

Who Can Reach the Hardcore Poor?

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Abstract

Financial services for the poor are well established in Bangladesh through NGOs, Cooperatives, Public Sectors Programmes and Grmeen Bank. Bangladesh is now teeming with more than 1000 NGOs, who are supported by overseas funds and have taken up microfinance as core activities. These NGOs have made a rapid progress in the coverage of Rural and Urban poor. Although a number of studies showed a positive impact of microfinance NGOs to alleviate poverty, it has experienced and argued by some institutions and research findings that these MFIs- NGOs have not been fully successful to reach the hardcore poor. The objective of the paper is to find out the reasons behind the argument. This paper will present limitations of these microfinance NGOs in the way of reaching hardcore poor and will try to provide an alternative to get rid of this situation.

1. Introduction

After 38 years of independence, Bangladesh today can boast of some convincing progress with Economic Development (Ahmed, 2005). Although the striking progress on a range of social as well as economic indicators over the last 15 years widely credited to the country's pluralist service provision regime (The World Bank 2006), the emergence of micro-finance institutions, consist of NGOs, Cooperatives, Public Sector Programme and Grmeen Bank), presents a tremendous opportunity to extend financial services to the vast majority of the poor (Rahman, 2006). Bangladesh is now teeming with 1195 NGOs, who are supported by overseas funds (BBS, 1999). This number is even more if we consider local level NGOs.

In spite of wide range of activities, these NGOs are best known for their microfinance services, principally collateral free loan to the poor men and women (The World Bank, 2006). These NGOs have made a rapid progress in the coverage of Rural and Urban poor. There are now 16.4 million active borrowers in non- government micro-credit sector (ibid). The question is, how much contributions these microfinance NGOs have made to alleviate poverty in Bangladesh? A number of studies have been done to assess the impact of micro-finance NGOs and shown a very

positive impact in terms of social as well as economic indicator (UNCDF, 2006). However, it has been experienced and argued by some institutions and research findings that these micro-finance NGOs have not been successful to reach the hardcore poor (The World Bank, 2006). Recent research into the micro-finance institutions (including Bank, NGOs, and Government Scheme) in several countries suggested that micro-finance credit brings more benefit to people just below the poverty line than those far below it and the poorest people have in some cases been made worse off (Hulme, *et al* 1996).

In Bangladesh, a few national and international NGOs (ASA, BRAC, Grimeen Bank, Concern Bangladesh) have just started to take initiatives to promote direct intervention with the extreme poor. However, there are lot of constraints in reaching the poorest (Datta, 2003). Some reflections and experiences have been uttered by a number of development practitioners in the way of implementing project for the poorest of the poor. However, there is a dearth of systematic analysis for the hardcore poor to take development intervention for them.

The major objective of this article is to present an alternative strategy to reach hardcore poor. It will also intend to analyze the nature of extreme poor in the context of Bangladesh and will try to provide analytical reflection on the use of micro-credit in reaching the hardcore poor.

2. Poverty and the Concept of Hardcore Poor

Poverty has many dimensions. It refers to the forms of social, economic and psychological deprivation occurring among people lacking sufficient ownership (Begum, 2003). So, there is a complexity in its conceptualization and measurement issue. However, a consensus has been reached among the development practitioners and policy makers that the poor are not homogeneous. Although there is a difference in naming, different development organisations have separated the poor, who are living under the poverty line, into two groups. Moderate poor and hardcore poor (extreme poor, social poor, ultra-poor are the most commonly used names of these groups). Whatever the measurement technique is, there is a cut-off point to identify the poor. However, the functional definition or the characteristics of extreme poor are quite diverse.

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Different set of combin indicators to distinguish extreme poor by different organisations

Name of the Organisation	Combination of indicators to distinguish extreme poor
Proshika	<ul style="list-style-type: none"> • Household with disability and owned land up to 50 decimal. • Female headed household and owned land up to 50 decimal. • Male or female headed household with no land. Sell labour Source: Base line Survey, Proshika
World Bank	<ul style="list-style-type: none"> • Household possess no land or house of their own • Sell manual labour with no other means of income • Unable to have meals three times a day Source: World Bank, 1999, Dhaka
DFID	<ul style="list-style-type: none"> • Have only up to 15 decimals of land . • Suffer chronic food deficit and • Take less than 1800 kcal per day. • Per capita annual income is TK. 3757 • Annual household income is 18,785.
BIDS (Sen and Begum)	<ul style="list-style-type: none"> • Agricultural labour residing at <i>jhupri</i> • Single structure thatch house with land owned 0.5 acres
BRAC (Ultra poor)	<ul style="list-style-type: none"> • Household with land not more than 15-30 decimal • Household headed by women who are divorced or separated or have disab husband Source: Rehma, 2005
CARE Bangladesh	<ul style="list-style-type: none"> • Have up to 50 decimal land. • Live in thatched house. • Have ten months food deficit. • Both men and women sell labour round the year.
WB	<ul style="list-style-type: none"> • Less than one dollar per day Source: The World Bank, 2006
RDS (IBBL)	<ul style="list-style-type: none"> • Farmer having land holding of maximum 0.50 acre. • Sharecroper s with concent of the land woners. • Persons engage in off-farm activities having no land or up to maximum 0.50 acre • Persons residing permanently in the selected village. • Persons having derelict pond are eligible for re-excavation and fish cultivation. • Destitute women and distressed people are eligible for having investment for producing milk cows/ poultry, goats etc. • Persons having liabilities with other institutions are not eligible for the investment. Source: RDS manual, IBBL

