by side of installment collection. The weekly deposit is compulsory for beneficiaries both borrowers and non-borrowers.

Figure 4.10: Interest paid to beneficiaries's deposit by microcredit organizations



Source: Questionnaire Survey, February 2009

The interest/profit paid on the compulsory deposit varies from 3.00% to 15.60%. Interest on depositor's money varies from 3.00% to 6.00% of conventional microcredit and the same varies from 3.50% to 15.60% of Islamic shariah based microcredit organizations (Figure 4.10). So, the beneficiaries of Islamic shariah based microcredit receive more profit from their deposits.

#### **4.13 Group Dynamics**

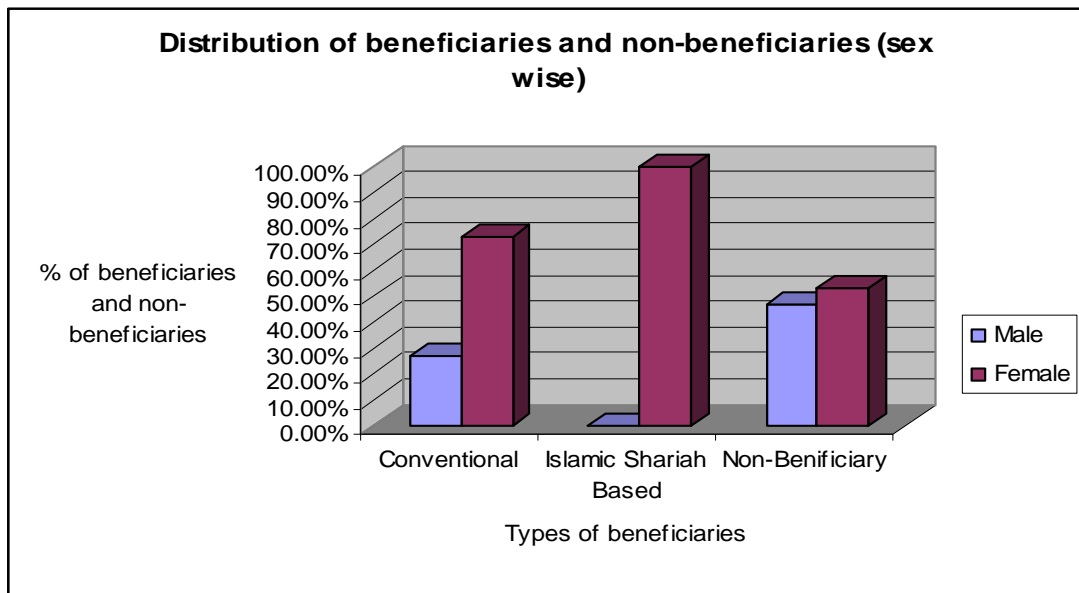
There are some qualitative differences in the group dynamics of the beneficiaries of Islamic shariah based microcredit organizations compared to that of conventional ones. Group guarantee in repaying the funds back to the Islamic shariah based microcredit organizations may take the form of *kafalah*, making the group members guarantors for repayment. The members in the group can agree to help each other in case of inability of any member to pay the installment. One way to do this is to provide *qard-hasan* (interest-free loans) to the person facing problems in paying the installments. On the other hand in conventional microcredit system, members of the group apply group pressure on the borrower of the group if he/she fails to pay the installment. Group guarantee is subsidiary for conventional microcredit system.

## 5.1 General Information about the beneficiaries and non-beneficiaries

### 5.1.1 Sex of the beneficiaries and non-beneficiaries

Female are the main target group of microcredit organizations. About 86.67% of the beneficiaries of the microcredit organizations are women. 73.33% of conventional microcredit beneficiaries and 100% of Islamic shariah based microcredit beneficiaries are women. (Figure 5.1)

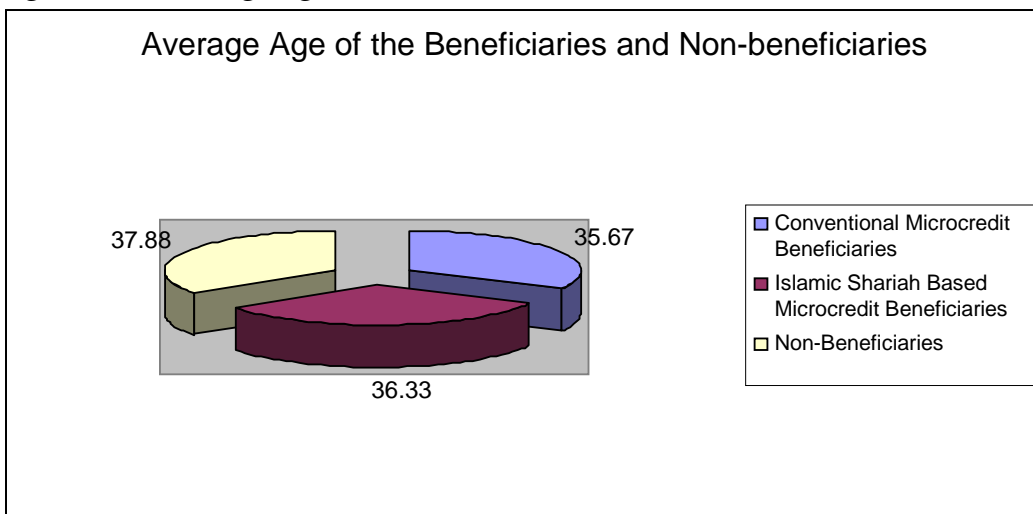
Figure 5.1: Sex wise distribution of the microcredit beneficiaries and non-beneficiaries.



Source: Questionnaire Survey, February 2009

### 5.1.2 Age of the beneficiaries and non-beneficiaries

Figure 5.2: Average age of the beneficiaries and non-beneficiaries.



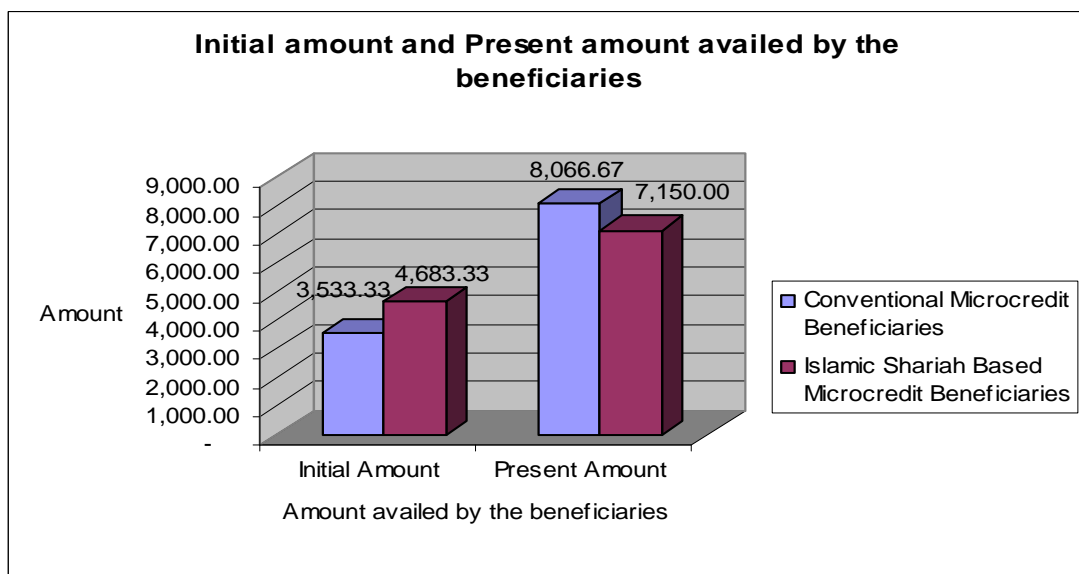
Source: Questionnaire Survey, February 2009

Average age of the conventional microcredit beneficiaries is 35.67 years, Islamic shariah based microcredit beneficiaries is 36.33 years and non-beneficiaries is 37.88 years. (Figure 5.2)

### 5.1.3 Amount of credit availed by microcredit beneficiaries

Amount of credit taken by the microcredit beneficiaries depends on the beneficiaries' ability to pay the installments, support of the group members, assessment of the field officer of the microcredit organization etc. The amount availed by the beneficiaries varies from conventional microcredit organizations to Islamic shariah based microcredit organizations. Initially, the beneficiaries of conventional microcredit and Islamic shariah based were availing Tk.3,533.33 and Tk.4,683.33 respectively. At present, this amount has been increased to Tk.8,066.67 and Tk.7,150.00 for conventional microcredit beneficiaries and Islamic shariah based beneficiaries respectively. Growth rate of credit of conventional microcredit beneficiaries (128.30%) is very much higher than that of the Islamic shariah based microcredit beneficiaries (52.67%). (Figure 5.3).

Figure 5.3: Initial amount and present amount availed by different types of beneficiaries



Source: Questionnaire Survey, February 2009



#### **5.1.4 Purposes of taking microcredit and sources of repayment**

The beneficiaries are taking microcredit for various purposes and their repayment sources are also different. The beneficiaries are taking microcredit for cultivation, daughter's marriage, education of children, expansion of business, healthcare, house maintenance, purchase of livestock such as cow, goat, hens and ducks and petty business. 43.33% of Islamic shariah based microcredit beneficiaries and 33.33% of conventional microcredit beneficiaries are taking microcredit for petty business. 26.67% of Islamic shariah based microcredit beneficiaries are availing microcredit for house maintenance and 20.00% of conventional microcredit beneficiaries for occasion of daughter's marriage. (Appendix: A- 5.22)

Repayment sources of the beneficiaries are different from the purposes for taking microcredit. Payment sources of the beneficiaries are agriculture, day labour, petty business and service. 83.34% of the conventional microcredit beneficiaries are paying their installments by performing day labour and petty business. On the other hand, 60.00% of the Islamic shariah based microcredit beneficiaries are repaying by petty business. (Appendix: A-5.23)

## **5.2 Economic Indicators**

### **5.2.1 Ownership of Land**

Land is the most valuable asset in any agrarian society and ownership of land is a basic indicator to recognize individual status. Traditionally, males are the owner of land and females' access in land is very much limited in Bangladeshi society. As most of the microcredit beneficiaries are female as such land owned by the family was considered for data analysis.

Table 5.1: Average amount of land owned by the beneficiaries and non-beneficiaries

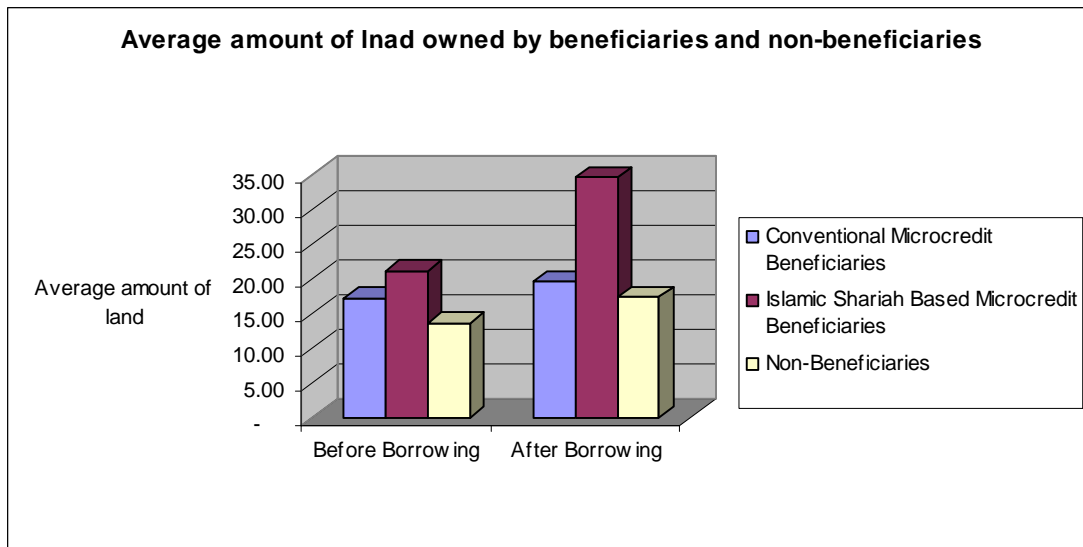
Types of beneficiaries	Amount of land (decimal)		Growth (%)	T-Value
	Before Borrowing	After Borrowing		
Conventional Microcredit Beneficiaries	17.30	19.57	13.12	0.54
Islamic Shariah Based Microcredit Beneficiaries	21.07	34.57	64.07	2.26*
Non-Beneficiaries	13.69	17.33	26.59	1.70**

Source: Questionnaire Survey, February 2009

\* Significant at 5% level.

\*\* Significant at 10% level.

Figure 5.4: Average amount of land owned by the beneficiaries and non-beneficiaries



Source: Questionnaire Survey, February 2009

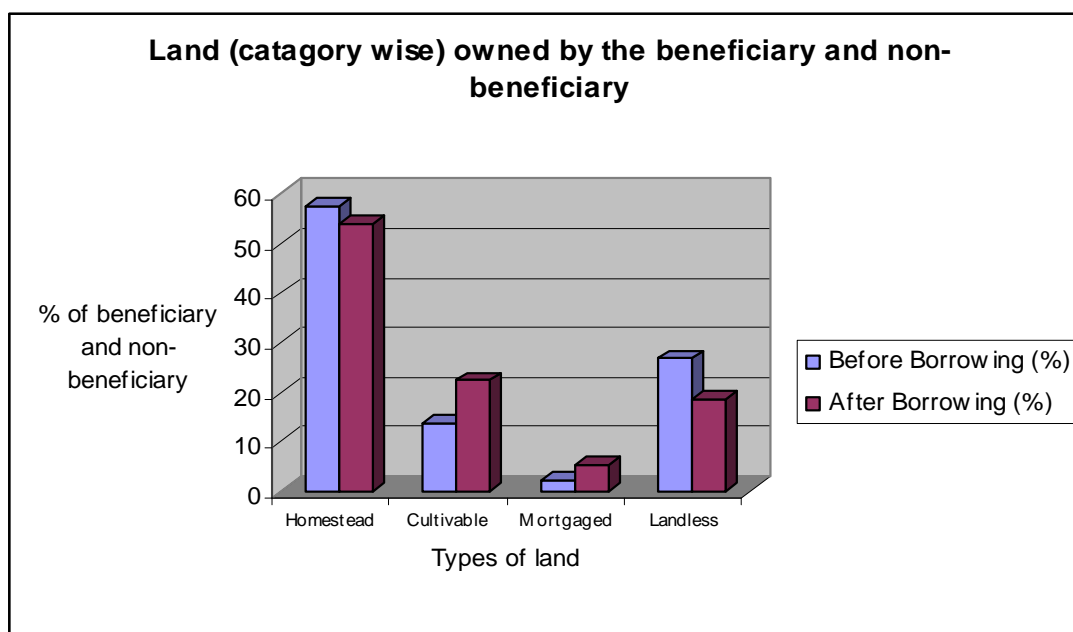
Possession of land is an important economic indicator. Average land owned by the beneficiaries and non-beneficiaries has increased within five years. The increasing tendency of land ownership is prominent among Islamic shariah based microcredit beneficiaries. The growth rate of land ownership is 64.07% for Islamic shariah based microcredit beneficiaries. On the other hand, it is only 13.12% for the conventional microcredit beneficiaries. (Table 5.1)

Table 5.2: Land (category wise) owned by the beneficiaries and non-beneficiaries

Category of land	Before Borrowing (%)	After Borrowing (%)
Homestead	57.50	53.70
Cultivable	13.60	22.30
Mortgaged	2.30	5.30
Landless	26.70	18.60
Total	100.00	100.00

Source: Questionnaire Survey, February 2009

Figure 5.5: Land (category wise) owned by the beneficiaries and non-beneficiaries



Source: Questionnaire Survey, February 2009

Land owned by the beneficiaries and non-beneficiaries is mainly homestead and cultivable land. Number of beneficiaries and non-beneficiaries who owned homestead has decreased from 57.50% to 53.70% within the period under study (5-years). On the other hand, landless people have decreased from 26.70% to 18.60% within the same period. Cultivable and mortgaged land owners have also increased during this period. (Table 5.2)

Table 5.3: Ownership of land (category wise) by different types of beneficiaries and non-beneficiaries

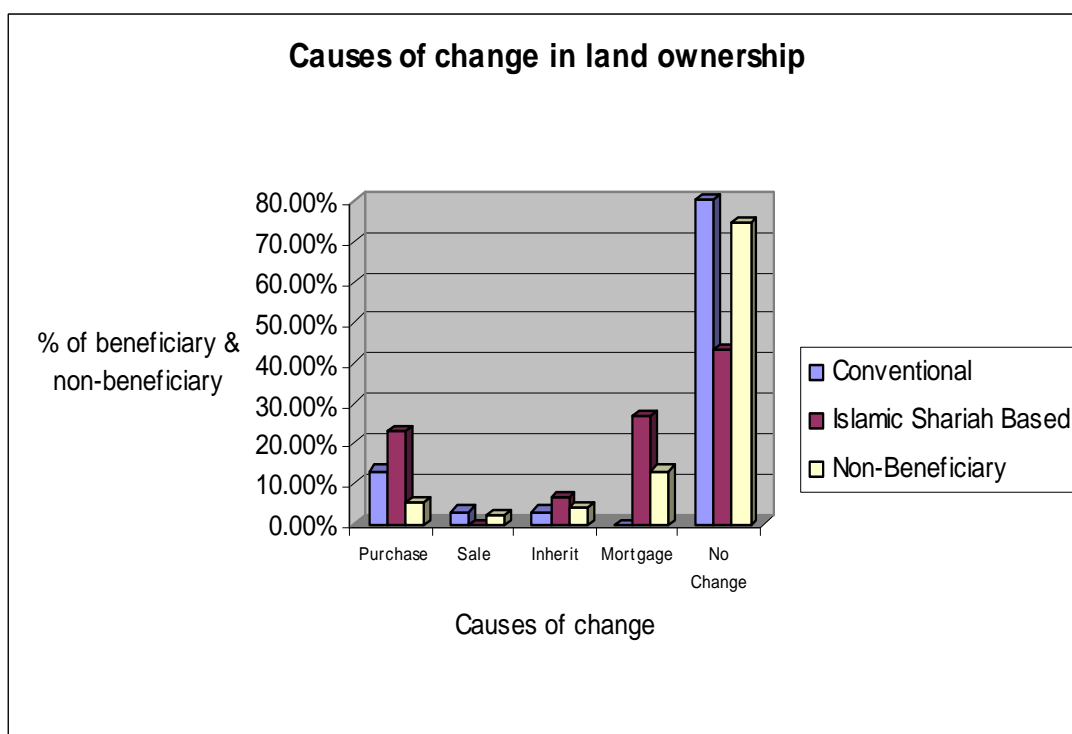
Category of Land		% of beneficiaries and non-beneficiaries		
		Conventional	Islamic Shariah Based	Non-Beneficiaries
Homestead	Before Borrowing	42.50%	56.76%	63.64%
	After Borrowing	42.50%	45.65%	61.76%
Cultivable	Before Borrowing	30.00%	10.81%	8.08%
	After Borrowing	30.00%	28.26%	16.67%
Mortgaged	Before Borrowing	0.00%	8.11%	1.01%
	After Borrowing	0.00%	13.05%	3.92%
Landless	Before Borrowing	27.50%	24.32%	27.27%
	After Borrowing	27.50%	13.04%	17.65%

Source: Questionnaire Survey, February 2009

Ownership of land of conventional microcredit beneficiaries remains unchanged before entering into microcredit and at present. But in Islamic shariah based microcredit beneficiaries, ownership of homestead has decreased from 56.76% to 45.65% but cultivable land and mortgaged land have increased significantly and landless beneficiaries has also decreased of 11.28%. (Table 5.3). It is mentionable here that no beneficiaries of conventional microcredit owned mortgaged land but 4.94% of Islamic microcredit shariah based microcredit beneficiaries has increased in ownership of mortgaged land. It implies that the economic ability of Islamic shariah based microcredit beneficiaries has been increasing. (Table 5.3)

Ownership of land of the beneficiaries and non-beneficiaries has changed due to purchase, sale, inheritance and mortgage of land. However, 80.00% of conventional microcredit beneficiaries, 43.30% of Islamic shariah based microcredit beneficiaries and 74.40% of non-beneficiaries have no change in land ownership as revealed by the survey. Land ownership of conventional microcredit beneficiaries and non-beneficiaries has changed due to sale of land. Purchasing of new land plays vital role in economic enhancement of Islamic shariah based microcredit beneficiaries. (Appendix: A-5.24)

Figure 5.6: Causes of change in land ownership of beneficiaries and non-beneficiaries



Source: Questionnaire Survey, February 2009

### 5.2.2 Ownership of Livestock

Ownership of livestock such as cow, goat, hen and duck is an important economic indicator for beneficiaries and non-beneficiaries.

