

Full length research paper

Does RDA-credit differ from others' microcredit? A case study of Bangladesh

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Although Bangladesh is the pioneer adopter of modern microcredit approach but the credit mechanisms are not similar for all Microfinance Service Providers. This paper describes the credit mechanisms of Grameen Bank, Thengamara Mohila Sabuj Sangha, Association for Social Advancement, and RDA-credit. The article found that all selected microfinance service providers targeted poor clients, but their client selection process, service charge, credit allocation, priority to women, demand based credit, enterprise skill development and monitoring and supervision differed. Every institution has its own justification for adopting a distinct approach. However, RDA-credit mechanism is considered to be successful and sustainable because it has ensured supervisory and educative credit which is not common in general. It is also suggested to have mutual learning and cross fertilization among various microfinance service providers.

Keywords: Microcredit mechanism, Grameen Bank, Thengamara Mohila Sabuj Sangha, Association for Social Advancement, RDA-credit, Bangladesh.

INTRODUCTION

Micro-credit is not a recent phenomenon in Bangladesh the first seed was planted in 1969 through establishing the Integrated Rural Development Program (IRDP) (at present Bangladesh Rural Development Board) with the initiative of Prof. Dr. Akhter Hamid Khan. However, Dr. Yunus is the pioneer of modern microfinance concept. He and his organization (Grameen Bank) were awarded "Nobel Peace Prize-2006". Up to now Bangladesh has 556 licensed NGO-MFIs (MRA, 2011) among them Grameen Bank (GB), Thengamara Mohila Sabuj Sangha (TMSS) and Association for Social Advancement (ASA) have become outstanding development discourse and noticeable success on using microcredit intervention. Along with the success of NGO-MFIs, Rural Development Academy (RDA) credit, a government supported institution has drawn special attention through adopting a

new approach for successful intervention of microcredit in rural Bangladesh. Microfinance is the financial provision to the poor who are not traditionally served by the conventional financial institutions. Typically, Bangladeshi NGO-MFIs provide small amount of money to the poor without collateral for a short period of time (usually one year) and require repayment on a weekly installment. They not only provide microcredit but also offer supplementary services including deposit, insurance, remittance, education, health, market information, training, awareness building, forestation, and so on (Rahman and Luo, 2011). In the time being, several microcredit mechanisms have been developed in diverse political and economic contexts. It is worth noting that the microcredit approaches are not similar for all Microfinance Service Providers (MSP) in Bangladesh. GB, TMSS, ASA and RDA-credit have adopted several distinct approaches for reaching the poor clients. For example, Grameen Bank was established in 1983 for helping the poor who were denied from conventional

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banking system. TMSS is a private sector development organization providing financial and extensive social services to rural womenfolk while ASA is a fully fledged microfinance institution assisting the poor with financial and supplementary services. On the other hand, Rural Development Academy (RDA) is a national level training and research institute in the field of rural development, it was established in 1974 by the Government of Bangladesh. The institute started microcredit action research Small Farmer Development Project (SFDP) since 1978 subsequently it named RDA-credit (Haque, 1978).

Nevertheless, microfinance approaches have been criticized on several fronts including applicable mechanism, targeting clients, enterprise selection, loan repayment, interest rates, women empowerment, the policy issues and poverty reduction (Roodman and Morduch, 2009; Kuhinur and Rokonzaman, 2009; Mahmud, 2008; Khan, 2007; Brau and Woller, 2004; Zaman, 2004). The need for a clearly-announced microfinance mechanism has now become of utmost importance due to several reasons. First, after the failure of supply-driven and subsidy providing poverty alleviation programs, there was the requirement for trying out more sustainable poverty alleviation standardized programs. This gave rise to the development of a host of credit based poverty alleviation programs-microcredit, linkage banking, credit plus approach and finally, microfinance. Given the high incidence of poverty in Bangladesh, Microfinance needs to be recognized as a significant element in poverty alleviation strategies. Second, microfinance institutions have now become an important part of the huge financial system, creating a methodical impact on it. This has generated supervisory and regulatory issues that have drawn the attention of authorities. The breakdown of any national level MFI would bring about the similar social costs to the society as a formal financial institution. Consequently, as a precursor of the regularity mechanism, microfinance approach needs to be openly incorporated into the national development strategies. On account of these reasons, time has now come for policy makers to acknowledge microfinance as a vital element in the overall economic policy framework pursued by Bangladesh. Under these circumstances, it is important to evaluate various microcredit approaches in Bangladesh as well as it is necessary to introduce microfinance as a comprehensive package to adjust the poor society. In fact this is a carefully investigation of four MSPs in Bangladesh for better understanding of MSPs different approaches. Therefore, the present study aims to critically evaluate the microcredit mechanism of GB, TMSS, ASA and RDA. The objective of This study is to give specific focus to RDA credit mechanism. Assuming that RDA-credit mechanism is distinct from others and it has greater implication to the society as government and non-government institutions run uniform microcredit

programs. Accordingly, the paper incorporates field data to justify the distinct features of RDA-credit and its effectiveness. The paper has two parts, the first part provides overall microcredit mechanism of four leading Microfinance Service Providers (MSPs) which are dominant in Bangladesh microfinance sector. The second part broadly discusses the RDA- credit mechanism over three MSP credit programs.

METHODOLOGY

Present paper is descriptive in nature focusing on comparative features of selected NGO-MFIs. A total of four NGO-MFIs i.e., Grameen Bank (GB), Thengamara Mohila Sabuj Sangha (TMSS), Association for Social Advancement (ASA), and RDA-credit were selected for comparative discussion with emphasis on their approaches. The selected MSPs dominate the microfinance market in Bangladesh with respect to outreach, outstanding loans, savings and service mechanism. Comparison of various credit mechanisms was carried out based on secondary sources of information. Secondary information were gathered from published articles, conference proceedings, annual report, Microfinance Regulatory Authority (MRA) in Bangladesh, and the websites of GB, ASA, TMSS, and RDA. Encouragingly, the study incorporated primary data for RDA-credit program to determine the effectiveness of RDA-credit approach over various credit mechanisms. The primary information was gathered through field investigation and questionnaire survey by the researcher himself. Meanwhile, Focus Group Discussion (FGD) was adopted to gather information from RDA clients. Two set survey schedules prepared by considering the reliability, reasonability, and applicability of information according to the selected objectives. The study provided brief information regarding field investigation to the respondents for avoiding any misunderstanding and for maintaining ethical neutrality. Ten project sites of RDA-credit were selected randomly out of 100 project sites of RDA-credit. After selecting the study sites, credit beneficiaries list were collected from the Center for Irrigation and Water Management (CIWM) office of RDA. Finally a total 150 credit beneficiaries were selected consisting 15 from each site on the provided list. Simple descriptive statistics techniques were applied to determine the effectiveness of RDA-credit mechanism. This study estimates the improvement of women empowerment throughout the decision making index (DMI) method. DMI was an important method for assessing women empowerment (Rahman et al., 2008). For women making decision, this study considered 150 clients and 150 non-clients information. The following equation was used to find out the DMI.

$$\text{Decision Making Index (DMI)} = \frac{(\text{Man} \times 0 + \text{Woman} \times 2 + \text{Both} \times 1)}{\text{No. of Respondent}}$$

DMI was measured on a three point scale. Decisions made by women alone were scored with two, men and women together with one and men alone with zero.

OPERATIONAL MECHANISM

Several microfinance approaches have been developed in different countries and serve clients with diverse socio-cultural backgrounds. Bangladeshi microfinance approaches are successful and well known. GB, ASA, TMSS, RDA-credit have made successes in their own approaches. Like other microfinance service providers, GB, ASA, TMSS, RDA-credit were established to provide financial and other supportive services to the poor. Interestingly, their operational mechanism and service delivery system is not similar. Therefore, the following section discusses credit mechanisms of the selected microfinance service providers.

RDA-credit mechanism

RDA-credit is a government initiated credit program operated by CIWM, RDA. RDA-credit program is conducted jointly with RDA and concerned NGO in a particular project area. Usually, RDA makes a bi-literal contract with the NGO (in a project site) then credits are distributed among various clients. In fact, RDA credit is intended to prove that government can also play a crucial role in promoting access to credit similar to NGO-MFIs.

Generally, RDA authority asks for application from interested NGO to work in a particular project site. After receiving application from interested NGOs, RDA authority critically evaluates all applications based on pre-defined criteria then selects an NGO for a specific project site. Accordingly RDA authority and partner NGO organize a village level workshop for pre-client's selection in the project site. The workshop is open for all. Usually most of the villagers attend the workshop and take part in the discussion about RDA credit mechanism. The villagers are encouraged to discuss their own interested Income Generating Activities (IGAs). Hence, RDA experts and NGO authority jointly select the clients based on their eagerness and motivation to a particular IGA.