Table 5.4: Average number of cows owned by microcredit beneficiaries and non-beneficiaries

Types of beneficiaries	Average number of cows			T-Value
	Before Borrowing	After Borrowing	Growth (%)	
Conventional	1.60	1.60	0.00	0.00
Islamic Shariah Based	1.00	2.10	110.00	2.63*
Non-Beneficiaries	1.13	1.58	39.82	2.08**

Source: Questionnaire Survey, February 2009

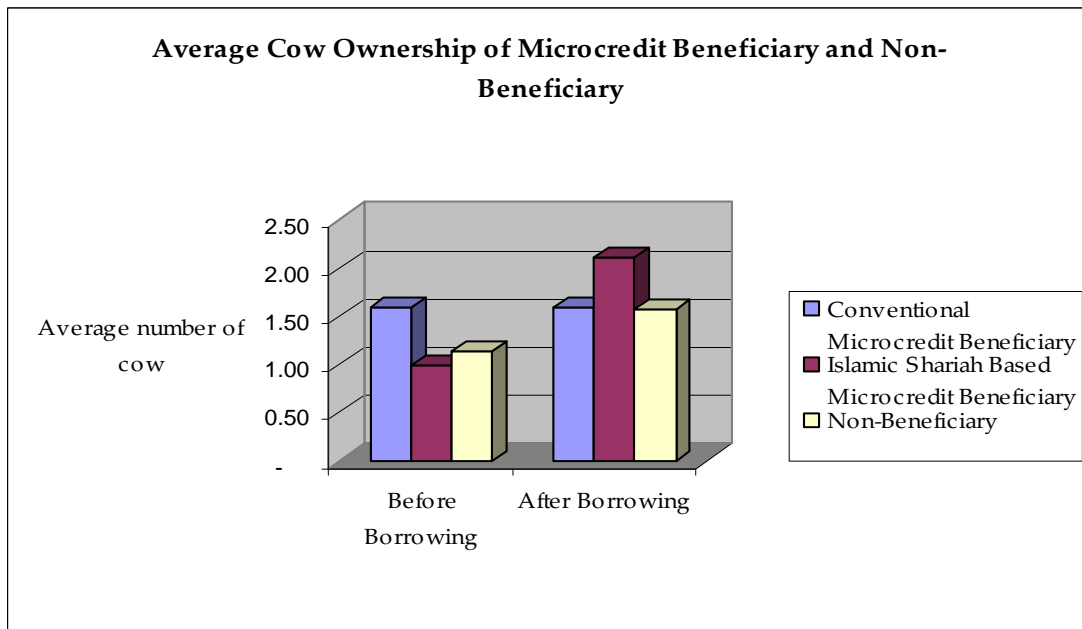
\* Significant at 1% level.

\*\* Significant at 2% level.

Cow owned by microcredit beneficiaries and non-beneficiaries varies from 1 to 6. 30.00% of conventional, 50.00% of Islamic sharah based and 52.22% of

non-beneficiaries had no cow before entering into microcredit organizations. After entering into microcredit organization the scenario has changed. 20.00% of conventional, 33.33% of Islamic shariah based and 38.89% of non-beneficiaries had not a single cow (Appendix: A-5.3). Average number of cow owned by the conventional microcredit beneficiaries remain unchanged (i.e. 1.60) but it has increased 110.00% (from 1.00 to 2.10) for Islamic shariah based microcredit beneficiaries and 39.82% (from 1.13 to 1.58) for non-beneficiaries. (Table 5.4)

Figure 5.7: Average number of cows owned by beneficiaries and non-beneficiaries



Source: Questionnaire Survey, February 2009

Table 5.5: Average number of goats owned by microcredit beneficiaries and non-beneficiaries

Types of beneficiaries	Average number of goats			T-Value
	Before Borrowing	After Borrowing	Growth (%)	
Conventional	0.90	0.63	-30.00	-0.94
Islamic Shariah Based	1.53	2.60	69.93	2.37*
Non-Beneficiaries	0.87	1.40	60.92	2.21**

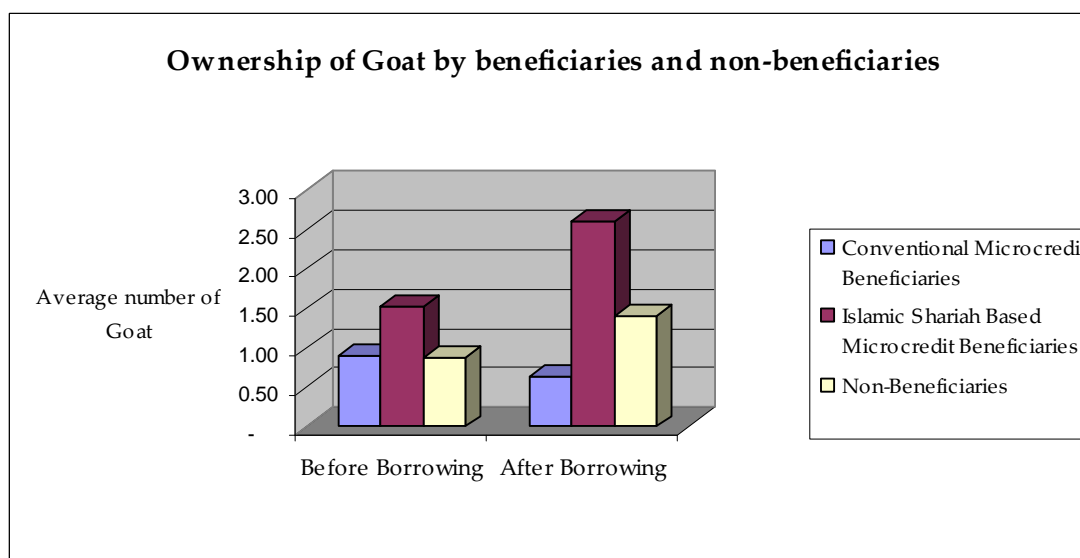
Source: Questionnaire Survey, February 2009

\* Significant at 2% level.

\*\* Significant at 5% level.

A large number of microcredit beneficiaries and non-beneficiaries had no goat before entering into microcredit organizations. Among the microcredit beneficiaries, 66.67% of conventional and 40.00% of Islamic shariah based microcredit beneficiaries had no goat before receiving microcredit. This scenario has negatively changed for conventional microcredit beneficiaries but remarkably changed for Islamic shariah based microcredit beneficiaries after receiving microcredit (Appendix: A-5.3 & 5.4). Average number of goat owned by the conventional microcredit beneficiaries has decreased (-30.00%) but increased for Islamic shariah based microcredit beneficiaries (69.93%) (Table 5.5).

Figure 5.8: Average number of goats owned by microcredit beneficiaries and non-beneficiaries



Source: Questionnaire Survey, February 2009

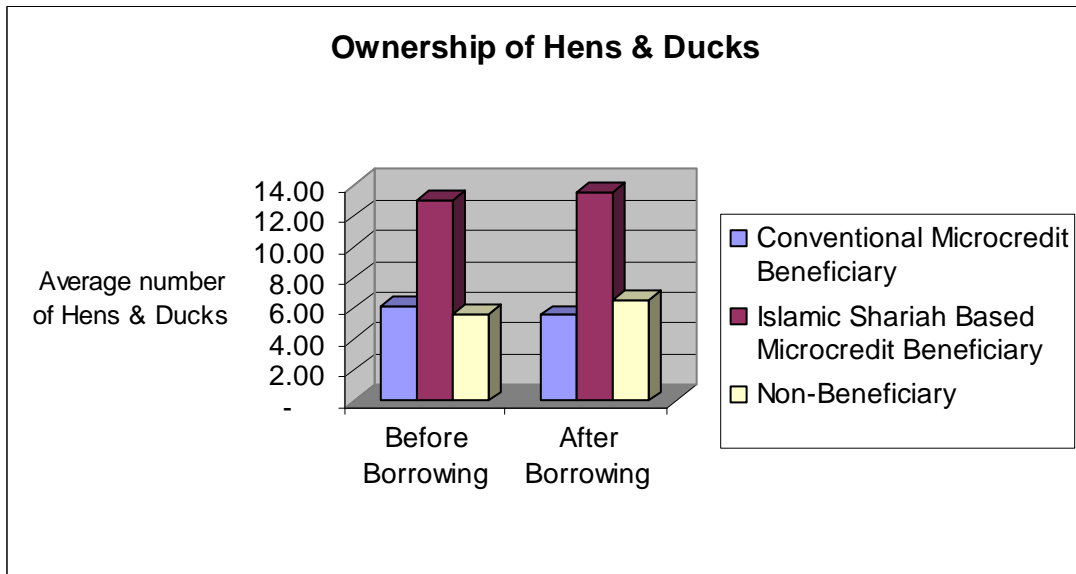
Table 5.6: Average number of hens & ducks owned by microcredit beneficiaries and non-beneficiaries

Types of beneficiaries	Average number of hens & ducks			T-Value
	Before Borrowing	After Borrowing	Growth (%)	
Conventional	6.13	5.57	-9.14	-0.83
Islamic Shariah Based	13.03	13.53	3.84	0.32
Non-Beneficiaries	5.63	6.52	15.81	1.37*

Source: Questionnaire Survey, February 2009

\* Significant at 20% level.

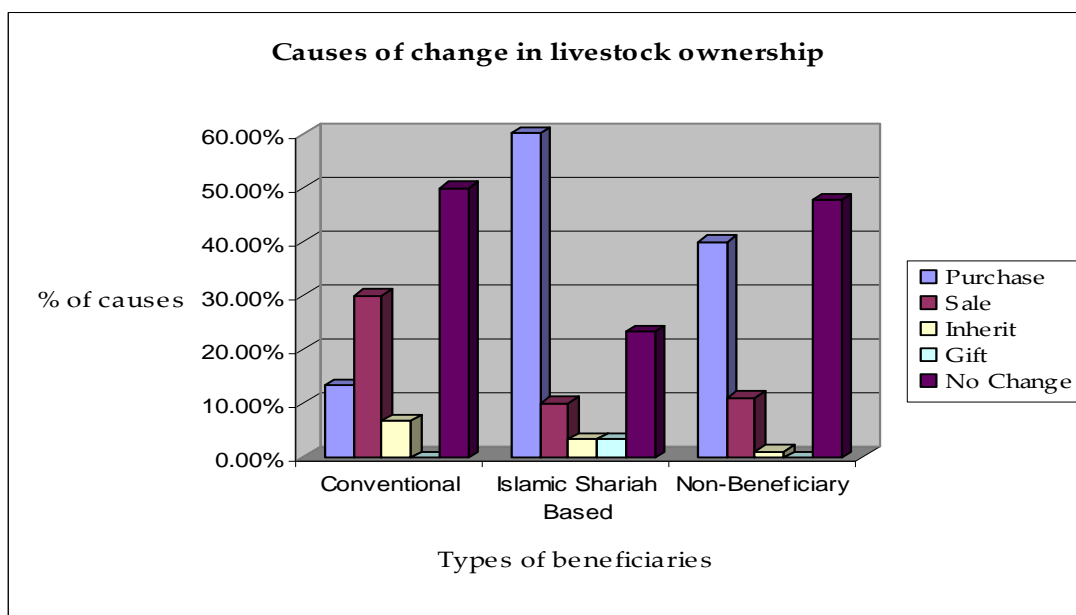
Figure 5.9: Average number of hens & ducks owned by microcredit beneficiaries and non-beneficiaries



Source: Questionnaire Survey, February 2009

Ownership of hens and ducks varies from 1 to 25 (Appendix: A-5.3). Average number of hens and ducks owned by the conventional microcredit beneficiaries is going down and its growth is negative (9.14%) but there is a positive change (3.84%) for Islamic shariah based microcredit beneficiaries (Table 5.6).

Figure 5.10: Causes of change in livestock possession of different types of beneficiaries



Source: Questionnaire Survey, February 2009



Ownership of livestock can be changed in different ways. Most important one is purchase of livestock. Purchasing of livestock signifies that the economic condition has increased. Due to purchase of livestock, the ownership of livestock has changed 13.33% for conventional microcredit beneficiaries, 60.00% for Islamic shariah based microcredit beneficiaries and 40.00% for non-beneficiaries. So the Islamic shariah based microcredit beneficiaries are in better position in comparison with conventional beneficiaries. Ownership of livestock changes due to sale are 30.00% of conventional microcredit beneficiaries, 10.00% of conventional microcredit beneficiaries and 11.11% of non-beneficiaries. No change of livestock ownership has occurred in case of 50.00% of conventional beneficiaries, 23.33% of Islamic shariah based beneficiaries and 47.78% of non-beneficiaries. Gift and inheritance are other causes for changes of ownership of livestock but its impact is very negligible. (Appendix: A-5.25)

### 5.2.3 Ownership of other assets

Ownership of other assets include furniture (cot, table, chair, glass ware, wooden hanger and almirah), tube-well, rickshaw, shop and other household assets such as clock/wrist watch, radio, cycle, silver, gold etc. These are essential and valuable assets for household.

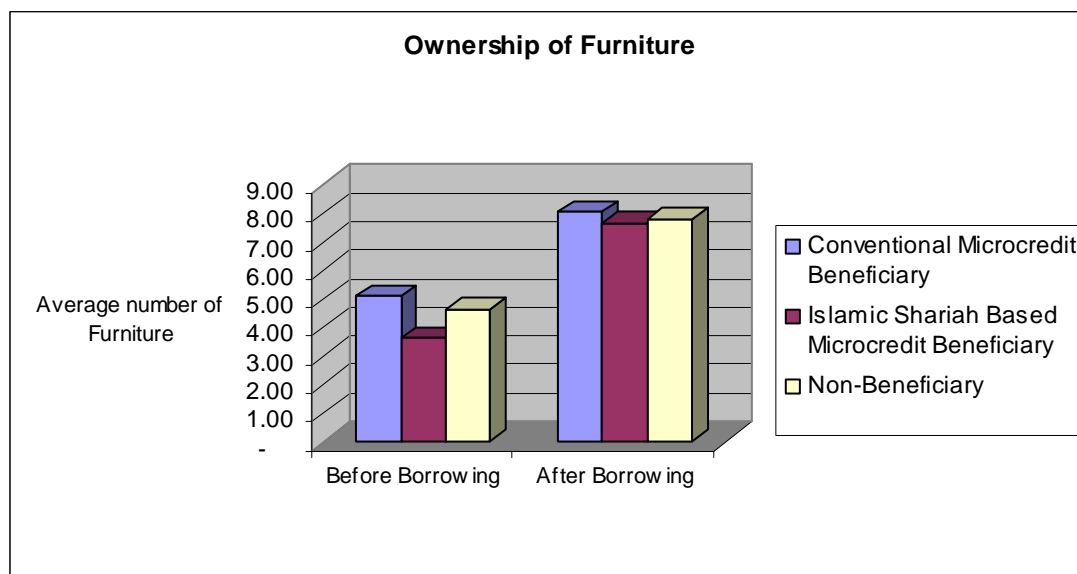
Table 5.7: Average number of furniture owned by microcredit beneficiaries and non-beneficiaries

Types of beneficiaries	Average number of furniture			T-Value
	Before Borrowing	After Borrowing	Growth (%)	
Conventional	5.10	8.03	57.45	4.46*
Islamic Shariah Based	3.63	7.63	110.19	4.92*
Non-Beneficiaries	4.63	7.79	68.25	6.96*

Source: Questionnaire Survey, February 2009

\* Significant at 0.50% level.

Figure 5.11: Average number of furniture owned by microcredit beneficiaries and non-beneficiaries



Source: Questionnaire Survey, February 2009

Furniture owned by the beneficiaries and non-beneficiaries has increased during period of availing microcredit. Growth rate of furniture of Islamic shariah based microcredit beneficiaries (110.19%) is almost double than that of the beneficiaries of conventional microcredit (57.45%) but average number of furniture owned by the conventional microcredit beneficiaries is higher than that of the Islamic shariah based microcredit beneficiaries and non-beneficiaries (Table 5.7).

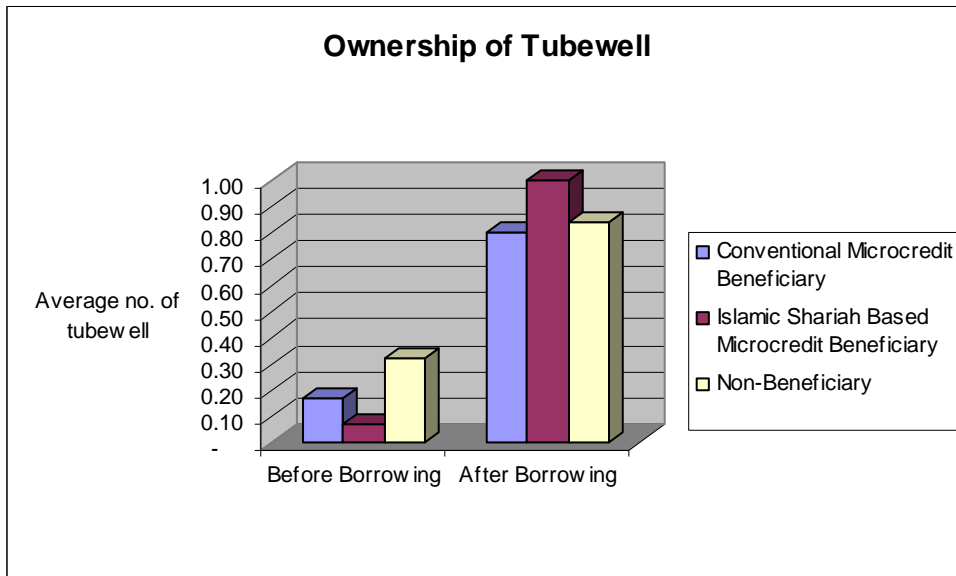
Table 5.8: Average number of tube-well owned by microcredit beneficiaries and non-beneficiaries

Types of beneficiaries	Average number of tube-well			T-Value
	Before Borrowing	After Borrowing	Growth (%)	
Conventional	0.17	0.80	370.59	4.61*
Islamic Shariah Based	0.07	1.00	1328.57	14.70*
Non-Beneficiaries	0.32	0.84	162.50	8.34*

Source: Questionnaire Survey, February 2009

\* Significant at 0.50% level.

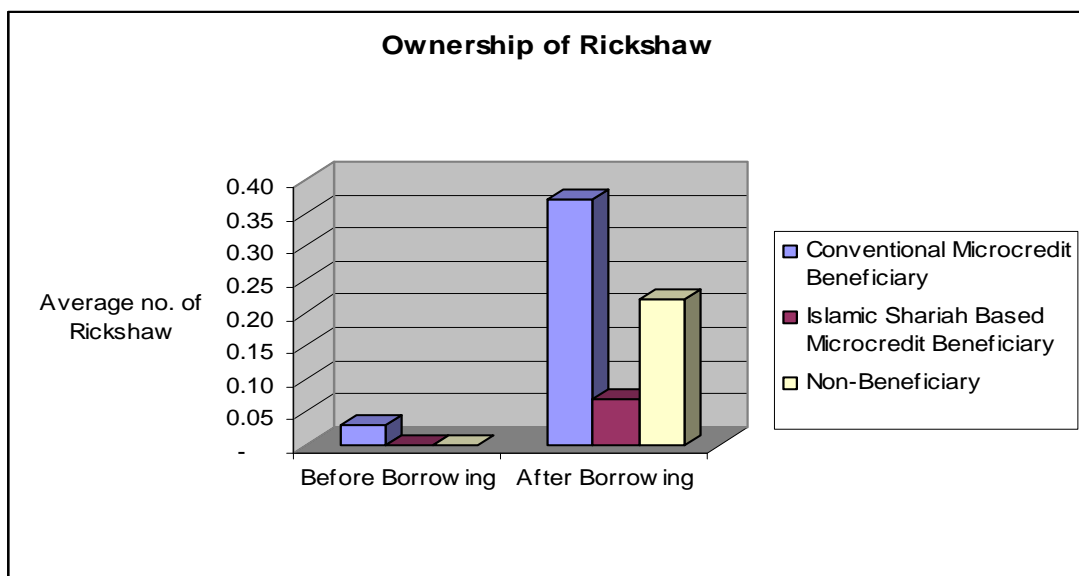
Figure 5.12: Average number of tube-well owned by microcredit beneficiaries and non-beneficiaries



Source: Questionnaire Survey, February 2009

Ownership of tube-well has dramatically increased for both microcredit beneficiaries and non-beneficiaries. It has increased by 1328.57% (from 0.07 to 1.00) for Islamic shariah based microcredit beneficiaries and 370.59% for conventional microcredit beneficiaries. All the Islamic shariah based microcredit beneficiaries have their own tube-well at present and 80% of conventional microcredit beneficiaries have their own tube-well (Table 5.8).