It is regarded that only credit cannot bring the change of the poor without sufficient knowledge and skill for particular IGAs. Hence, RDA-credit follows training-matched-credit considering a pivotal solution for the effectiveness of credit program in rural Bangladesh. RDA offers training for each client based on his/her IGAs and ensure participation of the clients in the training program. RDA pays attention on different IGAs for their clients as like Agriculture, Beef Fattening, Dairy, Poultry, Goat Rearing, Fisheries, Carpentry/Masonry, Mechanics, Cottage Industries, Electrical/Welding, Small Trade, Tailoring/Sewing, Vegetable Gardening, Grocery Shop

and Weaving. It is argued that mentioned IGA can be an additional source of income for the project beneficiaries. Accordingly, the additional income would help to fulfill their basic needs leading to improved quality of life on the one hand and ensure payment of water and other charges on regular basis. RDA-credit aims at overall development of project beneficiaries through optimum utilization of irrigation equipment as well as credit available to them. Usually, a supervisory group is formed consisting 4 to 12 members. Groups are formed considering homogeneity of IGAs. Each sub-group has one chairman and one secretary. Credit is given both for an individual and group. Successive repayments of previous loans including service charge are one of the pre-condition for receiving further loans. RDA-credit offer eleven percent (11%) service charge on IGA loans and applies flat rate method. The earned income from interest rate are distributed at 2/11th to the partner NGO as commission, 2/11th sanctioned for bad debt, 4/11th for remuneration of Credit Supervisor (CS) and Assistant Program Organizer (APO) and 3/11th to CIWM as augmentation, technology transfer, manpower management for credit program, travel and miscellaneous expenditure. If any partner NGO employs their own CS then they get 4/11th of the service charge as commission instead of 2/11th of it.

RDA-credit is generally given for one year. Loans are repayable by total of 46 equal weekly installments. It is mandatory for the CS and APO to submit weekly and monthly reports to the Director of CIWM. Only one member (the most enterprising and skilled) of the family is selected as a member of sub group and she/he interested in receiving training. At the beginning, the loan is given to the president of a sub-project area only for IGAs. Surplus money can be given in other areas (Research Project Area) as credit investment only after fulfilling the credit demand of members of the sub-project area. The CS collects all applications for loan with the assistance of the office of the NGO and submitted in the meeting of the NGO. APO approves the application and recommended to the director. After getting final approval from the director of CIWM, CS and APO disburse the credit in presence of members of the executive committee of the NGO. CS and APO are responsible for any deviation of loans including excessive default rates, lack of supervision and management. RDA-credit keeps continuous monitoring on IGAs profitability and savings.

RDA believes that rural development would not be possible unless the rural poor are supported with necessary credit and other supplementary services. Hence, each RDA-credit project site has action research program for improving livelihood of the poor. Project site encompass a wide range of support services including: social mobilization and institution building, agricultural development, irrigation and water management, health and sanitation, nutrition, local governance, gender and development and so on. Successful implementation of

action research in all these areas helped for livelihood development. In fact, each RDA project site has multiple development interventions. For instance, Deep Tube well is used for supplying water for irrigation as well as for domestic purposes. In addition, the credit beneficiaries also used the water to their enterprises including nursery, pisciculture and duckery and so on. So, the diverse supporting services are helping clients for their livelihood improvement as well as successful operation of RDA-credit program. Therefore it is apparent that supporting services are different of usual NGO-MFIs en route for livelihood improvements.

Grameen bank (GB) credit mechanism

Although GB is a bank but it has reversed conventional banking practice by removing the need for collateral and created a banking system based on mutual trust, accountability, participation and creativity. The basic feature of GB model is: (i). Poor people's access to credit with women as a priority by forming small solidarity groups (5 or 6 members) (ii). GB goes to the door steps of its clients instead clients coming to its offices (iii). Does not require any collateral (iv). Small loans repaid in weekly installments (v). Eligibility for higher loan amount for succeeding loans (GB, 2010).

After the formation of a group, the bank discusses the rules and procedures of the Grameen bank. The group is told that the bank would not extend loans to the five at the same time. In the first stage, only two of them are eligible for, and receive, a loan. The group is asked to make sure that the money is used rightly and repayment is made in due time. In this way group support among the members is bailment up and a member of the group not only becomes responsible to oneself but also to the group as a whole. Grameen Bank's focus is on female borrowers, who comprise 97 per cent of all clients (GB report, 2011).

Group meetings known as "center meetings" are held once per week to facilitate loan payments and discussion of potential issues. These meetings are free from charge and all borrowers are expected to attend on a regular basis. Grameen Bank also plays an active role in village society by promoting the "Sixteen Principles", which encourage practices such as cooperation among neighbors, maintenance of sanitary standards, children's school attendance, efficient use of resources and the development of strong community relationships.

Loan terms are fixed at the beginning of the contract and are typically 12 months in duration, with weekly payments on weeks where group meetings take place. The loan principal is divided into roughly 46 equal payment amounts. Clients have the option of early repayment, without penalty or any change to the original conditions of the loan, and many exercise this option.

Weekly repayment dates, and therefore center meeting dates, are set to correspond to the borrower's pay day. Disbursements may take place on any day of the week, and the first repayment for every loan is due at the second center meeting, rather than the first. This results in a grace period of between one and two weeks for every loan. In the constant payment option, the client brings a consistent amount for each payment, with a consistent amount always applied to principal and the remainder to interest, which requires Grameen to track an "interest receivable" to be explained later. In the declining payment approach, the client brings the same amount of principal each payment but a varying amount of interest. Grameen Bank charges all borrowers interest calculated with the declining balance method. Weekly interest payments are calculated as 20 percent annually (GB report 2011). This interest rate calculation method applies to all products, though repayment frequency and interest rates differ between products.

TMSS credit mechanism

TMSS provides its best efforts in bringing the poor women folk's life/living conditions at a dignified level in the family and society through capacity building, adaptability, responsiveness, optimum use of their own/available resources, participation in development activities, good governance, fulfillment of their legitimate rights and management of their sustainability. TMSS group consists of 10-30 people (TMSS report, 2010). TMSS follows eleven criteria for selection of borrowers as per the credit manual. Attendance records in weekly meetings, past loan records, experience, results of investigation from neighbours and family members etc. are few of the criteria followed for selection of borrowers. Preconditions detailed in the credit manual are followed before approval and disbursement of loan.

The prime objective of TMSS is to develop the socio-economic status and condition of the poorest of the poor, especially Ultra Hard Core Poor through implementation of grass root decisions and utilizing local human & material resources. Slogan of TMSS is "Family is the Focal Point of Women Development". TMSS works with different people and organizations to achieve its objective. Classification of the targeted beneficiaries/organizations as follows:

Ultra Hard Core: Beneficiaries, who are shelter less, maintain livelihood by begging or by selling labor at a very cheap rate. Borrowers are given the liberty of choosing the type of loan falling under this category and may use the same according to his/her capability.

Hard Core: Beneficiaries who have shelters and negligible amount of assets. They generally sell labor

without begging. Similar to Ultra Hard Core borrowers are given the liberty of choosing the type of loan falling under this category and may use the same according to his capability.

Micro-Entrepreneurs: Beneficiaries who have crossed the poverty line, small active traders in the community and skilled in trading. Loan disbursement is made for a particular period for the enterprise-like fisheries, livestock, poultry/duck farming, housing etc.

NGO's: Those small NGO's that are working for women's development in the society and are interested in working with TMSS. TMSS made a partnership agreement with the local small NGO-MFIs for strengthening their capacity.

Nevertheless, TMSS approach is known as HEM i.e. Health, Education and Microcredit. TMSS believe that only microcredit cannot change the livelihood of poor particularly the womenfolk. Accordingly, TMSS facilitates Health, Education and Microcredit among different clients. In addition, social awareness programs are organized in the group meetings with the local leaders, religious leaders, government, NGOs, and other active stakeholders. Awareness building campaign in the general public are carried out through meetings, audio-visual shows, workshop, seminars and disseminating different effective messages through banners, posters, festoons, stickers and multimedia in the society.

Interestingly, TMSS has also partnership program with small local NGO-MFIs. TMSS strengthen the capacity of the local NGO-MFIs through partnership agreement and information dissemination. TMSS adopts the following principles:

- No mandatory weekly savings deposit;
- Flexible savings withdrawal system;
- Prompt review for approving loan application;
- Quick disbursement;
- Awareness and IGA training;
- Flexible loan sizes vary on loan criteria
- Provides support services i.e. health, family planning, education, and sanitation from other programmes (TMSS Credit report, 2005).