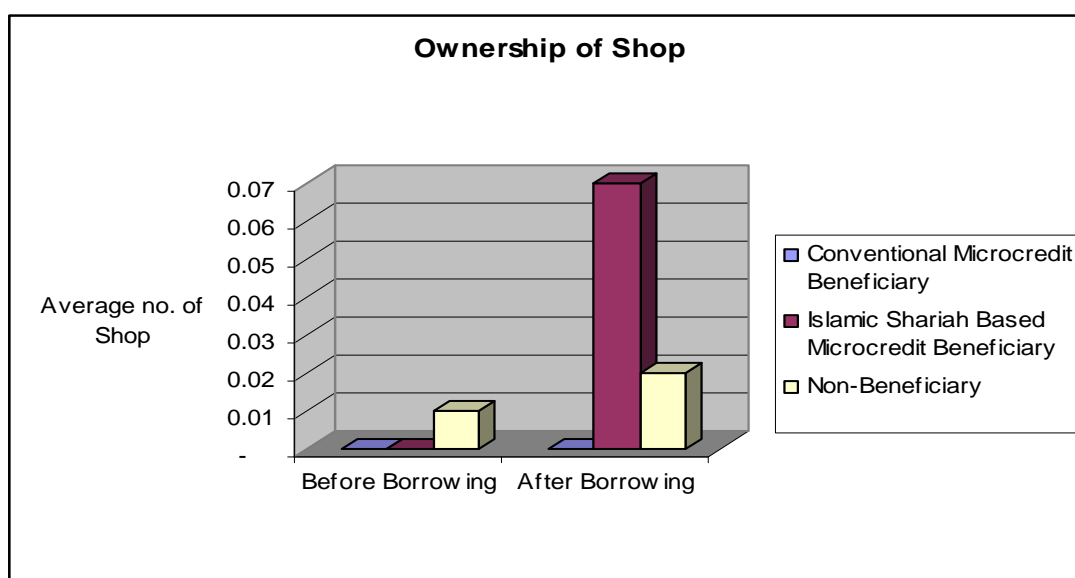
Figure 5.13: Average number of rickshaw owned by microcredit beneficiaries and non-beneficiaries



Source: Questionnaire Survey, February 2009

Very few of the beneficiaries and non-beneficiaries have rickshaw and shop (Figure 5.13 & 5.14). Only conventional beneficiaries owned 0.03 rickshaw and only non-beneficiaries owned 0.01 shop on average before entering into microcredit organizations. After getting microcredit, the scenario has changed slightly. During the survey, the conventional beneficiaries owned an average 0.37 number of rickshaw whereas Islamic shariah based beneficiaries owned only 0.07. Both conventional and Islamic shariah based microcredit beneficiaries had no shop before taking microcredit. The situation is unchanged for conventional microcredit beneficiaries but slightly changed for Islamic shariah based microcredit beneficiaries after borrowing. (Appendix: A-5.27 & 5.28)

Figure 5.14: Average number of shop owned by microcredit beneficiaries and non-beneficiaries



Source: Questionnaire Survey, February 2009

Table 5.9: Average number of other household assets owned by microcredit beneficiaries and non-beneficiaries

Types of beneficiaries	Average number of other household assets			T-Value
	Before Borrowing	After Borrowing	Growth (%)	
Conventional	1.23	1.97	60.16	1.98*
Islamic Shariah Based	0.13	0.93	615.38	7.32**
Non-Beneficiaries	0.12	0.62	416.67	8.23**

Source: Questionnaire Survey, February 2009

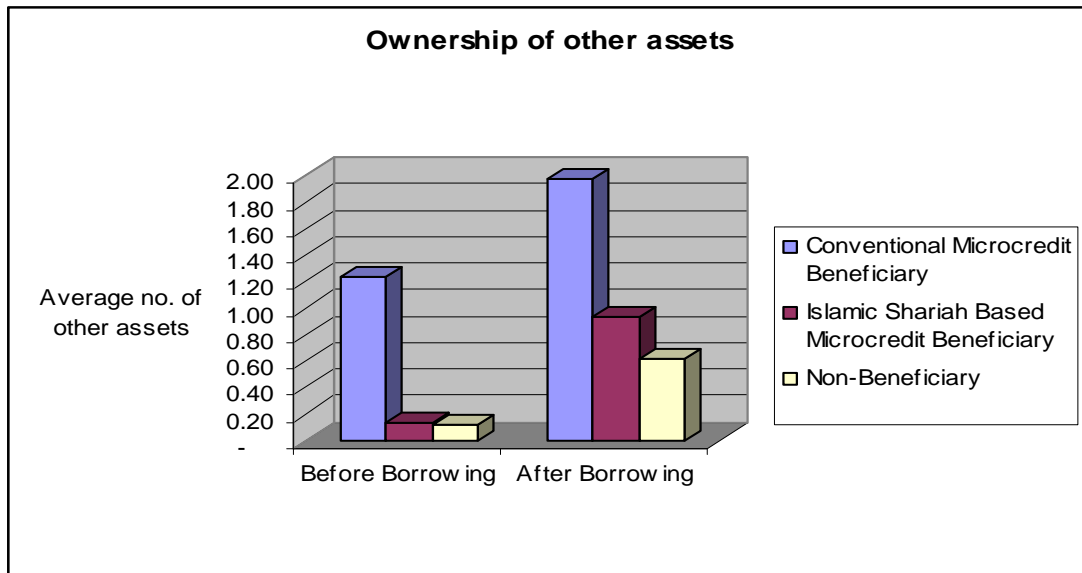
\* Significant at 5% level.

\*\* Significant at 0.50% level.

### Other household assets

Other household assets such as clock/wrist watch, gold, silver, radio, cycle etc. are valuable assets for a household. Average number of other assets owned by the conventional microcredit beneficiaries are more than that of the Islamic shariah based microcredit beneficiaries and non-beneficiaries. But the growth rate (615.38%) of other household assets owned by the Islamic shariah based microcredit beneficiaries is much higher than that of the conventional beneficiaries (60.16%) (Table 5.9).

Figure 5.15: Average number of other household assets owned by microcredit beneficiaries and non-beneficiaries

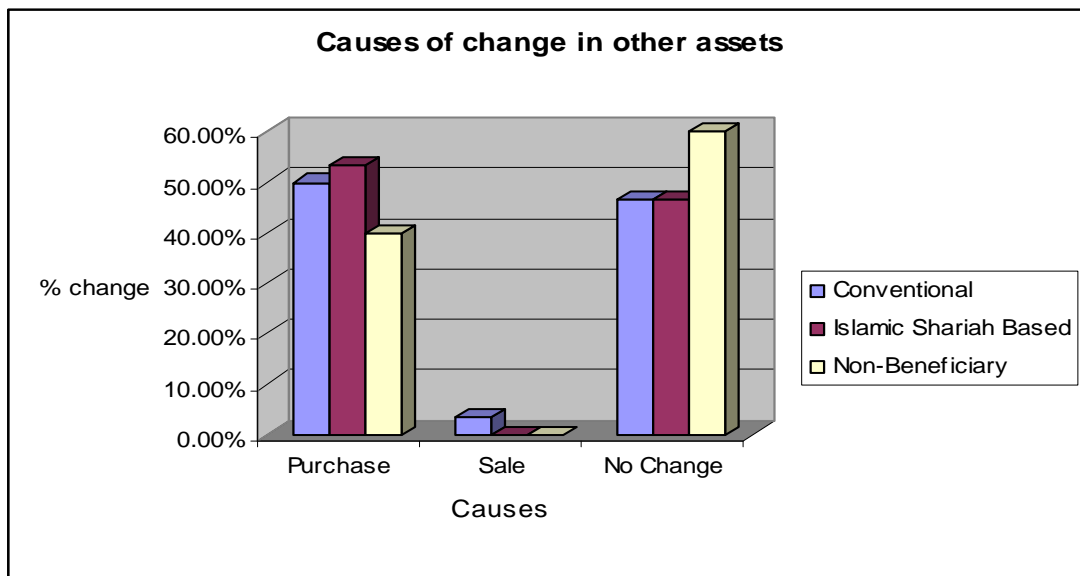


Source: Questionnaire Survey, February 2009

Assets other than livestock owned by the beneficiaries and non-beneficiaries may increase or decrease in various ways such as purchasing or selling these assets, inheritance, gift etc. Higher positive change due to purchase of other assets indicate higher economic capacity of the beneficiaries and negative changes due to sale of assets indicate weakening of economic capacity of the beneficiaries. The Islamic shariah based microcredit beneficiaries are in a better position in this respect. For Islamic shariah based microcredit

beneficiaries increase in other assets is higher than conventional microcredit beneficiaries by 3.33% and other non-beneficiaries by 13.33%. 46.67% of both conventional and Islamic shariah based microcredit beneficiaries have no change in the other assets. Decrease in other assets due to sale happened only for conventional microcredit beneficiaries (3.33%) (Appendix: A-5.26).

Figure 5.16: Causes of change in other assets of beneficiaries and non-beneficiaries



Source: Questionnaire Survey, February 2009

#### 5.2.4 Income

Level of income of the beneficiaries and non-beneficiaries is an important economic indicator. The level of purchasing power, expenditure, savings etc. depend on level of income. Income is influenced by level of education, occupation, ownership of land and other assets etc. The main objective of microcredit is to increase the level of income through self employment. To find out the change of level of income, data of two different periods i.e. before becoming a member of microcredit organization and during survey period (February 2009) were taken.

Table 5.10: Average monthly income of the beneficiaries and non-beneficiaries

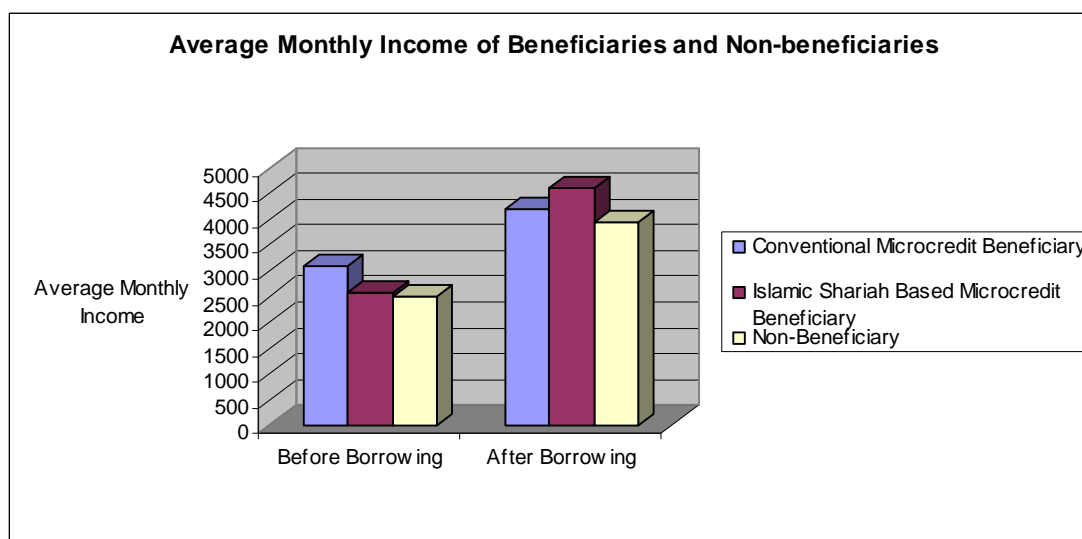
Types of beneficiaries	Average monthly income (Tk.)			T-Value
	Before Borrowing	After Borrowing	Growth (%)	
Conventional	3101.67	4206.67	35.63	2.84*
Islamic Shariah Based	2566.67	4616.67	79.87	6.36**
Non-Beneficiaries	2484.44	3948.89	58.94	10.05**

Source: Questionnaire Survey, February 2009

\* Significant at 1% level.

\*\* Significant at 0.50% level.

Figure 5.17: Average monthly income of the beneficiaries and non-beneficiaries



Source: Questionnaire Survey, February 2009

Average monthly income of the conventional beneficiaries is higher than that of the Islamic microcredit beneficiaries before taking microcredit but after getting microcredit the position is reversed. Moreover, the growth rate of income of Islamic shariah based microcredit beneficiaries is higher than the conventional microcredit beneficiaries by 44.24%. Growth rate of income of non-beneficiaries is also higher than that of the conventional microcredit beneficiaries. In terms of average income and growth rate, the Islamic shariah based microcredit beneficiaries are in better position. (Table 5.10)

**Impact of level of education on monthly average income:**

Education helps the beneficiaries to utilize the borrowed money properly. This is reflected in the income of Islamic shariah based microcredit beneficiaries. Islamic shariah based microcredit beneficiaries who only can sign and those who studied upto class five have increased their income at the rate of 71.07% and 97.65% respectively after taking microcredit. Same categories of beneficiaries of conventional microcredit have increased their income at the rate of 43.78% and 30.04% which indicate that higher the education higher is the capacity to utilize microcredit in a better way for economic enhancement. The situation is more favorable in case of Islamic shariah based microcredit system. (Appendix: A-5.29)

**Impact of occupation on monthly average income:**

Occupation is an important factor on monthly income of beneficiaries and non-beneficiaries. Before borrowing, occupation wise monthly average income of the conventional microcredit beneficiaries was higher than that of the Islamic shariah based microcredit beneficiaries. After taking microcredit the position has reversed for day labour and housewife. Growth rate of Islamic shariah based microcredit beneficiaries' income is higher by 20.45%, 85.26% and 46.76% compared to the conventional microcredit beneficiaries for petty business, day labour and housewife respectively. (Appendix: A-5.30)

**Impact of amount of land on monthly average income:**

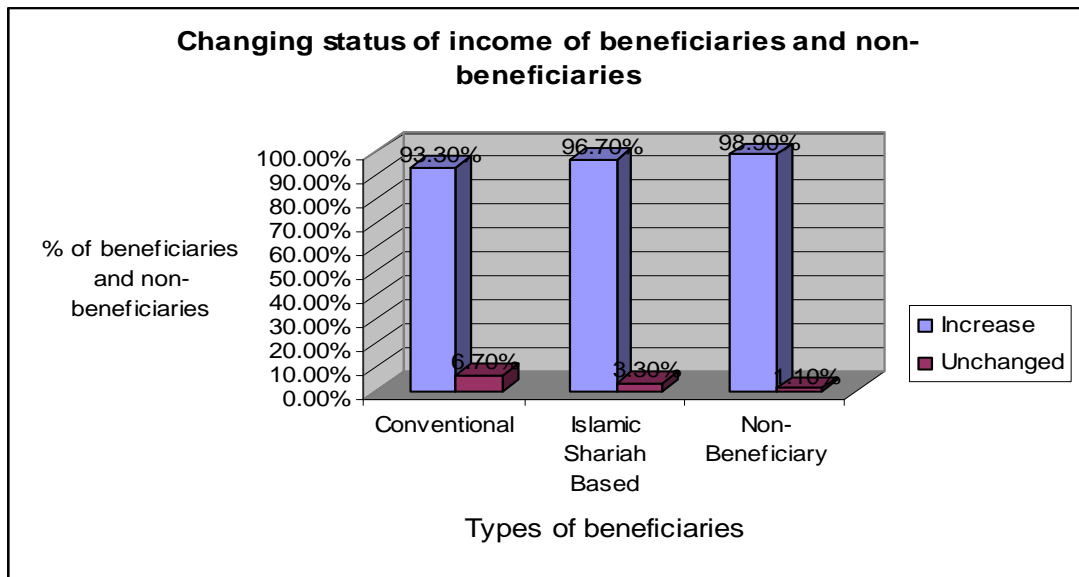
Land is the most important assets for income generation. The study reveals that the income of the beneficiaries and non-beneficiaries is not consistent with the amount of land owned by them. The income generation from land depends on the maximum utilization of land and also depends on the available land for cultivation. (Appendix: A-5.31)



**Impact of number of cow on monthly average income:**

Income of the beneficiaries and non-beneficiaries depends on the number of livestock owned by them. Monthly average income and the growth rate of income of the beneficiaries and non-beneficiaries are not consistent with the number of livestock they owned. But the growth rate of Islamic shariah based microcredit beneficiaries' income is higher than that of the conventional microcredit beneficiaries. (Appendix: A-5.32)

Figure 5.18: Changing status of income of the beneficiaries and non-beneficiaries



Source: Questionnaire Survey, February 2009

Maximum beneficiaries and non-beneficiaries income have increased within the period under study. Only 6.70% of conventional, 3.30% of Islamic shariah based and 1.10% of non-beneficiaries income have remained unchanged (Figure 5.18).

Table 5.11: Average monthly savings of the beneficiaries and non-beneficiaries

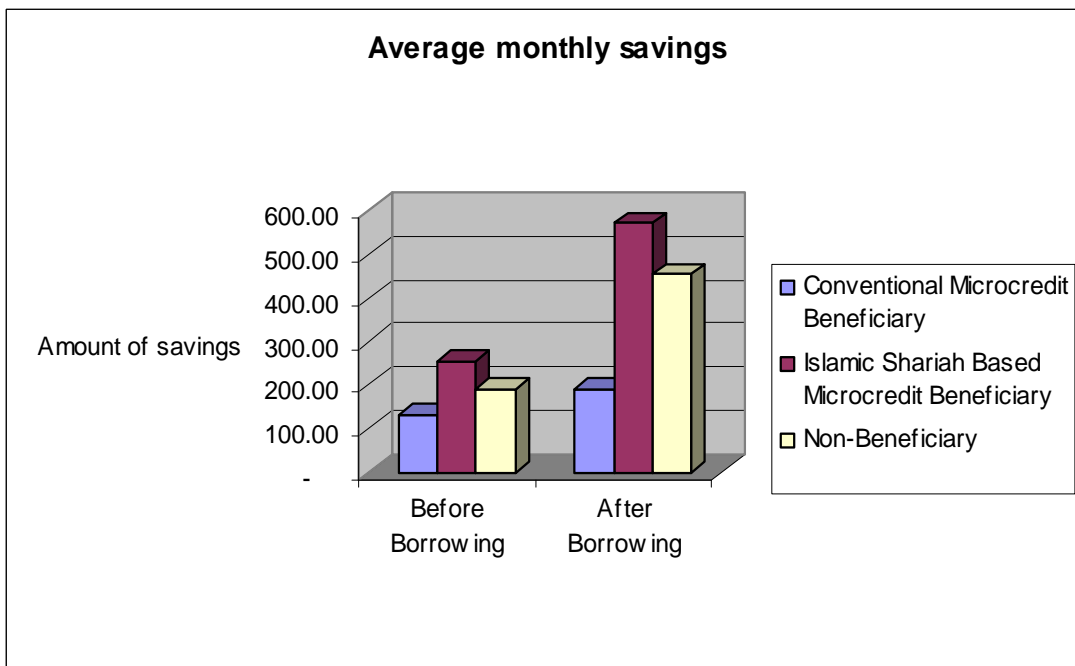
Types of beneficiaries	Average monthly savings (Taka)			T-Value
	Before Borrowing	After Borrowing	Growth (%)	
Conventional	133.80	191.53	43.15	0.88
Islamic Shariah Based	255.40	569.73	123.07	3.02*
Non-Beneficiaries	191.89	453.72	136.45	6.55**

Source: Questionnaire Survey, February 2009

\* Significant at 1% level.

\*\* Significant at 0.50% level.

Figure 5.19: Average monthly savings of the beneficiaries and non-beneficiaries.