ASA Credit Mechanism

ASA credit mechanism is slightly distinct from GB, TMSS and RDA-credit Mechanisms. ASA's mission is to support, impel and strengthen the lower status economy through facilitating, dispensing and expanding savings and credit for those segments of the population that find it difficult to gain access to credit. The development strategy of ASA is to provide credit to all members, especially women and the disadvantaged, and resource mobilization through voluntary savings, to fight poverty.

ASA's microcredit program aims to ensure financial sustainability of the members as well as the organization. ASA group consists of 30-40 people. ASA has different credits and savings program for various segment of people. Loan products including- small loan for female clients, hardcore poor loan, small Business loan, Small Entrepreneur Lending (SEL), Agri-business loan, rehabilitation loan, education loan etc. Both mandatory and voluntary savings programs are being implemented at ASA such as mandatory savings, voluntary savings, term savings etc. It provides small loans to the landless poor group members with a 15 per cent service charge (ASA 2010). Small accumulated savings help further lending and provide benefits for increased number of the poor. The savings prevent dependence on outside financial assistance.

Encouragingly, ASA has some supporting programs for livelihood improvements. Provision for low-cost housing loan when devastating floods, cyclones, tornados, etc. occur in different areas of the country, low-cost housing programs adopted for post-disaster rehabilitation of the affected group members. Feeding program for malnourished children's lack of awareness about nutritious food was identified through impact assessment. Credit for tube-well when a lack of awareness regarding waterborne diseases was identified among the group members, loans for tube-wells is sanctioned to create safe drinking water. Credit is provided for purchasing and installing sanitary latrines.

ASA approach is known as sustainable and cost-effective microfinance model. The approach has proved effective in making a branch self-reliant within 12 months. Any MFI that adopts this model for operations becomes sustainable within the shortest possible time. The distinct feature of ASA's operational mechanism are:

- Branch offices have no accountants. Accounting and cash-handling is simplified, distributed between the branch manager and the three or four loan officers, and then subjected to a tight schedule of repeated monitoring by senior staff at four different levels stretching up to the head office.
- Each branch prepares its own annual work plan with fiscal targets and cash flow projection.
- Districts and regions have no support staff and no separate offices of their own. District and regional managers are supervisory staff who share a building and service one or more branches.
- There is no training. No training cell, no training centre, no trainers. Work routines are standardized and simplified so that new recruits need only a few days of supervised work experience in a branch before being sent off to another branch to start work. Head office staff are not given in-service training. The head office develops strategies and procedures, and sends manuals and instructions to the field (See Table 1)

Table 1. Key features of RDA, GB, TMSS and ASA

Particular	RDA Credit	GB	TMSS	ASA
Beneficiaries selection	Arranged village level workshop	Discussed with beneficiaries	Discussed with beneficiaries	Discussed with beneficiaries
Beneficiaries Training	Men and women IGAs training mandatory	generally women IGAs training not mandatory	generally women IGAs training not mandatory	generally women IGAs training not mandatory
Group	4-12 members	5 -6 members	10-30 members	30-40 members
Group function	weekly meeting, repayment status information sharing	weekly meeting, information sharing and discussions	Weekly meeting, information health issues, others	Weekly meeting, information sharing
Loans Office	Special and group No branch office	Group and individual Branch office and others	Group and individual Branch office and others	Group and Individual Branch office and others
Lending decision	Central office	Area office	Branch office	Branch office up to certain level
Approval Procedure	Credit supervisor make production plan and RDA approved this plan	After familiarity with "sixteenth decisions" application is accepted and approved	Must be a Para group (PG) member and need to save regular basis	After saving 3 months ASA members are allowed for a loan
Liability	NGO representatives, Group and individual	Group and individual	Group and individual	Individual
Collateral	Free	Free	Free with documents	free
Service	Door steps	Door steps	Door steps	Door steps
Repayment	Usually weekly in the group meeting CS collect installment; in addition, program organizer sometimes visits borrowers house incase of default	Usually weekly in the center meeting; solidarity group works as a pressure group for ensuring repayment, in addition, field staff sometimes visits borrowers house incase of default	Usually weekly in the center meeting, in addition field staff sometimes visit borrowers house incase of default	weekly in the center meeting; Monthly for SEL and male loans, first installment starts after 15 days and SEL 1 month; field staff sometimes visit borrowers house incase of default
Interest rate	Fixed 11% flat rate	Varies (10-20%) flat rate	Varies (10-15%) flat rate	Varies (10-15%) flat rate
Supervision	IGAs and training, how to used the loans	How to use the loans and knowing 16 GB's decisions	Supervise borrowers enterprise	Supervision carried out in the borrower enterprises
Support program	Water supply, awareness	Social business, Awareness	Health, education, Awareness	Health, Awareness

Source: Field survey, 2011 and website RDA (2011), GB, TMSS and ASA (2010), ASA report, (2009)

EMPIRICAL INVESTIGATION OF RDA CREDIT PROGRAM

Training program of RDA-credit

RDA's action research confirmed that proper investment and utilization of credit is only possible if training on particular IGA is provided prior to the distribution of credit. Training-matched credit is the main theme of RDA-credit. Credit is imperative for undertaking IGAs by the poor

people. Table 2 shows the impact of client's training for loan uses in different IGAs. It is revealed from Table 2 that a total of eight enterprises were given credit with enterprise training. It is apparent that the training had influence on loan use. A maximum of 27 percent clients were chosen from the agriculture sector then followed by dairy (15%), small trade (15%), poultry (15%), goat rearing (8%), Fisheries (7%), Electricians and Mechanics (7%) and nursery (5%).

Table 2. Impact of Clients' Training for Loan Uses in different IGAs

IGAs	Number of clients	Training received	Without training	Credit received	Credit not received	Credit used on selected IGAs	Credit not used on selected IGAs
Agriculture	40(26.67)	39(97.5)	01 (2.5)	33 (82.5)	07(17.5)	32 (80)	08(20)
Small trade	22(14.67)	18 (81.9)	04(18.1)	18 (81.90)	04 (18.1)	18 (81.8)	04(18.2)
Dairy	23(15.33)	19 (82.6)	04 (17.4)	15(65.2)	08(34.8)	15 (65.2)	08 (34.8)
Poultry	22(14.67)	21 (95.46)	01 (4.64)	22 (100)	00 (00)	20(90.9)	02(9.1)
Goat rearing	12(8)	07 (58.33)	05(41.67)	10(83.33)	02(16.77)	08(66.7)	04(33.3)
Fisheries	10(6.66)	07(70)	03 (30)	08(80)	02(20)	08(80)	02 (20)
Nursery	08(5.33)	07(87.5)	01 (12.5)	05(62.5)	03(37.5)	04(50)	04 (50)
Electric. and mechanics	10(6.67)	06 (60)	04(40)	04 (40)	06 (60)	04(40)	06(60)
Others	03(2)	03 (100)	00(00)	03 (100)	00 (00)	02(66.7)	01 (33.3)
Total	150 (100)	127(84.7)	23(15.33)	118(78.7)	35 (21.33)	111 (74)	39(26)

Note: values within parentheses indicate percentage of clients; Source: Field survey, 2011

It is worth to noting that agriculture IGAs clients' 97.5 percent had received training and 82.5 percent clients received credit on the same IGAs. Eighty percent clients used credit in their respective agriculture enterprises. Among poultry enterprise credit receivers, about 96 percent had received training and 91 percent were used in poultry enterprises. On the other hand, considering overall data, 85 percent clients had received training from RDA among them about 79 percent had received credit which implies close relationship between training and credit. It is also interesting to note that seventy four percent clients used credit into their respective enterprises for which they received credit. Remaining 26 percent credits were utilized for other purposes including-consumption, sickness, children education etc. The empirical study Yasuhiko (2011) finds that a significant portion of the credit is used for consumption and other purposes rather than in respective enterprises.

Credit based on enterprise need

Insufficient credit leads to misuse and disinvestment of credit. Hence, RDA-Credit program advocates for giving sufficient amount of credit to the beneficiaries in order to get maximum output from the particular IGAs. It suggests for allocation of credit taking into consideration the nature

of IGAs, not equal amount for all the IGAs. Table 3 shows credit applied for and received by various IGAs.

From Table 3 it is depicted that 71 percent clients had received sufficient credit as they applied for. Among various IGAs, poultry enterprises had received highest satisfactory level credit (91 percent, as per their demand) then followed by goat rearing (83 %), fisheries (80 %) and agriculture (78%). It is apparent from Table 3 that most of the clients were stratified with what they received as credit for their enterprises. It can be concluded that sufficient credit disbursement based on enterprise needs is an important step for successful microcredit intervention.