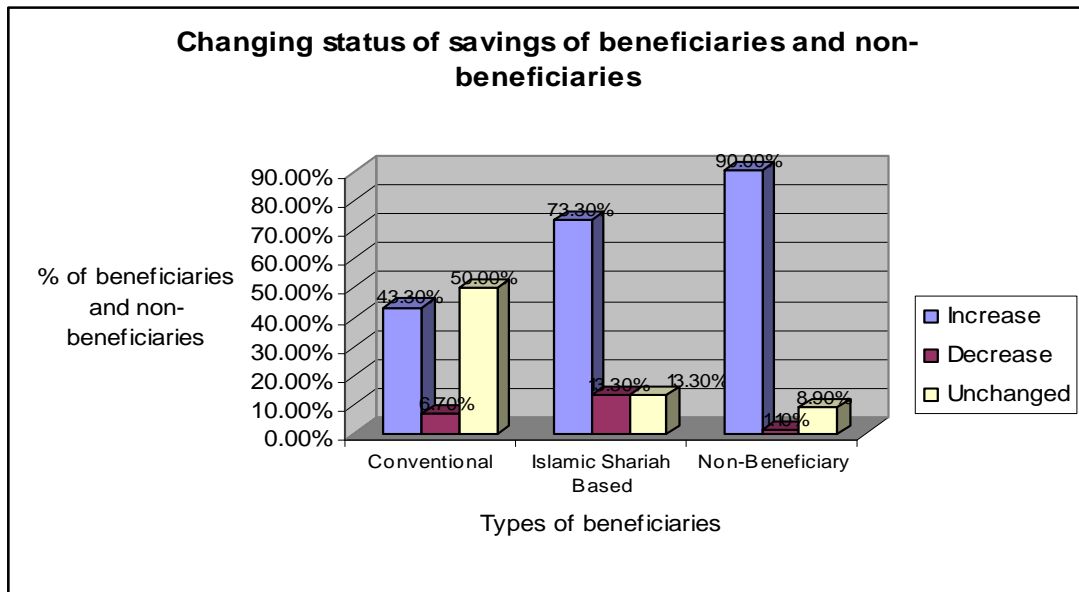


Source: Questionnaire Survey, February 2009

Monthly savings of the beneficiaries and non-beneficiaries varies from no savings to Tk.1500.00. A large number of beneficiaries (70.00% of conventional and 26.70% of Islamic shariah based) and non-beneficiaries (34.40%) had no savings before borrowing. After borrowing this figure has reduced to 46.70% for conventional, 10.00% for Islamic shariah based and 6.70% for non-beneficiaries who have no savings. (Appendix: A-5.9 & 5.10)

Savings of the conventional and Islamic shariah based microcredit beneficiaries have increased significantly. The increasing tendency of savings is very much prominent for Islamic shariah based microcredit beneficiaries. The growth rate of savings of Islamic shariah based microcredit beneficiaries is 79.92% higher than that of the conventional microcredit beneficiaries and savings per month is higher by Tk.378.20 (Table 5.11).

Figure 5.20: Changing status of savings levels of beneficiaries and non-beneficiaries



Source: Questionnaire Survey, February 2009

The savings may be changed due to many reasons though the income of the beneficiaries and non-beneficiaries has increased. Expenditure of the beneficiaries may be increased due to price hike, addition of new family members, increase of health care expenditure etc. Increasing level of savings of Islamic shariah based microcredit beneficiaries is higher than that of the conventional microcredit beneficiaries. Income decreasing tendency of Islamic shariah based microcredit beneficiaries is higher than the conventional microcredit beneficiaries but large portion (50.00%) of conventional microcredit beneficiaries' has no change in savings level. (Figure 5.20)

### 5.2.5 Housing

Housing is an important part of economic indicator. The quality of house depends on the quality of materials used for constructing a house. It also depends on the number of users of a specific amount of floor areas. To acquire the actual scenario of housing of the beneficiaries and non-beneficiaries, data

of roofing materials, floor materials, wall material and number of dwellers of a house were collected.

### Number of Room

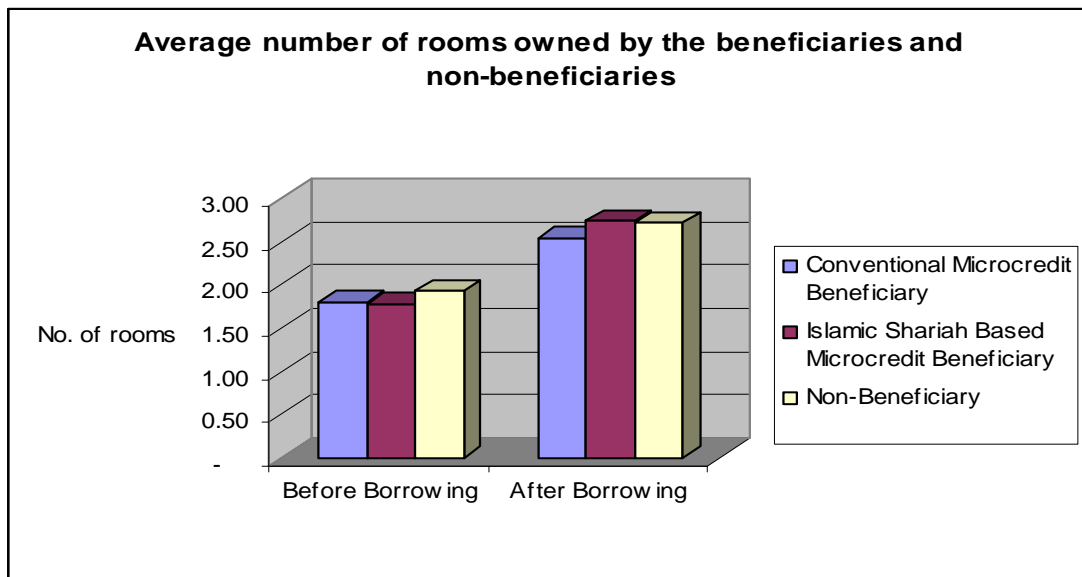
Table 5.12: Average number of rooms owned by the beneficiaries and non-beneficiaries

Types of beneficiaries	Average number of rooms			T-Value
	Before Borrowing	After Borrowing	Growth (%)	
Conventional	1.80	2.53	40.56	5.04*
Islamic Shariah Based	1.77	2.73	54.24	7.22*
Non-Beneficiaries	1.93	2.71	40.41	7.19*

Source: Questionnaire Survey, February 2009

\* Significant at 0.50% level.

Figure 5.21: Average number of rooms owned by the beneficiaries and non-beneficiaries



Source: Questionnaire Survey, February 2009

Number of rooms owned by the beneficiaries and non-beneficiaries varies between 1 to 3 before entering into microcredit and after taking microcredit the same varies from 1 to 4 (Appendix: A-5.11 & 5.12). So, average number of rooms owned by the beneficiaries and non-beneficiaries has increased during

the period under study. Average number of rooms owned by the conventional beneficiaries was higher than that of the Islamic shariah based microcredit beneficiaries before taking microcredit but after taking microcredit the situation has reversed. Besides, the growth rate of rooms owned by Islamic shariah based microcredit beneficiaries is higher than that of the conventional microcredit beneficiaries (Table 5.12).

### Roofing Materials

Roofing materials include straw or chan, C.I. Sheet, concrete slab etc. From the survey data, it is seen that maximum (64.70%) beneficiaries and non-beneficiaries' roofing material was straw or chan before entering into microcredit and after taking microcredit 96.70% of beneficiaries having houses with C.I. Sheet (Appendix: A-5.13 & 5.14).

Table 5.13: Roofing materials of the beneficiaries and non-beneficiaries

Roofing materials	Types of beneficiaries and non-beneficiaries					
	Conventional		Islamic Shariah Based		Non-Beneficiaries	
	BB	AB	BB	AB	5-years ago	At present
Straw (Chan)	73.30%	10.00%	63.30%	0.00%	62.20%	2.20%
C.I. Sheet	26.70%	90.00%	36.70%	100.00%	37.80%	97.80%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

Quality of roofing material has drastically changed from straw or chan to C.I. Sheet after borrowing money from microcredit organizations. 100.00% of Islamic shariah based microcredit beneficiaries, 90.00% of conventional microcredit beneficiaries and 97.80% non-beneficiaries have houses with C.I. Sheet as roofing material (Table 5.13). It implies that the quality of housing has increased. It also implies that the housing condition of Islamic shariah based microcredit beneficiaries is better than that of conventional microcredit beneficiaries.

### Wall materials

Wall material may be temporary, semi-permanent or permanent. Temporary wall materials are straw or chan, polythene, jute sticks, bamboo, mud; semi-permanent wall material is C.I. Sheet and permanent wall material brick.

Table 5.14: Wall materials of the houses of the beneficiaries and non-beneficiaries

Roofing materials	Types of beneficiaries and non-beneficiaries					
	Conventional		Islamic Shariah Based		Non-Beneficiaries	
	BB	AB	BB	AB	5-years ago	At present
Straw (Chan)	16.70%	6.70%	36.70%	3.30%	18.90%	3.30%
Polythene	6.70%	0.00%	10.00%	0.00%	2.20%	0.00%
Jute Sticks	66.70%	73.30%	46.70%	23.30%	67.80%	47.80%
Bamboo	10.00%	16.70%	6.70%	66.70%	11.10%	47.80%
C.I. Sheet	0.00%	3.30%	0.00	6.70%	0.00%	1.10%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

There is no permanent wall material of the beneficiaries and non-beneficiaries and a very little portion of them have semi-permanent wall material after taking microcredit. Wall material of houses belongs to conventional microcredit beneficiaries before borrowing (66.70%) and after borrowing (73.30%) is mostly jute sticks which is temporary in nature. On the other hand, wall materials of Islamic shariah based microcredit beneficiaries was straw and jute sticks before borrowing but after borrowing, bamboo (66.70%) is the prominent wall materials which is better than the jute sticks in terms of quality and durability (Table 5.14).

### Floor Materials

Available floor materials are mud, brick-cement, wood or bamboo. All of the beneficiaries and non-beneficiaries' houses are made up with mud as floor materials.

### 5.3 Human Resources Indicators

#### 5.3.1 Education

Education is an essential tool to enhance capacity for success in any activities. As the beneficiaries and non-beneficiaries are mostly below the poverty line as such education gears up them to fight against the poverty and shows the ways to move up of poverty line.

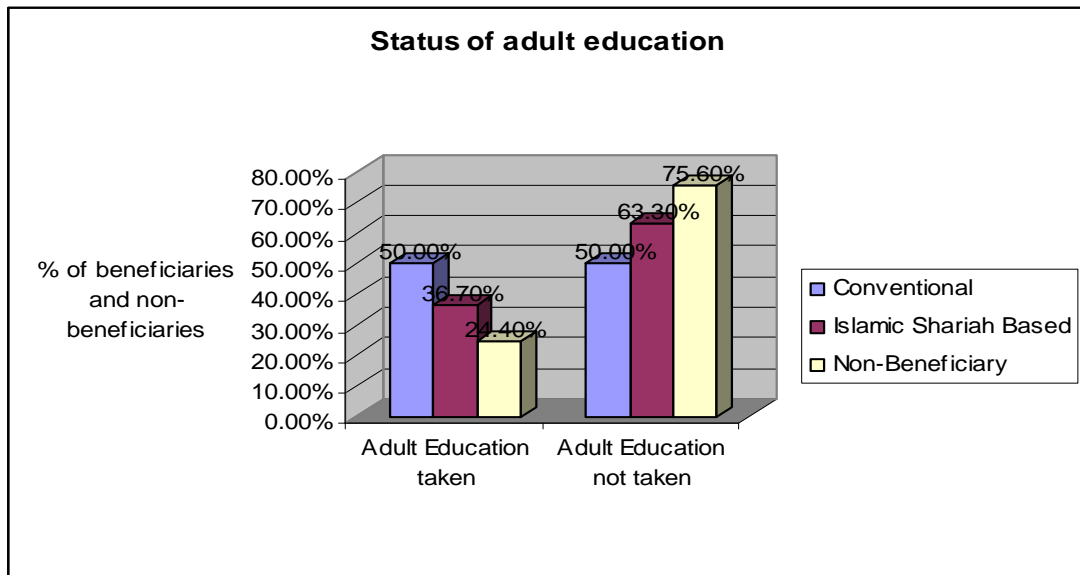
Table 5.15: Level of education of the beneficiaries and non-beneficiaries

Level of education	Types of beneficiaries and non-beneficiaries					
	Conventional		Islamic Shariah Based		Non-Beneficiaries	
	BB	AB	BB	AB	5-years ago	At present
Illiterate	43.30%	10.00%	36.70%	0.00%	31.10%	8.90%
Only can sign the name	20.00%	53.30%	30.00%	66.70%	26.70%	50.00%
Upto class V	36.70%	36.70%	33.30%	33.30%	33.30%	33.30%
Secondary	0.00%	0.00%	0.00%	0.00%	7.80%	7.80%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

Beneficiaries and non-beneficiaries were illiterate, only can sign the name, upto class five and very small portion (7.80%) of non-beneficiaries has secondary education. After taking microcredit, 33.30% of conventional beneficiaries and 36.70% of Islamic shariah based microcredit beneficiaries learn to write their name and there is only 10.00% of illiterate beneficiaries of conventional and not a single illiterate beneficiaries of Islamic shariah based (Table 5.15).

Figure 5.22: Beneficiaries and non-beneficiaries whose family member/self got adult education



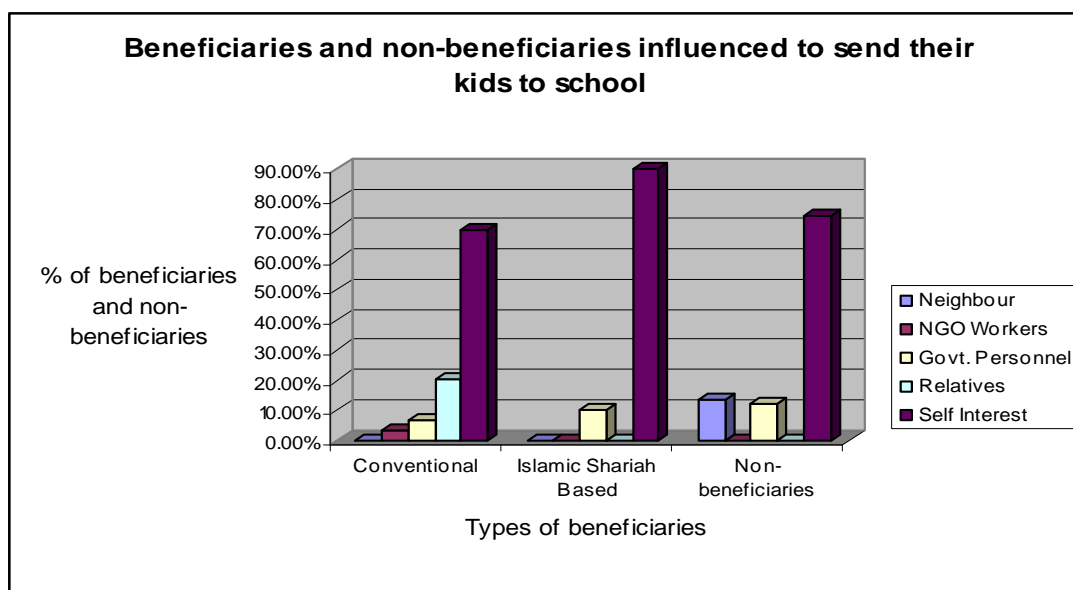
Source: Questionnaire Survey, February 2009

Among the beneficiaries and non-beneficiaries, 50.00% of the conventional microcredit beneficiaries, 36.70% of Islamic shariah based microcredit beneficiaries or their family member(s) have acquired adult education (Figure 5.22) from government financed education centre, NGO financed education centre and their personal interest. Among these, the NGO plays a vital role to provide adult education. A large portion of beneficiaries and non-beneficiaries (68.80%) have got adult education from NGO financed education centre (Appendix: A-5.17).

Personal interest is the main sprit of the beneficiaries and non-beneficiaries to send their children to school. 70% of conventional microcredit beneficiaries, 90.00% of Islamic shariah based microcredit beneficiaries and 74.40% of non-beneficiaries send their children to school for their self interest (Appendix: A-5.18). It indicates that the awareness of the beneficiaries and non-beneficiaries has increased.



Figure 5.23: By whose influence the beneficiaries and non-beneficiaries send their children to school



Source: Questionnaire Survey, February 2009

### 5.3.2 Occupation

It is very important to analyze the occupation of both conventional and Islamic shariah based microcredit beneficiaries and non-beneficiaries for comparing the change of occupational status within the period of survey. The study reveals that there are various types of occupation of the beneficiaries and non-beneficiaries in the study area such as day labour, housewife, service holder, petty businessman. Farmer etc.

Table 5.16: Occupations of beneficiaries and non-beneficiaries

Occupations	Number of beneficiaries and non-beneficiaries					
	Conventional		Islamic Shariah Based		Non-Beneficiaries	
	BB	AB	BB	AB	5-years ago	At present
Service	3.30%	3.30%	0.00%	0.00%	8.90%	8.90%
Agriculture	0.00%	0.00%	0.00%	0.00%	4.40%	4.40%
Petty Business	3.30%	26.70%	10.00%	36.70%	3.30%	38.90%
Day Labour	40.00%	16.70%	23.30%	6.70%	73.30%	40.00%
Housewife	53.30%	53.30%	66.70%	56.70%	10.00%	7.80%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

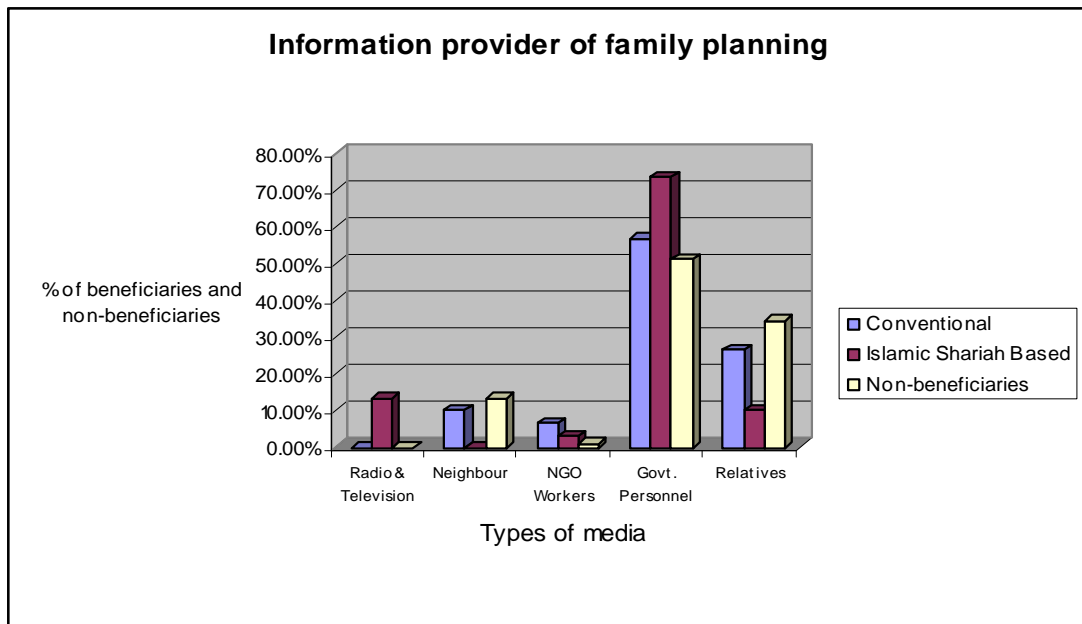
A large portion of conventional and Islamic shariah based microcredit beneficiaries were day labour and housewife before entering into microcredit but after taking microcredit, 23.30% day labour of conventional microcredit beneficiaries switch over to petty business and 10.00% housewife and 16.60% day labour of Islamic shariah based microcredit beneficiaries switch over to petty business. It indicates that the Islamic shariah based microcredit plays better role for women empowerment and provide them better opportunity to become economically solvent. (Table 5.16)

### **5.3.3 Family Planning**

Family planning is an important indicator for human resources development. Excess children of a family may be burden for that family which hampers the family to overcome from poverty. So the idea about family planning is essential for a family both men and women. It is found that all the beneficiaries and non-beneficiaries have idea about family planning and adverse effect of excess children.