Monitoring and supervision

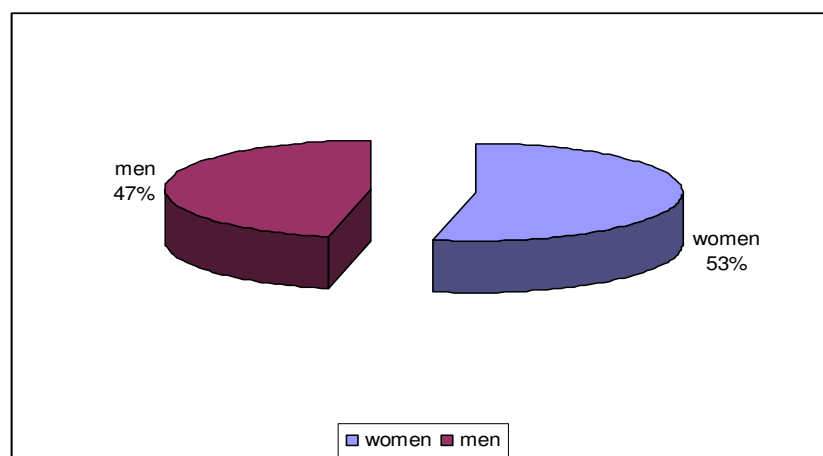
It is widely recognized that monitoring and supervision are crucial factor for straightening the effectiveness of microcredit program. Hence, field level credit activities are being regularly supervised by the field level project staff as well as CIWM staff at the academy level. The borrowers are highly motivated to their task of properly utilizing credit and repay the same in due time. Table 4 shows the supervision and repayment status of RDA-credit.

RDA-credit repayment rate was 98.67 per cent which is

Table 3. Applied for credit and received by various IGAs

IGAs	Applied for credit	Received as per applied for	Received lower than applied for	Client satisfaction
Agriculture	40 (100)	30 (77.5)	10 (22.5)	33 (82.5)
Small trade	22 (100)	15 (68.2)	07 (31.8)	15 (68.2)
Dairy	23 (100)	15 (65.2)	08 (34.8)	22 (95.7)
Poultry	22 (100)	20 (90.9)	02 (9.1)	18 (81.1)
Goat rearing	12 (100)	10 (83.3)	02 (16.7)	12 (100)
Fisheries	10 (100)	08 (80)	02 (20)	07 (70)
Nursery	08 (100)	04 (50)	04 (50)	08 (100)
Electric and mechanics	10 (100)	03 (30)	07 (70)	05 (50)
Others	03 (100)	02 (66.7)	01 (33.3)	03 (100)
Total	150 (100)	107 (71.33)	43 (28.77)	

Note: values within parentheses indicate percentage of clients, Source: Field survey, 2011

**Figure 1.** Women and men client's ratio of RDA credit program

more or less similar to other NGO-MFIs in Bangladesh (Country profile, 2006; ASA, 2010). Clients were asked about their stratification on supervision and monitoring activities of CS and APO, 79 and 84 percent clients were satisfied on supervision and monitoring activities of RDA respectively.

Distribution of clients

RDA-credit is considered as the safety net for the extremely poor class and liberalization and empowerment

of women. RDA credit is provided to men and women. About 53 percent clients were women (See figure 1) of RDA while for other NGO-MFIs most of clients are women. About 97, 94 and 84 per cent clients are women for GB, TMSS and ASA respectively (GB, 2011; TMSS, 2011; ASA, 2011).

Women's decision making process

This study was interested in measuring the extent to which women's preferences were reflected in household

Table 4 Supervision and Repayment status of RDA credit

Credit receive	Timely repayment	Credit defaults	Repayment rate (percent)	Supervision			Monitoring		
				Satisfy	Not satisfy	Satisfy percent	Satisfy	Not satisfy	satisfy percent
150	148	02	98.67	118	32	78.67	126	24	84

Table 5. Decision Making Index clients and non-clients in RDA-credit program area

Decisions	DMI (clients)	DMI (non-clients)	significant
Credit taking from institution	1.05	0.83	***
Credit utilization	1.05	0.82	***
Buying for entrepreneurship	0.97	0.77	***
selling of Product	0.92	0.71	***
Using profits	0.99	0.71	ns
Family planning	1.11	1	**
Child attending school	0.93	0.79	***
Social participation	0.77	0.56	***
Visiting to neighbors house	0.99	0.79	***