Though the beneficiaries and non-beneficiaries have idea about family planning but a small portion of conventional (26.70%) and Islamic shariah based (33.30%) microcredit beneficiaries was using family planning method before entering into microcredit because most of them were newly married or having only one child at that time. (Appendix: A-5.19)

Figure 5.24: Person(s)/media/organizations who informed the beneficiaries and non-beneficiaries about family planning method



Source: Questionnaire Survey, February 2009

The beneficiaries and non-beneficiaries were informed about the family planning methods by different person(s)/media/organizations such as radio, television, govt. personnel, NGO workers, neighbour and relatives. The government personnel play the vital role to inform the beneficiaries and non-beneficiaries about the family planning method. Role of NGO is very negligible in this matter. (Appendix: A-5.20)

## 5.4 Living Environment related Indicators

### 5.4.1 Drinking Water

Water is considered as 'life' of all living beings. But now-a-days, it seems scarcity of pure water especially safe drinking water. At present, water may be polluted by natural and man-made causes such as destruction of nature, industrial pollution and arsenic contamination etc. Arsenic contamination is an alarming matter which is very harmful for our life. It is reported that most part of Bangladesh is now affected by arsenic contamination. All the

beneficiaries and non-beneficiaries of the study area use tube-well as a source of drinking water during the period of survey.

Table 5.17: Average number of users of a water source

Types of beneficiaries	Average number of user of a water source			T-Value
	Before Borrowing	After Borrowing	Growth*** (%)	
Conventional	9.20	7.37	-19.89	-1.81*
Islamic Shariah Based	10.47	5.87	-43.94	-5.98**
Non-Beneficiaries	9.22	5.70	-38.18	-6.45**

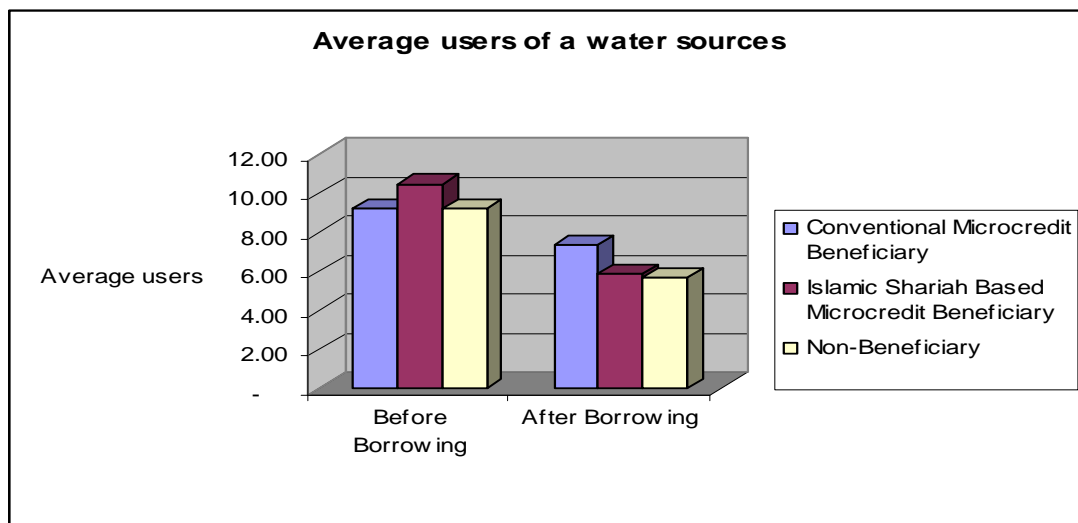
Source: Questionnaire Survey, February 2009

\* Significant at 10% level.

\*\* Significant at 0.50% level.

\*\*\* More negative (-) value shows better position of the beneficiaries and non-beneficiaries.

Figure 5.25: Average number of users of a water source



Source: Questionnaire Survey, February 2009

Average number of users of a drinking water source has improved for beneficiaries and non-beneficiaries. Average users of a source of drinking water of conventional beneficiaries have decreased from 9.20 to 7.37 and the same of Islamic shariah based microcredit beneficiaries have decreased from

10.47 to 5.87. The decreasing rate of average number of users of Islamic shariah based microcredit beneficiaries (43.94%) is higher than that of the conventional micorcredit beneficiaries (19.89) (Table 5.17). It indicates that the Islamic shariah based microcredit beneficiaries have gained better capacity to arrange fund for installation of tube-well.

Table 5.18: Owners of the drinking water source

Owners of water source	% of beneficiaries and non-beneficiaries					
	Conventional		Islamic Shariah Based		Non-Beneficiaries	
	BB	AB	BB	AB	5-years ago	At present
Self	13.30%	76.70%	20.00%	100.00%	44.40%	84.40%
Neighbour	73.30%	16.70%	70.00%	0.00%	34.40%	15.60%
Government	13.30%	6.70%	10.00%	0.00%	21.10%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

The ownership of the drinking water source belongs to the beneficiaries themselves, neighbour and government. Before becoming a member of microcredit, 13.30% of conventional and 20.00% of Islamic shariah based micorcredit beneficiaries had their own water source. After taking microcredit, 76.70% of conventional and 100.00% of Islamic shariah based micorcredit beneficiaries have their own water source (Table 5.18). The improvement of Islamic shariah based microcredit beneficiaries is higher than the conventional microcredit beneficiaries.

### 5.4.2 Sanitary Latrine

Use of sanitary latrine is an issue for hygiene management in personal and family life.

Table 5.19: Average number of users of a latrine

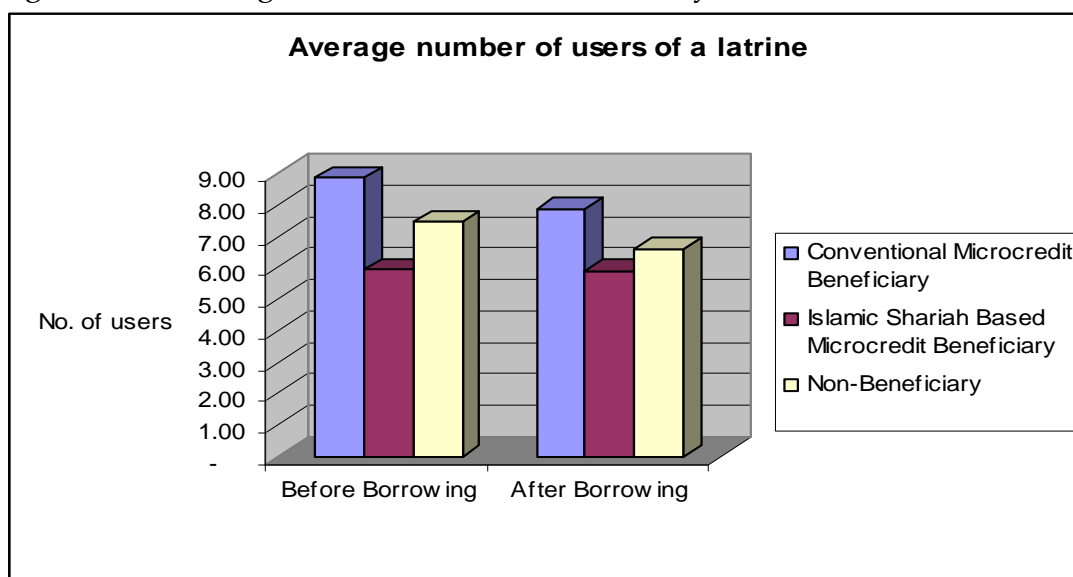
Types of beneficiaries	Average number of user a latrine			T-Value
	Before Borrowing	After Borrowing	Growth** (%)	
Conventional	8.87	7.87	-11.27	-0.97
Islamic Shariah Based	5.93	5.90	-0.51	-0.05
Non-Beneficiaries	7.47	6.60	-11.65	-2.14*

Source: Questionnaire Survey, February 2009

\* Significant at 5% level.

\*\* More negative (-) value shows better position of the beneficiaries and non-beneficiaries.

Figure 5.26: Average number of users of a sanitary latrine



Source: Questionnaire Survey, February 2009

Average number of users per sanitary latrine has decreased for beneficiaries and non-beneficiaries. This decrease for Islamic shariah based microcredit beneficiaries (0.51%) is lower than that of the conventional microcredit beneficiaries (11.27%). (Table 5.19)

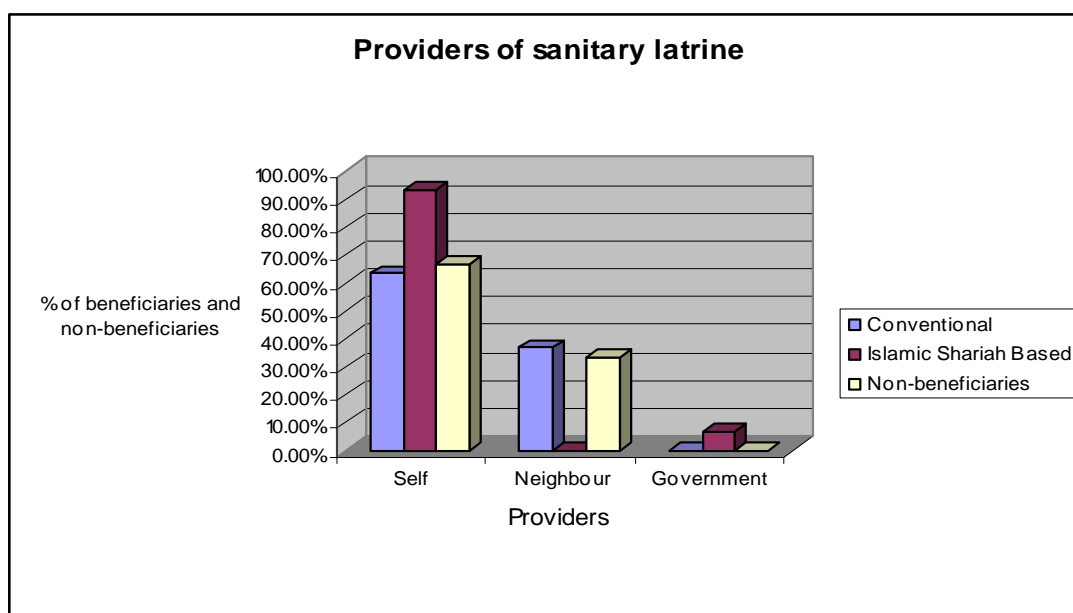
Table 5.20: Owners of the sanitary latrine

Owners of latrine	% of beneficiaries and non-beneficiaries					
	Conventional		Islamic Shariah Based		Non-Beneficiaries	
	BB	AB	BB	AB	5-years ago	At present
Self	16.70%	56.70%	70.00%	100.00%	51.10%	66.70%
Neighbour	83.30%	43.30%	30.00%	0.00%	48.90%	33.30%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

The beneficiaries and non-beneficiaries are using their own latrine or the neighbour's latrine. 16.70% of conventional and 70.00% of Islamic shariah based microcredit beneficiaries were using their own latrine before become a member of microcredit organizations. At present all beneficiaries of Islamic shariah based microcredit and 56.70% of the conventional microcredit beneficiaries are using their own sanitary latrine (Table 5.19). It indicates the better consciousness about the living environment of the Islamic shariah based microcredit beneficiaries.

Figure 5.27: Providers of sanitary latrine



Source: Questionnaire Survey, February 2009

The sanitary latrine may be procured by the beneficiaries and non-beneficiaries or provided by the Government or neighbour. A large portion of conventional (63.30%) and Islamic shariah based microcredit beneficiaries (93.30%) have arranged the sanitary latrines by themselves. This shows the better capability of Islamic shariah based microcredit beneficiaries over conventional beneficiaries. (Appendix: A-5.21)



## **6.1 Findings**

Microcredit has a potential impact on rural development indicators. It attracts the rural poor towards the main stream of rural development. The major findings that are related to the rural development are:

### **6.1.1 Findings Related to Economic Indicators**

#### **6.1.1.1 Change of the ownership of land**

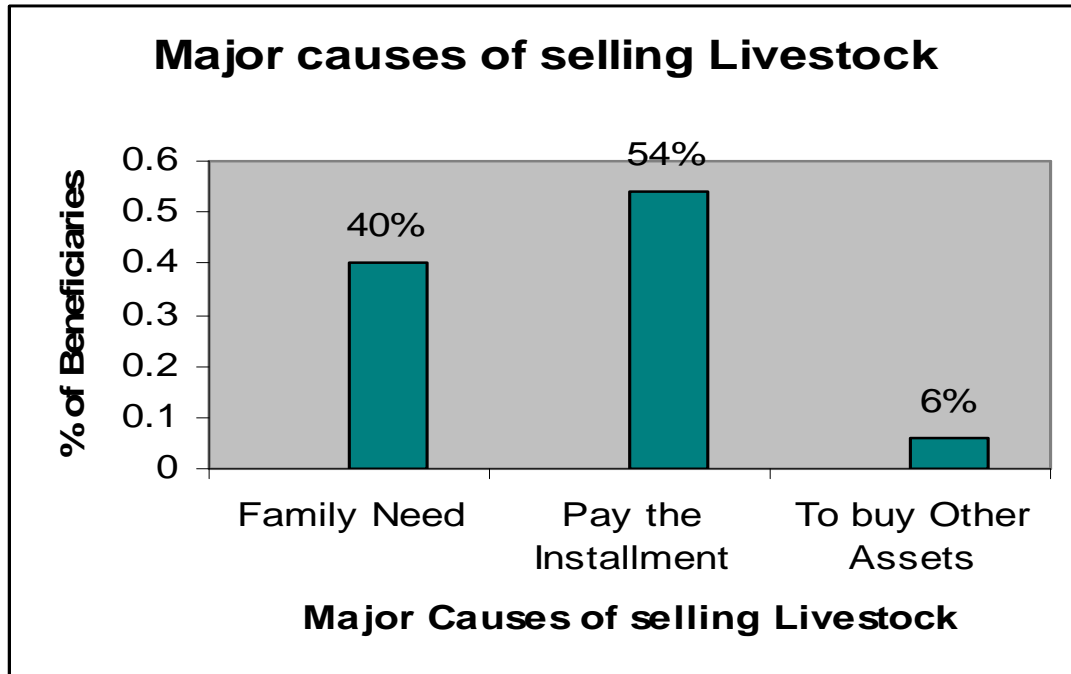
Ownership of land of the microcredit beneficiaries has changed very slightly. 80.00% of the conventional and 43.30% of the Islamic shariah based microcredit beneficiaries have no change in the ownership of land. This shows that the income generated by using the borrowed money is not enough to purchase land. But this ability differs from conventional microcredit to Islamic shariah based microcredit systems. The condition of landless beneficiaries of conventional microcredit have remained unchanged but in Islamic shariah based microcredit system 10.00% of landless beneficiaries have improved their condition. 13.30% of conventional beneficiaries and 23.30% of Islamic shariah based microcredit beneficiaries have improved their status in terms of land ownership by purchasing new land. 26.70% beneficiaries of Islamic shariah based microcredit have acquired new land by mortgaging of others land but no conventional microcredit beneficiaries could resort to such practice. So, more Islamic microcredit beneficiaries than conventional microcredit beneficiaries have come out from landless position by acquiring land through purchasing and mortgaging.

#### **6.1.1.2 Change of the ownership of livestock and other assets**

The ownership of livestock especially cows, goats, hens and ducks usually belong to the family. Women take care of the livestock side by side of their

household works. Before entering into microcredit organizations, a large number of families had no cows.

Figure 6.1: Major causes of selling the livestock



Source: Focus group discussion, February 2009.

Before entering into microcredit organizations 30.00% of conventional and 50.00% of Islamic shariah based microcredit beneficiaries had no cows at all and at present this position is 20.00% for conventional and 33.33% for Islamic shariah based microcredit beneficiaries. Livestock ownership has changed for 30.00% of the conventional microcredit beneficiaries due to selling of livestock. Moreover, 50.00% of the conventional and 23.33% of the Islamic shariah based microcredit beneficiaries' livestock ownership have remained unchanged. The beneficiaries have sold the livestock to meet up their family need and to pay the installment of the borrowed money.

The other assets such as cot, almirah, chair, table, wrist watch, radio, ornaments, shop, rickshaw, van, tube-well etc. of the conventional and Islamic shariah based microcredit beneficiaries have increased by 50.00% and 53.33% respectively due to purchase of these assets. Other assets were acquired by

money obtained by selling livestock, income generated by using microcredit and savings from daily earnings.

#### **6.1.1.3 Change in Income**

Income generation of the beneficiaries through self employment is the major objective of the microcredit. Both the conventional and Islamic shariah based microcredit organizations have been successful in this regard. Average income of conventional and Islamic shariah based microcredit beneficiaries was Tk.3101.67 and Tk.2566.67 before entering into microcredit which at present stands at Tk.4206.67 and Tk.4616.67. It shows that the Islamic shariah based microcredit beneficiaries have got better opportunity to utilize the borrowed money and generated more income than conventional microcredit beneficiaries. It also indicates that the fund diversion is less in Islamic shariah based microcredit than conventional microcredit as goods are given in Islamic shariah based microcredit but cash is given in conventional microcredit which can be easily diverted to other than stated purposes. Income for both of the conventional and Islamic shariah based beneficiaries has increased due to increase of wage of labour. Wage has increased by about 80% during the last five years. So, major portions of beneficiaries' income have actually increased due to increase of wage of labour.

#### **6.1.1.4 Change in Savings**

Though the income levels of both types of beneficiaries have increased but their savings level has not increased at the same time because the price level of necessary goods has increased more rapidly than their income. The amount of savings of the beneficiaries is very small in size. This savings constitute savings from daily labour, savings from selling livestock (if any) and savings from income generated from using the credit. As they save very little, their reinvestment is also little and subsequently generated income is less.

#### **6.1.1.5 Quality of Housing**

Housing quality and number of rooms owned by the beneficiaries have increased. This is because almost all microcredit organizations provide credit to its beneficiaries for building their houses. 50.00% of both microcredit beneficiaries initially took microcredit for the purpose of constructing their houses. New room(s) is constructed with the help of microcredit. Government also assist the poor to construct their houses.

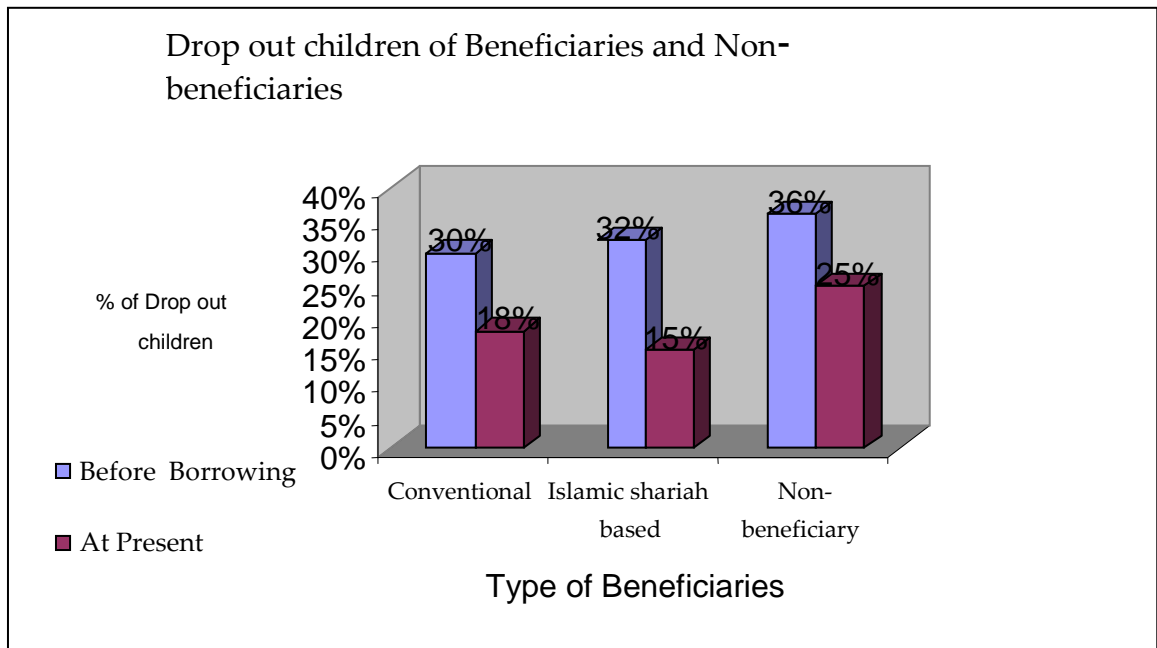
Not only the number of rooms has increased but also the quality of housing materials such as roofing, wall materials also improved. The roofing material such as Straw (chan) is replaced with C.I Sheet (90.00% of conventional and 100.00% of Islamic shariah based microcredit beneficiaries) and wall material straw and polythene are replaced with jute sticks and bamboos. C.I Sheet being a new wall material is also used by some of the beneficiaries. The feeling of the need for safety is increasing among the beneficiaries and that is why they are giving their attention to construct their houses with permanent building materials instead of temporary or semi-permanents building materials.

#### **6.1.2 Findings Related to Human Resource Indicators**

##### **6.1.2.1 Educational Change**

Consciousness towards education is increasing among both conventional and Islamic shariah based microcredit beneficiaries and non-beneficiaries. Every illiterate men or women who have entered into microcredit organizations have to know how to sign his or her name. So, a significant number of microcredit beneficiaries have learnt to sign their name only. Some of them get adult education from government or NGO financed adult education center and personal interest. Number of drop out children has also decreased as they are aware about education.

Figure 6.2: Drop out children of beneficiaries and non-beneficiaries



Source: Focus Group Discussion, February 2009

Number of drop out children before finishing the primary education has also decreased. The drop out boys mainly joined with his father for earning more because only his father's income was not sufficient to support his family and the illiterate father was not aware of the need of education of his children. On the other hand, girls joined with their mothers in household works. But at present, guardians have become sincere to their children's education. As a result, number of drop out children has decreased from 30.00% to 18.00% for conventional beneficiaries and from 32.00% to 15.00% for Islamic shariah based microcredit beneficiaries. But this trend is slow for non-beneficiary respondents. Establishment of new school with the help of NGOs such as BRAC, RDRS, Grameen Bank etc. also makes available the primary education for the children.

#### 6.1.2.2 Occupational Change

Due to availing the microcredit, orientation of occupational has changed in both conventional and Islamic shariah based microcredit beneficiaries from

day labour towards petty business. Using the fund received as credit from microcredit organizations, the beneficiaries are being engaged in various petty businesses along with their usual occupations. Such petty businesses are making *moa*, basket from bamboo, rice from paddy and selling the same, vending the household goods such as oil, churi, tape, soap etc. After taking microcredit, 23.30% of day labourers of conventional microcredit beneficiaries switched over to petty business and 10.00% of housewives and 16.60% of day labour of Islamic shariah based microcredit beneficiaries switched over to petty business. It implies that the Islamic shariah based microcredit plays a better role for women empowerment and give them opportunity for economic solvency.

#### **6.1.2.3 Family Planning**

Awareness about family planning has increased enormously. Though the beneficiaries had idea about family planning method but they did not adopt the family planning method because they thought that family planning is a great sin from the perspective of religion. Besides this, they thought that more earning members will earn more and consequently the family will be solvent. But with the passage of time, this idea has changed and they understand that having large number of children is not the way to remove poverty or earn more. Microcredit organizations play important role in this regard. Every microcredit organization emphasizes on having not more than two children in every borrowing family. Various family planning programs have been undertaken by the government and NGOs and ensuring availability of family planning methods and materials. It is learnt on the basis of Focus Group Discussion (FGD) that about 90.00% of the conventional microcredit beneficiaries and 93% of the Islamic shariah based microcredit beneficiaries are not willing to take more than two children whether son or daughter.

### 6.1.3 Findings Related to Living Environment Related Indicators

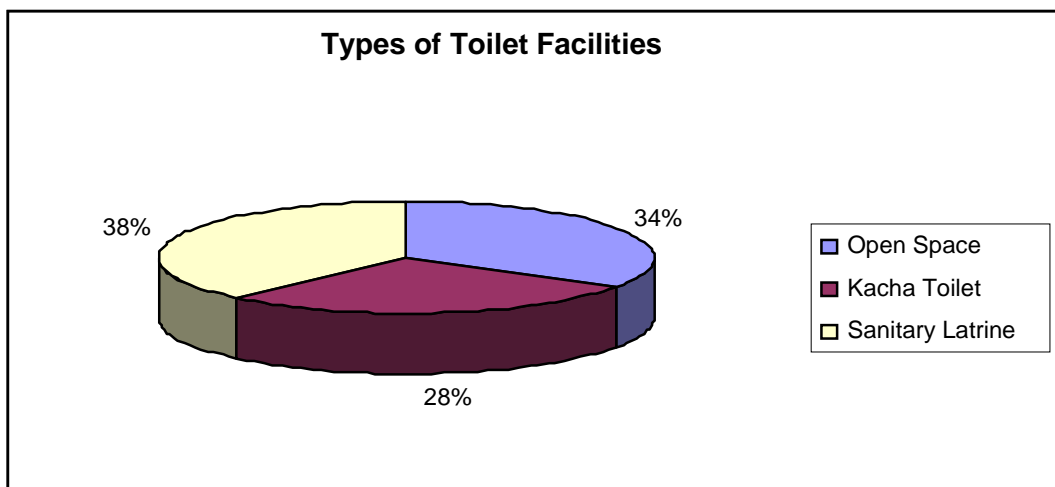
#### 6.1.3.1 Source and ownership of drinking water

Source of safe drinking water is an important factor of health condition. As a source of drinking water tube-well is the only source but it is not clear that the water is free of Arsenic contamination because there is no provision for testing the Arsenic contamination of the tube-wells. There are no effective steps of Government and NGOs to make the village people aware about the Arsenic contamination. During the discussion with the beneficiaries, they informed that only 5.00% of them know the term of Arsenic contamination. Though the tube-well is the source of drinking water but the quality of water is not proved. At present about 100.00% of Islamic shariah based microcredit beneficiaries and 76.70% of conventional microcredit beneficiaries have their own tube-wells and rest 23.40% of the conventional microcredit beneficiaries collect drinking water from neighbour and government owned tube-wells.

#### 6.1.3.2 Use of sanitary latrine

Sanitary latrine facility is an important living environmental consideration. During Focus Group Discussion (FGD), it was found that only 38.00% of the beneficiaries use sanitary latrine, 28.00% use kacha toilet and rest of the beneficiaries use open space for defecation.

Figure 6.3: Toilet facilities of the beneficiaries



Source: Focus group discussion, February 2009

But the beneficiaries stated that they are aware of the effect of open defecation and they are trying to set up sanitary latrine. The microcredit organizations, government and better off neighbours of the beneficiaries try to make them aware about the necessity of sanitary latrine and setting up the same. From the surveyed data, it is seen that 100.00% of Islamic shariah based microcredit beneficiaries and 56.70% of conventional beneficiaries have their own sanitary latrines.

#### **6.1.4 Findings Related to Other Aspects**

##### **6.1.4.1 User of the credit**

About 90% of the microcredit receivers are women but there is a mismatch between the user and the receiver of the credit. Though women receive the credit but usually they do not use that by themselves. They give the money to male members of the family. So the purpose of the credit may be diverted from the purpose stated during taking credit. Income generation is not ensured by the women and it quietly depends on the users of the credit i.e. male members of the family. In many cases, the credit is used in unproductive sectors and it is tough for the beneficiaries to pay the installments from the generated income using the credit.

##### **6.1.4.2 Higher interest rate**

Though the nominal interest or profit rate of microcredit organizations varies from 7.50 % to 18.00% but the effective rate of interest/profit on microcredit ranges from 21-30 percent in most cases. Such high interest is a burden for the borrowers and sometimes they are unable to pay the dues. But microcredit organizations' cost of funds is lower because many of them obtain funds from cheaper sources, including international donors. Beneficiaries' savings are less expensive for microcredit organization because they pay their beneficiaries a



lower rate of interest and the savings are not easily accessed by the beneficiaries. Though the cheaper sources of fund do not result in a lower rate of interest on loans because of the high costs of loan operation among poor and illiterate beneficiaries resulting from door to door services and small size of the loans.

#### **6.1.4.3 Target group**

The main objective of microcredit is poverty alleviation and empowerment of women. To demonstrate a greater success in poverty alleviation, specially conventional microcredit organizations are inclined to exclude the poorest of the poor. They are encouraged to include those just below the poverty line, termed as borderline poor, because it is easier for the microcredit organizations to lift the middle poor or borderline poor above poverty. But in Islamic shariah based microcredit the poorest are included in the programs and they are helped by the charity funds of sadakah, zakah, fitrah etc. These funds are free of cost and so they could go to the poorest of the society where the conventional microcredit could not reach.

#### **6.1.4.4 Tension in family**

The total shift towards a system of microcredit channeled through female borrowers contained a number of routes through which tensions accumulated. There are pressures for obtaining credit for use by the husband alone; there is discontent of husbands about the small size of loans. Even when the loan is used by the husband, the repayment is the responsibility of the women who had taken the loan; if the husband does not contribute to the payment of installments, the wife may have to resort to various types of

employment to make the repayment. Such tensions may even lead to quarrels and ultimately to violence.

#### **6.1.4.5 Interest based society**

Conventional microcredit has been operating in the study area for about twenty years whereas the Islamic shariah based microcredit system has been introduced in the study area about seven years ago. Receivers of the microcredit are not habituated with the Islamic shariah based system. So it is a strenuous job for the Islamic shariah based microcredit organization to make the beneficiaries accustomed with the new Islamic system of investment.

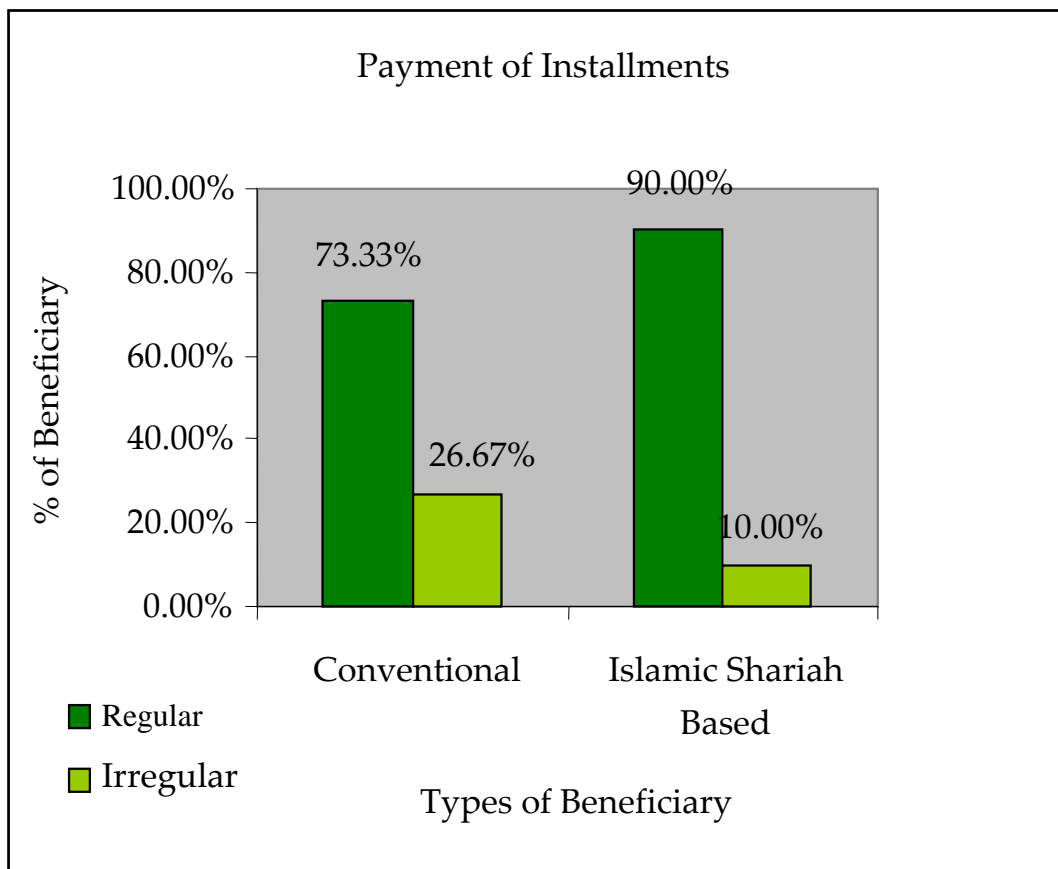
On the other hand, sometimes the Islamic shariah based microcredit system gets benefits from the society because most of the people of the study area are Muslim and interest (*riba*) is prohibited in Islam while profit is *Halal*. That is why people often go to the Islamic shariah based microcredit organizations and encourage their relatives to accept the same.

#### **6.1.4.6 Credit as cash and goods**

The conventional microcredit provides cash as loans to its beneficiaries and Islamic shariah based microcredit beneficiaries provides both cash and goods (depending on the mode of finance) to its beneficiaries. Fund diversion is easier when cash is given. When cash is given to borrowers, at first they buy food, medicine, cloths etc for their families and less amount is left for the income generation. As such borrowers could not pay the installments regularly. According to survey 26.67% of the conventional microcredit beneficiaries and 10.00% of the Islamic shariah based microcredit beneficiaries could not pay the installments regularly because they have insufficient income generated by the credit and sometimes they could not flourish their business.

And even failure in business also happened because of lack of experience or short of knowledge about the market. As credit is given in the form of goods to Islamic shariah based microcredit beneficiaries, so the repayment behaviour is better because fund diversion is minimum in this case as goods are given to the beneficiaries.

Figure 6.4: Repayment nature of installments



Source: Questionnaire survey, February 2009

#### 6.1.4.7 Lack of skill to use the credit

Most of the poor people are illiterate or just able to put their signature. They have not enough knowledge/skill to use the credit and generate enough income to repay the installments. The microcredit organizations do not arrange training to the beneficiaries how to utilize the credit or train them up

to take specialized profession. Due to lack of skill, the beneficiaries fail to use the credit and generate income from it.

#### **6.1.4.8 Interest on beneficiaries' deposit**

Both conventional and Islamic shariah based microcredit beneficiaries have to deposit a minimum amount to microcredit organizations. This deposit is compulsory and acts as a security of the loan and the beneficiaries have no easy access to this deposit. The usual nominal interest rate on credit in conventional microcredit is 12.50% and 7.50% - 12.50% in Islamic shariah based microcredit but on the beneficiaries' deposit it is only 3-5%. The interest is so less that the beneficiaries are reluctant to deposit more than the prescribed amount.

#### **6.1.4.9 Drop out of beneficiary**

Drop out beneficiaries are those who were microcredit beneficiaries but at present they are not availing any sorts of facilities from microcredit organizations. On an average about 15.00% of the beneficiaries dropped out during the last five years. High interest rate, inability to use the credit properly, inability to make repayment of credit, defaulting the previous loans etc. were the main causes for drop out of the beneficiaries. Only 5.00% said that they had no need of the credit because they are well enough to run their family.

#### **6.1.4.10 Women empowerment**

Women empowerment is one of the important motives of the microcredit organizations. Women receive credit and pay the installments. Income earned

by using the credit is valuable to women and they have the right to take any decision regarding the use of credit. They can buy household goods, fashionable goods, livestock, bear expenditure of their children etc. by themselves. This makes them self reliant and motivate them to take further innovative decision. Their social status also changes and they become a part of the family as well as the society in decision making.

## 6.2 Recommendations

The following recommendations may be adopted to overcome from the problems and to utilize the prospects of the conventional and Islamic shariah based microcredit system for fostering the rural development:

- i. Microcredit organizations provide useful services for women and thereby lead to an improvement in women's status. Conventional and Islamic shariah based microcredit organizations have been lending and targeting only women which may be required rethinking (Ahmed, S (2004)). In Islamic shariah based microcredit system borrower and his/her spouse sign the credit documents and bear the liability of the credit jointly but in conventional microcredit system only the borrower sign the credit documents and bears the liability. So, it is the time to reassess the gender-related targeting strategies of conventional microcredit organizations so that women can have adequate access to financial services but are not used as bearers of risks for funds which are being used solely by the male members. This may be done by setting separate credit limit for male and female borrowers. This will also decrease the tension in the family.
- ii. Effective interest rate of conventional microcredit may be decreased to allowable limit. As they get funds from donors at a lower rate and sometimes without any interest, they can easily lend the borrowers at a lower interest rate. The expensive way of providing services to the beneficiaries in the conventional microcredit system is usually responsible for high rate of interest. Such a system therefore needs to be modified to lower interest rate. Effective interest rate may also be decreased through collections systems of installments. Bai-Muajjal investment of Islamic shariah based microcredit may be a model example of collections system. Through this system goods are sold on credit at agreed value and collected after a fixed period for payment of

installments. In this case profit is not charged on the remaining principal.

- iii. Interest/profit on beneficiaries' deposit may be higher than the interest at present. Due to lower interest rate many beneficiaries are reluctant to deposit more money though they have ability to deposit more. There may be easy access to this deposit through appropriate incentive system for beneficiaries. More deposit will also increase the funds of the microcredit organizations.
- iv. It is clear that credit in terms of goods is better than cash. So, conventional microcredit organizations may provide its borrowers with goods on which the borrowers intend to invest instead of direct cash. This will help the borrowers to generate more income and lessen the likelihood of their being defaulters. It will also increase the productivity of such goods and contribute to GDP.
- v. Lack of skill often prevents the borrowers from generating sufficient income from the credit and the consequence is irregular payment of installments. Proper training is the solution of this problem. An extensive training program may be arranged by the microcredit organizations for imparting various types of skills to borrowers. After successful completion of the training the trainees may be allowed to use the credit.
- vi. Rich people of the country may be encouraged to pay the *Sadakah*, *Zakah*, *Fitrah* after appropriate calculation of their assets as prescribed in the Al-Quaran and these funds may be accumulated by Government Agency and to distribute this funds to the poorest of the society through microcredit organizations without interest and bring out them from poorest level to borderline poor who are allowable for microcredit.

- vii. Conventional microcredit organizations collect funds from different sources at lower interest rate such as PKSF, donor agencies etc. but there is no such options for Islamic shariah based microcredit system as interest (riba) is prohibited in Islam. As such the Islamic shariah based microcredit organizations face funds crisis and do not provide credit to their beneficiaries at required level. So there must be Government and private agencies for providing funds to Islamic shariah based microcredit organizations without interest. Islamic shariah based banks of our country may provide vital role in this regard. It will also provide congenial atmosphere for Islamic shariah based microcredit to spread out its welfare activities throughout the country.
- viii. Most of the microcredit beneficiaries are landless. A small amount of land acts as tonic for the beneficiaries for income generation. Government can distribute the kash land to landless poor to minimize the gap of land ownership among the rich and poor.
- ix. Microcredit organizations may accumulate separate welfare funds from its income from interest/profit to help the poorest such as beggar, disabled people for income generating activities.
- x. Microcredit organizations may assist the village people to become aware about Arsenic contaminations and help them to test their sources of drinking water regarding Arsenic contamination.



A growing number of microcredit organizations in rural Bangladesh are reaching out to vast multitude of poor people especially women with the collateral free credit programmes either by integrating them with their social welfare programmes or by adding the latter to former, providing a comprehensive range of services. Provision of such integrated range of welfare and economic services not only increase social and economic well-being of the poor but also empower them. The microcredit programme provides substantial progress in rural development.

It is found from the study that there is some basic difference between conventional microcredit system and Islamic shariah based microcredit system. The Islamic financial instruments (Bai-Muajjal, Bai-Salam, Musaraka, Mudaraba, Ijarah, Ijarah-wa-Iqtina, Hire Purchase, Hire Purchase under Shirkatul Meelk etc.) are quietly different from the conventional financial instruments. The conventional microcredit provides cash to its beneficiaries as credit but Islamic shariah based microcredit provides goods and cash depending on the financial instruments. The poorest section of the society is deprived of the credit in conventional microcredit system but this section can be included in the credit programmes funded from sadakah, zakah of rich people of the country. The social development programmes arranged by the conventional microcredit organizations are mostly secular in nature but the Islamic shariah based microcredit organizations have both secular and religious social development programmes.