Note: ** and *** significant at less than 5% and 1%

decision making. This attempt draws inspiration from an earlier work by Asim (2008) where an attempt to capture household power relations by giving weights to the preferences of household members in decision making. The women empowerment outcome is presented by using a Decision Making Index (DMI). DMI and women empowerment were positively related (Rahman, et al., 2008). A DMI value greater than one implies women played a dominant role in a definite household matter; less than one implies men dominated in that particular characteristic of household decision-making. A value of one associates a neutral situation; men and women participated equally on the specific subject. Table-5 gives the result of clients and non-clients group. Table- 5 shows nine characteristics as well as taking a loan from microcredit institution, loan utilization, buying for entrepreneurship, selling of Product, Using profits, Family planning, Child attending school, and Visiting to neighbours house which are related directly with RDA-credit program and household affairs. The DMI values for credit taking, credit utilization and family planning were more than one for RDA-credit clients besides into the same heads for non-clients were less than one, so this study commented that credit taking, credit utilization and family planning DMI were largely dominated by women for RDA-credit clients. It was noted that for family planning non-client values were one, showing that men and women had taken decision equally. On the other hand, the rest of decision-making categories was less than one both clients and non-clients. Encouragingly, clients DMI values were higher than non-clients DMI

values, It was noted that clients DMI values changed positively than non-clients DMI values. Finally a Purview of the crucial figures in table-5 suggested that RDA-credit program might be considerable in growing the level of control in the economic and household dealings aspects of household decision making.

From the above discussions it is depicted that RDA-credit mechanism is somehow different from others (GB, TMSS and ASA). So, the following section identifies/summarizes the distinct features of RDA-credit:

- Clients Selection: RDA-credit organizes village level workshop as an entry point of the clients. Clients demonstrate their specific enterprise handling potentiality then got selection for potential clients. Thus, RDA-credit client selection process is different from GB, TMSS and ASA.
- Offering Training: After selection of potential clients, RDA-credit provides enterprise skill training for specific IGAs. In fact, the training-matched-credit is the main theme of RDA credit. RDA-credit also known as an "Educative Credit", obviously different from others.(see table-2)
- Credit disbursement: RDA-credit sanctions loan based on particular IGAs after discussing with the applicants and relevant RDA-credit authority. (see table-3)
- Family participation: RDA-credit believes on whole family involvement within the program rather than an individual from the family. Thus, it provides loan to women as well as men after consent from both of them. (see figure-1)

The RDA-credit program might be considerable of women in growing the level of control in the economic and household dealings aspects of household decision making.

- Risk Management: RDA-credit shares liabilities with the partner NGOs beside solidarity group liability. (see table-1)
- Interest Rate: RDA-credit offers similar interest rates 11 percent for all kind of IGAs. (see table-1)
- Supplementary Services: RDA-credit has safe drinking and irrigation water supply program for livelihood improvements in each and every project site.

CONCLUSION

From the above discussions it is apparent that various MSPs have adopted different credit mechanisms for serving their clients. All selected MSPs offered collateral free credits by forming solidarity group but the solidarity groups are not the same for all. They also provide supplementary services beside credits. RDA-credit program particularly “training-matched credit” has proven its effectiveness in bringing success, hence there is an urgent need to expand RDA-credit approach across the country and if possible to other developing countries too. In Bangladesh, most of the government run programs fail to attain the target but RDA-credit (government run program) brought exemplary success and can be replicated to other similar type of government organizations. Although all MSPs targeted poor clients, but their client selection process, interest rates, credit amount, priority to women, demand based credit, enterprise skill development, monitoring and supervision, are different. Every institution has its own justification for adopting a distinct approach however, the following suggestions are set for further methodological improvement:

- A preliminary workshop or survey should be conducted for selecting IGAs and potential clients before approving loans.
- Professional skill training for particular IGAs should be given before lending money.
- Credit should be disbursed based on clients demand and according to the specific IGAs requirement.
- Payment of loan installment should be determined on the basis of clients IGAs complete cycle, if possible clients choose installment weekly or monthly or seasonal. And they should have an option for a minimum grace period.
- Special care should be given to the ultra-hard core poor and insolvent group of people.
- A strong monitoring and supervision service should be given in executing the enterprises especially in the first few months. It is better to monitor the IGAs taken by the borrowers at least

once a week and prepare a progress report, provide suggestions for further improvement.

- There should be an initiative to exchange knowledge and disseminate innovation between government and NGO-MFIs to build a sustainable microcredit intervention in Bangladesh and elsewhere.

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