The study has explored the impacts of microcredit programmes on rural development focusing on economic, human resources and living environment related indicators. The microcredit programme has increased the productivity of the poor people of the villages especially who are landless. The beneficiaries of the microcredit have purchased various assets such as

furniture, tubewell, rickshaw, sanitary latrine with the savings of their income generated by the credit. Some of them have also purchased or mortgaged land, livestock by using the credit. A small portion of them had to sell livestock and other assets to pay the installment of the credit. The quality of houses of the beneficiaries has greatly improved by replacing temporary roofing, wall materials by permanent roofing and wall materials. The occupations of the beneficiaries have also changed after getting the microcredit. A lot of beneficiaries switched their occupation from day labour and household works to petty business. Now the beneficiaries are sending their children to school with their own interest and they are themselves also getting adult education from NGOs and Government financed adult education centers and becoming aware about their rights and responsibilities. Awareness regarding family planning among the beneficiaries has also improved.

The study revealed that the living environment such as drinking water and use of sanitary latrine have improved. Almost all of the beneficiaries have been using tubewell as a source of drinking water but the quality of the water (Arsenic contamination) has not been proved. About 75% of the beneficiaries have their own tubewell. Ownership of sanitary latrine has been increasing rapidly and awareness about environmental effect of open defecation has been growing day by day.

Besides these, there are some problems relating to microcredit organizations and beneficiaries. High effective interest rate, targeting only women, cash as credit instead of goods etc. are the major problems relating to the microcredit organizations. On the other hand, lack of skill, illiteracy, tension in the family, reluctance about reinvestment, superstition etc. are the major problems faced by the microcredit beneficiaries.

In spite of some problems, the microcredit programmes are playing a great role in rural development through the development in such aspects as land ownership, livestock ownership, per capita income and savings, quality of house building materials, awareness about education and family planning, occupational changes and awareness towards safe drinking water and use of sanitary latrines. So, microcredit programmes should be given special emphasis by the policy makers for improving economic conditions of the rural poor in particular and fostering rural development in general.

**APPENDIX: A****Table 5.1:** Land owned by the beneficiaries and non-beneficiaries before entering into microcredit

Amount of land (decimal)		Microcredit Beneficiary (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
Landless	Count	11	9	27	47
	% within MB	36.70%	30.00%	30.00%	31.30%
10-15	Count	1	3	29	33
	% within MB	3.30%	10.00%	32.20%	22.00%
16-20	Count	6	7	23	36
	% within MB	20.00%	23.30%	25.60%	24.00%
21-25	Count	3	4	3	10
	% within MB	10.00%	13.30%	3.30%	6.70%
26-30	Count	4	0	1	5
	% within MB	13.30%	0.00%	1.10%	3.30%
31-35	Count	1	2	0	3
	% within MB	3.30%	6.70%	0.00%	2.00%
36-40	Count	4	0	6	10
	% within MB	13.30%	0.00%	6.70%	6.70%
46-50	Count	0	2	0	2
	% within MB	0.00%	6.70%	0.00%	1.30%
61-65	Count	0	3	0	3
	% within MB	0.00%	10.00%	0.00%	2.00%
65+	Count	0	0	1	1
	% within MB	0.00%	0.00%	1.10%	0.70%
Total	Count	30	30	90	150
	% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.2:** Land owned by the beneficiaries and non-beneficiaries during survey period (February 2009)

Amount of land (decimal)		Microcredit Beneficiary (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
Landless	Count	11	6	18	35
	% within MB	36.70%	20.00%	20.00%	23.30%
10-15	Count	1	3	35	39
	% within MB	3.30%	10.00%	38.90%	26.00%
16-20	Count	5	1	23	29

	% within MB	16.70%	3.30%	25.60%	19.30%
21-25	Count	2	4	3	9
	% within MB	6.70%	13.30%	3.30%	6.00%
26-30	Count	2	0	1	3
	% within MB	6.70%	0.00%	1.10%	2.00%
31-35	Count	1	1	0	2
	% within MB	3.30%	3.30%	0.00%	1.30%
36-40	Count	4	4	5	13
	% within MB	13.30%	13.30%	5.60%	8.70%
41-45	Count	4	2	0	6
	% within MB	13.30%	6.70%	0.00%	4.00%
46-50	Count	0	4	0	4
	% within MB	0.00%	13.30%	0.00%	2.70%
65+	Count	0	5	5	10
	% within MB	0.00%	16.70%	5.60%	6.70%
Total	Count	30	30	90	150
	% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.3:** Ownership of livestock by beneficiaries and non-beneficiaries before entering into microcredit system

Items of Livestock	No. of Livestock	Microcredit Beneficiary (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
Cow	0	9	15	47	71
	% within MB	30.00	50.00	52.22	47.33
	1 to 2	15	13	32	60
	% within MB	50.00	43.33	35.56	40.00
	3 to 4	6	2	10	18
	% within MB	20.00	6.67	11.11	12.00
	5 to 6	0	0	1	1
	% within MB	0.00	0.00	1.11	0.67
	Total	30	30	90	150
% within MB	100.00	100.00	100.00	100.00	
Goat	0	20	12	63	95
	% within MB	66.67	40.00	70.00	63.33
	1-2	3	10	4	17
	% within MB	10.00	33.33	4.44	32.00
	3-4	7	6	22	35
	% within MB	23.33	20.00	24.44	23.33

	5-6	0	2	1	3
	% within MB	0.00	6.67	1.11	2.00
	Total	30	30	90	150
	% within MB	100.00	100.00	100.00	100.00
Hen & Duck	1-5	14	4	52	70
	% within MB	46.67	13.33	57.78	46.67
	6-10	16	9	34	59
	% within MB	53.33	30.00	37.78	39.33
	11-15	0	9	1	10
	% within MB	0.00	30.00	1.11	6.67
	16-20	0	6	3	9
	% within MB	0.00	20.00	3.33	6.00
	20+	0	2	0	2
	% within MB	0.00	6.67	0.00	1.33
	Total	30	30	90	150
	% within MB	100.00	100.00	100.00	100.00

Source: Questionnaire Survey, February 2009

**Table 5.4:** Ownership of livestock by beneficiaries and non-beneficiaries during survey period (February 2009)

Items of Livestock	No. of Livestock	Microcredit Beneficiary			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
Cow	0	6	10	35	51
	% within MB	20.00	33.33	38.89	34.00
	1 to 2	20	9	29	58
	% within MB	66.67	30.00	32.22	38.67
	3 to 4	4	5	22	31
	% within MB	13.33	16.67	24.44	20.67
	5 to 6	0	6	4	10
	% within MB	0.00	20.00	4.44	6.67
	Total	30	30	90	150
	% within MB	100.00	100.00	100.00	100.00
Goat	0	18	8	49	75
	% within MB	60.00	26.67	54.44	50.00
	1-2	12	5	16	33
	% within MB	40.00	16.67	17.78	22.00
	3-4	0	9	13	22
	% within MB	0.00	30.00	14.44	14.67
	5-6	0	8	12	20
% within MB	0.00	26.67	13.33	13.33	

	Total	30	30	90	150
	% within MB	100.00	100.00	100.00	100.00
Hen & Duck	1-5	16	4	42	62
	% within MB	53.33	13.33	46.67	41.33
	6-10	12	7	35	54
	% within MB	40.00	23.33	38.89	36.00
	11-15	2	10	7	19
	% within MB	6.67	33.33	7.78	12.67
	16-20	0	5	5	10
	% within MB	0.00	16.67	5.56	6.67
	20+	0	4	1	5
	% within MB	0.00	13.33	1.11	3.33
	Total	30	30	90	150
% within MB	100.00	100.00	100.00	100.00	

Source: Questionnaire Survey, February 2009

**Table 5.5:** Ownership of other assets by beneficiaries before entering into microcredit system

Type of Assets	No. of Assets	Microcredit Beneficiary (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
Furniture	0	2	1	1	4
	% within MB	6.67	3.33	1.11	2.67
	1-3	5	8	32	45
	% within MB	16.67	26.67	35.56	30.00
	4-6	16	21	45	82
	% within MB	53.33	70.00	50.00	54.67
	7-9	7	0	1	8
	% within MB	23.33	0.00	1.11	5.33
	10-12	0	0	11	11
	% within MB	0.00	0.00	12.22	7.33
	Total	30	30	90	150
% within MB	100.00	100.00	100.00	100.00	
Tubewell	0	25	28	61	114
	% within MB	83.33	93.33	67.78	76.00
	1	5	2	29	36
	% within MB	16.67	6.67	32.22	24.00
	Total	30	30	90	150
% within MB	100.00	100.00	100.00	100.00	
Rickshaw	0	29	30	90	149
	% within MB	96.67	100.00	100.00	99.33
	1	1	0	0	1
	% within MB	3.33	0.00	0.00	0.67
Total	30	30	90	150	

	% within MB	100.00	100.00	100.00	100.00
Shop	0	30	30	89	149
	% within MB	100.00	100.00	98.89	99.33
	1	0	0	1	1
	% within MB	0.00	0.00	1.11	0.67
	Total	30	30	90	150
	% within MB	100.00	100.00	100.00	100.00
Others	0	16	27	81	124
	% within MB	53.33	90.00	90.00	82.67
	1	4	2	7	13
	% within MB	13.33	6.67	7.78	8.67
	2	4	1	2	7
	% within MB	13.33	3.33	2.22	4.67
	3	5	0	0	5
	% within MB	16.67	0.00	0.00	3.33
	3+	1	0	0	1
	% within MB	3.33	0.00	0.00	0.67
	Total	30	30	90	150
% within MB	100.00	100.00	100.00	100.00	

Source: Questionnaire Survey, February 2009

**Table 5.6:** Ownership of other assets by beneficiaries during the survey period (February 2009)

Type of Assets	No. of Assets	Microcredit Beneficiary (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
Furniture	1-3	1	0	12	13
	% within MB	3.33	0.00	13.33	8.67
	4-6	7	8	16	31
	% within MB	23.33	26.67	17.78	20.67
	7-9	13	13	24	50
	% within MB	43.33	43.33	26.67	33.33
	10-12	9	9	32	50
	% within MB	30.00	30.00	35.56	33.33
	12+	2	0	6	8
	% within MB	6.67	0.00	6.67	5.33
	Total	30	30	90	150
% within MB	100.00	100.00	100.00	100.00	
Tubewell	0	6	0	14	20
	% within MB	20.00	0.00	15.56	13.33
	1	24	30	76	130
	% within MB	80.00	100.00	84.44	86.67
	Total	30	30	90	150
% within MB	100.00	100.00	100.00	100.00	



Rickshaw	0	19	28	70	117
	% within MB	63.33	93.33	77.78	78.00
	1	11	2	20	33
	% within MB	36.67	6.67	22.22	22.00
	Total	30	30	90	150
	% within MB	100.00	100.00	100.00	100.00
Shop	0	30	28	88	146
	% within MB	100.00	93.33	97.78	97.33
	1	0	2	2	4
	% within MB	0.00	6.67	2.22	2.67
	Total	30	30	90	150
	% within MB	100.00	100.00	100.00	100.00
Others	0	9	9	45	63
	% within MB	30.00	30.00	50.00	42.00
	1	8	14	34	56
	% within MB	26.67	46.67	37.78	37.33
	2	5	7	11	23
	% within MB	16.67	23.33	12.22	15.33
	3	4	0	0	4
	% within MB	13.33	0.00	0.00	2.67
	3+	4	0	0	4
	% within MB	13.33	0.00	0.00	2.67
	Total	30	30	90	150
	% within MB	100.00	100.00	100.00	100.00

Source: Questionnaire Survey, February 2009

**Table 5.7:** Income per month of beneficiaries and non-beneficiaries before becoming a member of microcredit organization

Income Level		Microcredit Beneficiaries (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
1500-2000	Count	5	7	38	50
	% within MB	16.70%	23.30%	42.20%	33.30%
2001-2500	Count	8	7	17	32
	% within MB	26.70%	23.30%	18.90%	21.30%
2501-3000	Count	9	12	25	46
	% within MB	30.00%	40.00%	27.80%	30.70%
3001-3500	Count	0	0	2	2
	% within MB	0.00%	0.00%	2.20%	1.30%
3501-4000	Count	2	2	4	8
	% within MB	6.70%	6.70%	4.40%	5.30%
4501-5000	Count	3	2	4	9

	% within MB	10.00%	6.70%	4.40%	6.00%
5001-5500	Count	1	0	0	1
	% within MB	3.30%	0.00%	0.00%	0.70%
6501-7000	Count	2	0	0	2
	% within MB	6.70%	0.00%	0.00%	1.30%
Total	Count	30	30	90	150
	% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.8:** Income per month of beneficiaries and non-beneficiaries during the survey (February 2009)

Income level		Microcredit Beneficiaries (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
2001-2500	Count	0	2	3	5
	% within MB	0.00%	6.70%	3.30%	3.30%
2501-3000	Count	5	0	0	5
	% within MB	16.70%	0.00%	0.00%	3.30%
3001-3500	Count	9	7	42	58
	% within MB	30.00%	23.30%	46.70%	38.70%
3501-4000	Count	6	6	16	28
	% within MB	20.00%	20.00%	17.80%	18.70%
4001-4500	Count	3	3	11	17
	% within MB	10.00%	10.00%	12.20%	11.30%
4501-5000	Count	0	6	7	13
	% within MB	0.00%	20.00%	7.80%	8.70%
5001-5500	Count	0	0	1	1
	% within MB	0.00%	0.00%	1.10%	0.70%
5501-6000	Count	1	1	2	4
	% within MB	3.30%	3.30%	2.20%	2.70%
6001-6500	Count	1	2	2	5
	% within MB	3.30%	6.70%	2.20%	3.30%
6501-7000	Count	2	1	4	7
	% within MB	6.70%	3.30%	4.40%	4.70%
7001-7500	Count	0	0	1	1
	% within MB	0.00%	0.00%	1.10%	0.70%
7501-8000	Count	2	0	0	2
	% within MB	6.70%	0.00%	0.00%	1.30%
8000+	Count	1	2	1	4
	% within MB	3.30%	6.70%	1.10%	2.70%
Total	Count	30	30	90	150
	% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.9:** Saving per month of the beneficiaries and non-beneficiaries before becoming a member of microcredit organizations

Savings Level		Microcredit Beneficiaries (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
0	Count	21	8	31	60
	% within MB	70.00%	26.70%	34.40%	40.00%
1-100	Count	2	0	0	2
	% within MB	6.70%	0.00%	0.00%	1.30%
101-200	Count	1	5	41	47
	% within MB	3.30%	16.70%	45.60%	31.30%
201-300	Count	1	9	2	12
	% within MB	3.30%	30.00%	2.20%	8.00%
301-400	Count	0	0	1	1
	% within MB	0.00%	0.00%	1.10%	0.70%
401-500	Count	2	6	14	22
	% within MB	6.70%	20.00%	15.60%	14.70%
601-700	Count	2	1	0	3
	% within MB	6.70%	3.30%	0.00%	2.00%
701-800	Count	1	0	0	1
	% within MB	3.30%	0.00%	0.00%	0.70%
1200+	Count	0	1	1	2
	% within MB	0.00%	3.30%	1.10%	1.30%
Total	Count	30	30	90	150
	% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.10:** Saving per month of the beneficiaries during the survey period (February 2009)

Savings Level		Microcredit Beneficiaries (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
0	Count	14	3	6	23
	% within MB	46.70%	10.00%	6.70%	15.30%
101-200	Count	8	8	20	36
	% within MB	26.70%	26.70%	22.20%	24.00%
201-300	Count	4	1	17	22
	% within MB	13.30%	3.30%	18.90%	14.70%

301-400	Count	0	0	4	4
	% within MB	0.00%	0.00%	4.40%	2.70%
401-500	Count	1	9	10	20
	% within MB	3.30%	30.00%	11.10%	13.30%
501-600	Count	0	0	4	4
	% within MB	0.00%	0.00%	4.40%	2.70%
601-700	Count	2	0	14	16
	% within MB	6.70%	0.00%	15.60%	10.70%
701-800	Count	0	3	8	11
	% within MB	0.00%	10.00%	8.90%	7.30%
901-1000	Count	0	1	0	1
	% within MB	0.00%	3.30%	0.00%	0.70%
1101-1200	Count	0	1	6	7
	% within MB	0.00%	3.30%	6.70%	4.70%
1200+	Count	1	4	1	6
	% within MB	3.30%	13.30%	1.10%	4.00%
Total	Count	30	30	90	150
	% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.11:** Number of rooms owned by beneficiaries and non-beneficiaries before entering into microcredit organizations

Number of Room		Microcredit Beneficiaries (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
1	Count	9	7	23	39
	% within MB	30.00%	23.30%	25.60%	26.00%
2	Count	18	23	50	91
	% within MB	60.00%	76.70%	55.60%	60.70%
3	Count	3	0	17	20
	% within MB	10.00%	0.00%	18.90%	13.30%
Total	Count	30	30	90	150
	% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.12:** No. of rooms owned by beneficiaries and non-beneficiaries during survey (February 2009)

Number of Room		Microcredit Beneficiaries (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
1	Count	0	0	10	10
	% within MB	0.00%	0.00%	11.10%	6.70%
2	Count	14	10	14	38
	% within MB	46.70%	33.30%	15.60%	25.30%
3	Count	16	18	58	92
	% within MB	53.30%	60.00%	64.40%	61.30%
4	Count	0	2	8	10
	% within MB	0.00%	6.70%	8.90%	6.70%
Total	Count	30	30	90	150
	% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.13:** Roofing materials of the houses of the beneficiaries and non-beneficiaries before become a member of microcredit organizations

Roofing materials		Microcredit Beneficiaries (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
Straw (Chan)	Count	22	19	56	97
	% within MB	73.30%	63.30%	62.20%	64.70%
C.I. Sheet	Count	8	11	34	53
	% within MB	26.70%	36.70%	37.80%	35.30%
Total	Count	30	30	90	150
	% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.14:** Roofing materials of the houses of beneficiaries and non-beneficiaries during the period of survey (February 2009)

Roofing materials		Microcredit Beneficiaries (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
Straw (Chan)	Count	3	0	2	5
	% within MB	10.00%	0.00%	2.20%	3.30%
C.I. Sheet	Count	27	30	88	145
	% within MB	90.00%	100.00%	97.80%	96.70%
Total	Count	30	30	90	150
	% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.15:** Wall materials of the houses of beneficiaries and non-beneficiaries before become a member of microcredit organizations

Wall Materials		Microcredit Beneficiaries (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
Straw (Chan)	Count	5	11	17	33
	% within MB	16.70%	36.70%	18.90%	22.00%
Polythene	Count	2	3	2	7
	% within MB	6.70%	10.00%	2.20%	4.70%
Jute Sticks	Count	20	14	61	95
	% within MB	66.70%	46.70%	67.80%	63.30%
Bamboo	Count	3	2	10	15
	% within MB	10.00%	6.70%	11.10%	10.00%
Total	Count	30	30	90	150
	% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.16:** Wall materials of the houses of beneficiaries and non-beneficiaries during the period of survey (February 2009)

Wall Materials		Microcredit Beneficiaries (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
Straw (Chan)	Count	2	1	3	6
	% within MB	6.70%	3.30%	3.30%	4.00%
Jute Sticks	Count	22	7	43	72
	% within MB	73.30%	23.30%	47.80%	48.00%
Bamboo	Count	5	20	43	68
	% within MB	16.70%	66.70%	47.80%	45.30%
C.I. Sheet	Count	1	2	1	4
	% within MB	3.30%	6.70%	1.10%	2.70%
Total	Count	30	30	90	150
	% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.17:** Providers of Adult Education

Adult Education Providers		Microcredit Beneficiaries (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
Govt. Organization	Count	7	0	0	7
	% within MB	46.70%	0.00%	0.00%	14.60%
NGO Financed Education Centre	Count	6	10	17	33
	% within MB	40.00%	90.90%	77.30%	68.80%
Personal Interest	Count	2	1	5	8
	% within MB	13.30%	9.10%	22.70%	16.70%
Total	Count	15	11	22	48
	% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.18:** By whose influence the beneficiaries and non-beneficiaries send their children to school

Influence to send kids to school		Microcredit Beneficiaries (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
Neighbour	Count	0	0	12	12
	% within MB	0.00%	0.00%	13.30%	8.00%
NGO Workers	Count	1	0	0	1
	% within MB	3.30%	0.00%	0.00%	0.70%
Govt. Personnel	Count	2	3	11	16
	% within MB	6.70%	10.00%	12.20%	10.70%
Relatives	Count	6	0	0	6
	% within MB	20.00%	0.00%	0.00%	4.00%
Self Interest	Count	21	27	67	115
	% within MB	70.00%	90.00%	74.40%	76.70%
Total	Count	30	30	90	150
	% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.19:** Beneficiaries and non-beneficiaries using family planning method before entering into microcredit

Adopted family planning		Microcredit Beneficiaries (MB)			Total	
		Conventional	Islamic Shariah Based	Non-Beneficiary		
Yes	Count	8	10	27	45	
	% within MB	26.70%	33.30%	30.00%	30.00%	
No	Count	22	20	63	105	
	% within MB	73.30%	66.70%	70.00%	70.00%	
		Count	30	30	90	150
		% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.20:** Person(s)/media/organizations who informed the beneficiaries and non-beneficiaries about family planning method

Media of Family Planning Information		Microcredit Beneficiaries (MB)			Total	
		Conventional	Islamic Shariah Based	Non-Beneficiary		
Through Radio, Television	Count	0	4	0	4	
	% within MB	0.00%	13.30%	0.00%	2.70%	
Govt. Personnel	Count	17	22	46	85	
	% within MB	56.70%	73.30%	51.10%	56.70%	
NGO Workers	Count	2	1	1	4	
	% within MB	6.70%	3.30%	1.10%	2.70%	
Neighbour	Count	3	0	12	15	
	% within MB	10.00%	0.00%	13.30%	10.00%	
Relatives	Count	8	3	31	42	
	% within MB	26.70%	10.00%	34.40%	28.00%	
Total		Count	30	30	90	150
		% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009



**Table 5.21:** Providers of sanitary latrine to the beneficiaries and non-beneficiaries

Provider of Sanitary Latrine		Microcredit Beneficiaries (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
Self	Count	19	28	60	107
	% within MB	63.30%	93.30%	66.70%	71.30%
Govt.	Count	0	2	0	2
	% within MB	0.00%	6.70%	0.00%	1.30%
Neighbour	Count	11	0	30	41
	% within MB	36.70%	0.00%	33.30%	27.30%
Total	Count	30	30	90	150
	% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.22:** Purposes of taking microcredit by the beneficiaries

Purposes	Number of beneficiaries					
	Conventional		Islamic Shariah Based		Total	
	No.	%	No.	%	No.	%
Agriculture	4	13.33	0	-	4	6.67
Daughter Marriage	6	20.00	0	-	6	10.00
Education of Children	2	6.67	0	-	2	3.33
Expansion of Business	1	3.33	0	-	1	1.67
Healthcare	2	6.67	0	-	2	3.33
Housing	5	16.67	8	26.67	13	21.67
Mortgaged Land	0	-	2	6.67	2	3.33
Petty Business	10	33.33	13	43.33	23	38.33
Set up shop	0	-	4	13.33	4	6.67
To buy livestock	0	-	3	10.00	3	5.00
	30	100	30	100.00	60	100.00

Source: Questionnaire Survey, February 2009

**Table 5.23:** Repayment sources of beneficiaries

Repayment sources	Number of beneficiaries					
	Conventional		Islamic Shariah Based		Total	
	No.	%	No.	%	No.	%
Agriculture	0	-	2	6.67	2	6.67
Agriculture & Day Labour	2	6.67	3	10.00	5	16.67
Agriculture & labour	0	-	2	6.67	2	6.67
Business	0	-	2	6.67	2	6.67
Day Labour	11	36.67	2	6.67	13	43.33
Day Labour & Petty business	14	46.67	1	3.33	15	50.00
Petty Business	2	6.67	18	60.00	20	66.67
Service	1	3.33	0	-	1	3.33
	30		30		150	

Source: Questionnaire Survey, February 2009

**Table 5.24:** Causes of change in land ownership of beneficiaries and non-beneficiaries

Causes of change in land ownership		Microcredit Beneficiary (MB)			Total
		Conventional	Islamic Shariah Based	Non-Beneficiary	
Purchase	Count	4	7	5	16
	% within MB	13.30%	23.30%	5.60%	10.70%
Sale	Count	1	0	2	3
	% within MB	3.30%	0.00%	2.20%	2.00%
Inherit	Count	1	2	4	7
	% within MB	3.30%	6.70%	4.40%	4.70%
Mortgage	Count	0	8	12	20
	% within MB	0.00%	26.70%	13.30%	13.30%
No Change	Count	24	13	67	104
	% within MB	80.00%	43.30%	74.40%	69.30%
Total	Count	30	30	90	150
	% within MB	100.00%	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

**Table 5.25:** Causes of change in ownership of livestock of beneficiaries and non-beneficiaries

Causes of Change	Number of Microcredit Beneficiary (MB) & non-beneficiary			Total
	Conventional	Islamic Shariah Based	Non-Beneficiary	
Purchase	4	18	36	58
% within MB	13.33	60.00	40.00	38.67
Sale	9	3	10	22
% within MB	30.00	10.00	11.11	14.67
Gift	0	1	0	1
% within MB	0.00	3.33	0.00	0.67
Inherit	2	1	1	4
% within MB	6.67	3.33	1.11	2.67
No Change	15	7	43	65
% within MB	50.00	23.33	47.78	43.33
Total	30	30	90	150
% within MB	100.00	100.00	100.00	100.00

Source: Questionnaire Survey, February 2009

**Table 5.26:** Causes of change in ownership of other assets of beneficiaries and non-beneficiaries

Causes	Number of beneficiary and non-beneficiary		
	Conventional	Islamic Shariah Based	Non-Beneficiary
Purchase	50.00%	53.33%	40.00%
Sale	3.33%	0.00%	0.00%
No Change	46.67%	46.67%	60.00%

Source: Questionnaire Survey, February 2009

**Table 5.27:** Average number of Rickshaw of beneficiaries and non-beneficiaries

Types of beneficiary and non-beneficiary	Before Borrowing	After Borrowing	Growth (%)
Conventional	0.03	0.37	1,133.33
Islamic Shariah Based	-	0.07	--
Non-Beneficiary	-	0.22	--

Source: Questionnaire Survey, February 2009

**Table 5.28:** Average number of shop of beneficiaries and non-beneficiaries

Types of beneficiary and non-beneficiary	Before Borrowing	After Borrowing	Growth (%)
Conventional	-	-	--
Islamic Shariah Based	-	0.07	--
Non-Beneficiary	0.01	0.02	100.00

Source: Questionnaire Survey, February 2009

Table 5.29: Level of education versus monthly average income (Taka) of the beneficiaries and non-beneficiaries

Level of Education	Monthly Average Income (Taka)								
	Conventional Beneficiary			Islamic Shariah Based Beneficiary			Non-Beneficiary		
	BB	AP	Growth (%)	BB	AP	Growth (%)	BB	AP	Growth (%)
Illeterate	3,133.33	3,600.00	14.89	-	-	-	2,900.00	4,687.50	61.64
Only can sign	3,012.50	4,331.25	43.78	2,575.00	4,405.00	71.07	2,457.78	3,812.22	55.11
Upto class V	3,222.73	4,190.91	30.04	2,550.00	5,040.00	97.65	2,510.00	4,113.33	63.88
Secondary	-	-	-	-	-	-	2,071.43	3,278.57	58.28

Source: Questionnaire Survey, February 2009

Table 5.30: Occupation versus monthly average income (Taka) of the beneficiaries and non-beneficiaries

occupations	Monthly Average Income (Taka)								
	Conventional Beneficiary			Islamic Shariah Based Beneficiary			Non-Beneficiary		
	BB	AP	Growth (%)	BB	AP	Growth (%)	BB	AP	Growth (%)
Service	2,300.00	3,200.00	39.13	-	-	-	2,062.50	3,143.75	52.42
Agriculture	-	-	-	-	-	-	3,700.00	6,450.00	74.32
Petty Business	2,950.00	4,700.00	59.32	2,336.36	4,200.00	79.77	2,271.43	3,671.43	61.64
Day Labour	3,580.00	4,240.00	18.44	2,700.00	5,500.00	103.70	2,588.89	4,004.17	54.67
Housewife	3,078.13	4,012.50	30.36	2,700.00	4,782.35	77.12	2,800.00	4,542.85	62.24

Source: Questionnaire Survey, February 2009

Table 5.31: Amount of land versus monthly average income (Taka) of the beneficiaries and non-beneficiaries

Amount of Land	Monthly Average Income (Taka)								
	Conventional Beneficiary			Islamic Shariah Based Beneficiary			Non-Beneficiary		
	BB	AP	Growth (%)	BB	AP	Growth (%)	BB	AP	Growth (%)
Landless	2,772.73	3,627.28	30.82	2,333.33	3,916.67	67.86	2,433.33	3,655.56	50.23
10	-	-	-	-	-	-	2,175.00	3,450.00	58.62
11	-	-	-	-	-	-	3,000.00	4,600.00	53.33
12	2,600.00	5,600.00	115.38	-	-	-	2,161.54	3,450.00	59.61
13	-	-	-	-	-	-	2,600.00	4,600.00	76.92
15	-	-	-	2,633.33	4,866.67	84.81	2,506.25	3,756.25	49.88
16	-	-	-	-	-	-	2,300.00	3,850.00	67.39
18	-	-	-	-	-	-	2,600.00	4,400.00	69.23
20	2,830.00	4,000.00	41.34	1,800.00	4,500.00	150.00	2,473.68	4,060.53	64.15
22	1,800.00	3,200.00	77.78	-	-	-	2,300.00	4,200.00	82.61
25	1,800.00	2,800.00	55.56	1,925.00	3,550.00	84.42	1,900.00	3,250.00	71.05
30	2,350.00	3,900.00	65.96	0	0	-	2,600.00	4,600.00	76.92
33	2,500.00	4,200.00	68.00	-	-	-	-	-	-
35	-	-	-	3,000.00	4,900.00	63.33	-	-	-
40	3,900.00	6,400.00	64.10	2,500.00	5,000.00	100.00	2,700.00	4,620.00	71.11
45	4,166.67	6,800.00	63.20	3,400.00	5,400.00	58.82	-	-	-
46	-	-	-	2,350.00	3,700.00	57.45	-	-	-
50	-	-	-	4,800.00	8,750.00	82.29	-	-	-
70	-	-	-	2,800.00	2,800.00	-	3,660.00	6,420.00	75.41
85	-	-	-	1,966.67	3,066.67	-	-	-	-

Source: Questionnaire Survey, February 2009

Table 5.32: Number of cow versus monthly average income (Taka) of the beneficiaries and non-beneficiaries

Number of Cow	Monthly Average Income (Taka)								
	Conventional Beneficiary			Islamic Shariah Based Beneficiary			Non-Beneficiary		
	BB	AP	Growth (%)	BB	AP	Growth (%)	BB	AP	Growth (%)
0	3,133.30	4,150.00	32.45	2,110.00	4,120.00	95.26	2,297.14	3,561.43	55.04
1	2,668.75	3,437.50	28.81	2,600.00	4,780.00	83.85	2,625.00	4,166.67	58.73
2	3,608.33	5,058.33	40.18	3,725.00	6,825.00	83.22	2,211.76	3,535.29	59.84
3	-	-	-	-	-	-	2,841.67	4,608.33	62.17
4	2,400.00	3,275.00	36.46	2,940.00	5,000.00	70.07	2,800.00	4,595.00	64.11
5	0	0	0	2,216.67	3,516.67	58.65	3,000.00	4,850.00	61.67

Source: Questionnaire Survey, February 2009

Table 5.33: Number of goat versus monthly average income (Taka) of the beneficiaries and non-beneficiaries

Number of Goat	Monthly Average Income (Taka)								
	Conventional Beneficiary			Islamic Shariah Based Beneficiary			Non-Beneficiary		
	BB	AP	Growth (%)	BB	AP	Growth (%)	BB	AP	Growth (%)
0	3,519.44	4,761.11	35.28	2,662.50	4,775.00	79.34	2,610.20	4,104.08	57.23
1	2,540.00	3,540.00	39.37	1,800.00	4,500.00	150.00	2,280.00	3,940.00	72.81
2	2,428.57	3,257.15	34.12	2,800.00	4,850.00	73.21	2,700.00	4,163.64	54.21
3	-	-	-	2,314.29	3,785.71	63.58	2,323.08	3,723.08	60.26
4	-	-	-	2,800.00	6,500.00	132.14	-	-	-
5	-	-	-	2,612.50	4,612.50	76.56	2,033.33	3,366.67	65.57

Source: Questionnaire Survey, February 2009

## Appendix B

Table 4.1: Method of fund transfer from microcredit organizations to its beneficiaries

Method of Fund Transfer		Microcredit Organization (MO)		Total
		Conventional	Islamic Shariah Based	
Cash Given	Count	5	1	6
	% within MO	83.30%	25.00%	60.00%
Goods Provide	Count	0	1	1
	% within MO	0.00%	25.00%	10.00%
Both Cash and Goods given	Count	1	2	3
	% within MO	16.70%	50.00%	30.00%
Total	Count	6	4	10
	% within MO	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

Table 4.2: Nature social development programme taken by microcredit organizations

Development Work		Microcredit Organization (MO)		Total
		Conventional	Islamic Shariah Based	
Secular	Count	6	1	7
	% within MO	100.00%	25.00%	70.00%
Religious	Count	0	3	3
	% within MO	0.00%	75.00%	30.00%
Total	Count	6	4	10
	% within MO	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

Table 4.3: Target Group of microcredit organizations

Target Group		Microcredit Organization (MO)		Total
		Conventional	Islamic Shariah Based	
Women	Count	4	1	5
	% within MO	66.70%	25.00%	50.00%
Both Women and Family	Count	0	2	2
	% within MO	0.00%	50.00%	20.00%
Both Men & Women	Count	2	0	2
	% within MO	33.30%	0.00%	20.00%
No Target Group	Count	0	1	1
	% within MO	0.00%	25.00%	10.00%
Total	Count	6	4	10
	% within MO	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

Table 4.4: Causes of targeting of beneficiaries

Causes of Targeting		Microcredit Organization (MO)		Total
		Conventional	Islamic Shariah Based	
Empower of Women	Count	4	2	6
	% within MO	66.70%	50.00%	60.00%
Ease of availability	Count	0	2	2
	% within MO	0.00%	50.00%	20.00%
Capability	Count	2	0	2
	% within MO	33.30%	0.00%	20.00%
Total	Count	6	4	10
	% within MO	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

Table 4.5: Liability bears by the borrowers in different microcredit system

Liability of the borrowed money		Microcredit Organization (MO)		Total
		Conventional	Islamic Shariah Based	
Recipient	Count	0	1	1
	Column %	0.00%	25.00	10.00%
Recipient & Spouse	Count	5	1	6
	Column %	83.33%	25.00	60.00%
Group	Count	1	1	2
	Column %	16.67%	25.00	20.00%
Family	Count	0	1	1
	Column %	0.00%	25.00	10.00%
Total	Count	6	4	10
	Column %	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009



Table 4.6: Dealing with defaulter client

Dealing with default beneficiary		Microcredit Organization (MO)		Total
		Conventional	Islamic Shariah based	
Group Pressure	Count	5	1	6
	Column %	83.33%	25.00%	60.00%
Spouse Guarantee	Count	1	0	1
	Column %	16.67%	0.00%	10.00%
Islamic Ethics	Count	0	3	3
	Column %	0.00%	75.00%	30.00%
Personal Pressure	Count	0	0	0
	Column %	0.00%	0.00%	0.00%
Total	Count	6	4	10
	% Column	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

Table 4.7: Interest rate of different microcredit organizations

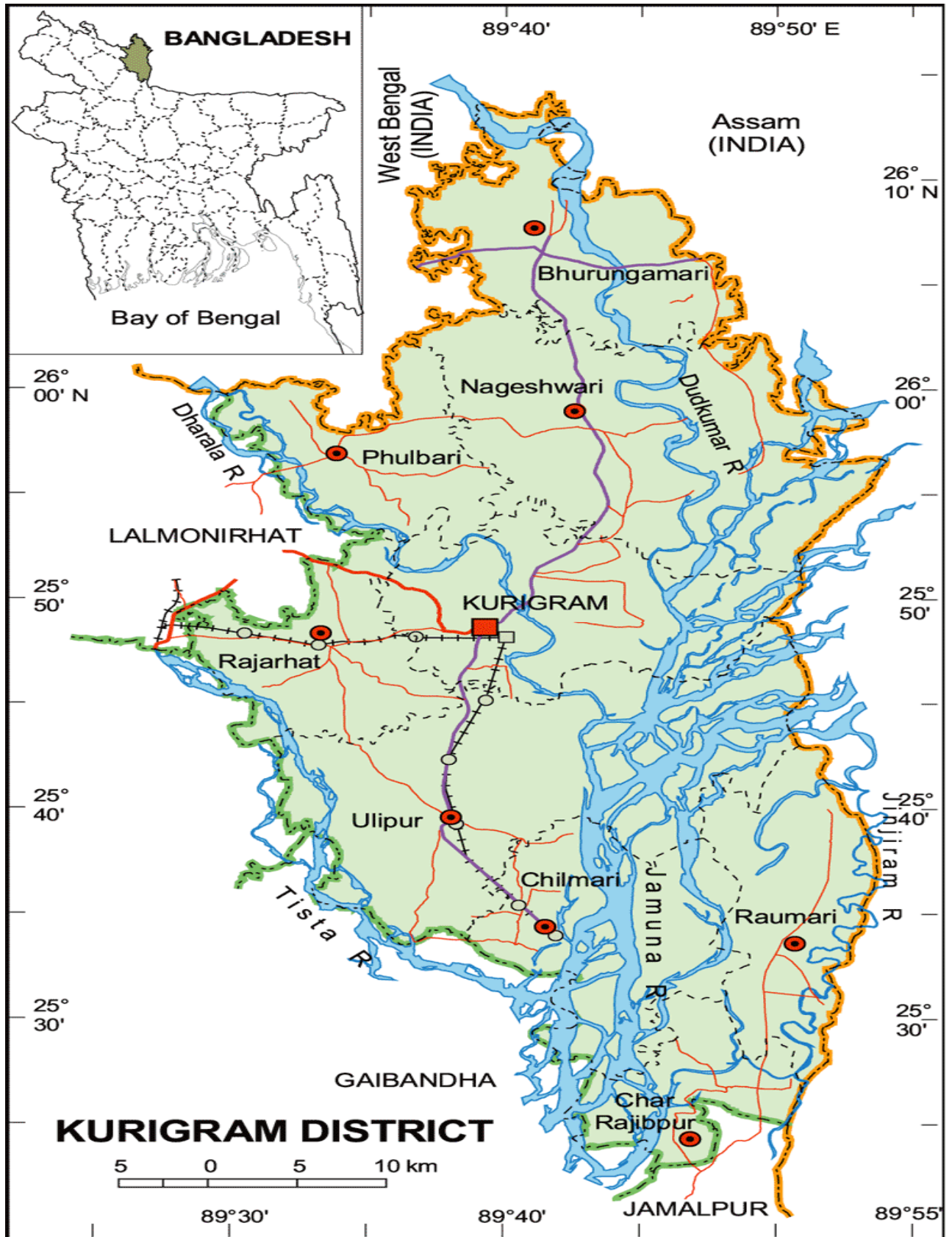
Interest/profit charged by the microcredit organization		Microcredit Organization (MO)		Total
		Conventional	Islamic Shariah Based	
7.50%	Count	0	1	1
	% within MO	0.00%	25.00%	10.00%
10.00%	Count	1	0	1
	% within MO	16.70%	0.00%	10.00%
12.50%	Count	5	2	7
	% within MO	83.30%	50.00%	70.00%
18.00%	Count	0	1	1
	% within MO	0.00%	25.00%	10.00%
Total	Count	6	4	10
	% within MO	100.00%	100.00%	100.00%

Source: Questionnaire Survey, February 2009

Table 4.8: Interest paid to beneficiary's deposited money by Microcredit Organizations

Interest/profit paid on deposit		Microcredit Organization (MO)		Total
		Conventional	Islamic Shariah Based	
3.00%	Count	2	0	2
	% within MO	33.30%	.0%	20.00%
3.50%	Count	0	1	1
	% within MO	.0%	25.00%	10.00%
4.00%	Count	3	1	4
	% within MO	50.00%	25.00%	40.00%
5.00%	Count	0	1	1
	% within MO	.0%	25.00%	10.00%
6.00%	Count	1	0	1
	% within MO	16.70%	.0%	10.00%
15.60%	Count	0	1	1
	% within MO	.0%	25.00%	10.00%
Total	Count	6	4	10
	% within MO	100.00%	100.0%	100.00%

Source: Questionnaire Survey, February 2009



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