It is a debatable issue and yet to be finalised. After long examination it has been found (Sen and Begum, 1998) that no single indicator contained sufficient information to distinguish all extreme poor. It needs combination of a set of indicators. It has been claimed that combination

of three key indicators viz., occupation, housing condition and land holding can considerably capture the extreme poor (ibid). But, Sen and Begums' indicators are only convenient for rural areas. In the urban area there are some poor household fulfilling all three criteria but may have more cash income. Although WB'S set of indicators are more reasonable in terms of capturing urban and rural extreme poor, it is limited to capture those extreme poor who may belong to this group tomorrow. It can be argued that there are some household with minimum land, who don't have to sell manual labour and are able to have three times meal a day but due to the existence of disable members these three conditions may not be stable over time. There are many sets of combined indicators set by different organisations, which are not inclusive to distinguish all extreme poor. Proshika's indicators seem more diversified to make a complete list of eligible target group. However, female-headed household with more than 50 decimal land may have ailing man who cause continuous erosion of income.

Taking all the above arguments it can be said that it is not possible to get a complete list of hardcore poor by one set of indicators. In order to make the search for better assisting the extreme poor more meaningful, it is important to have a better understanding of the type and the livelihood of the hardcore poor. It has been suggested that hardcore poor supposed to be sub-divided into three sub-categories. The first sub-category is that which is hardcore poor for demographic reasons i.e. widows/widowers, old and in poor health (or disabled).

The second sub-category is that which is hardcore poor for ecological reasons i.e. emerge from river erosion. The third category is of more general which seeps from structural reasons i.e. lack of asset and access to opportunity etc. (Rahman, 1998).

3. Reasons for not Reaching the Hardcore Poor

The reasons behind the failure of the microfinance NGOs to reach the hardcore poor are not one sided. It is an interaction of both supply side (MF-NGOs) and the demand side (poor people) factors.

3.1 Supply Factors

The factors responsible for not reaching the hardcore poor by the huge number of MF-NGOs are manifold. It has been found that inflexible loan policies, selection criteria, high drop-out due to migration, marriage and homelessness are the major factors (Rahman 1998). In most of the MF-

NGOs have the policy of regular saving by the poorer. However, hardcore poor are unable to save regularly due to irregular income.

The majority of poverty focused MF-NGOs have selection criteria. The process of selection relies upon Project Officer. Although, in many cases Project Officers fail to focus the hardcore poor household, it may occur deliberately due to the fear that poorer may not be able to repay the loan. This is strongly supported by a recent BRAC study mentioning that main reasons of excluding hardcore poor is that most of MF-NGOs offer social services like essential health or basic education through structures that are designed and developed to support microfinance which by design tends to exclude the extreme poor (Matin,).

3.2 Demand Factors

As supply side, there are many factors responsible for not joining the MF-NGOs by the hardcore poor. It has been shown that hardcore poor's personal reservations due to fear, irregular income, lack of ability or lack of willingness to change their life and lack of ability to adherence group principal are the major ones (Rahman, 1998).

Besides the major ones, poor households fail to trust some MF-NGOs due to unwanted occurrence happened by the Project Officer as well as some local NGOs (Datta, 2003).

It may be mentioned here that some supply side and demand side factors are interrelated. For example, different financial institutions have the policies of disbursing next loan based on the group members' timely repayment of the previous one. Due to irregular income, the poorest of the poor may not pay the loan timely and the other members of the group feel uncomfortable with poorest member. As a result, the target people would not like to include them willingly into the group.

Analysing the demand and supply side factors, it can be said that due to pessimism, inclusion of hardcore poor in the MF-NGOs have not been sufficient. But the question is why the NGOs are pessimistic about hardcore poor? Is there any hidden schema which did not come out by a huge number of research findings? In fact, working with a national leading NGO, it has been experienced by the author that the following factors are responsible for limited inclusion of hardcore poor.

First, most of the MF NGOs are supposed to carry out the demand of the donors. As the donor wants MF NGOs to be self-sufficient, they just

made all sorts of internal policies according to donors demand. Although, working with the poor in Bangladesh most of the NGOs activists and policy makers understand the need of the hardcore poor, they are directed to select moderate poor in order to absolve more money. In this regard one story may be mentioned here.

In 2000, Proshika, one of the national leading NGOs in Bangladesh declared that some of its Area Development Centre (ADCs) is self-sustained, as these ADCs can recover the total annual cost from their revolving loan fund (RLF). However, one of the top officials said in a training session that these ADCs are not self-sustained as they are unable to send money for head office staff after spending ADCs cost.

Secondly, in many cases, extreme poor are not willing to borrow from NGOs as they are unable to manage money. In the absence of human as well as social resource, they feel burden to be stuck with debt. Hardcore poor have only bodily asset. They just want to sell labour against reasonable wage. Some of them are even unable to earn handsome amount to run their family by selling labour. They need food and shelter free of cost.

Thirdly, in many cases hardcore poor families are women-headed comprising of widow, divorced, separated having small kids. There are some male-headed families also consisting of aged or disabled or ailing male, who usually depend on their wives income. In that case no way women can manage time to run any sort of business with MF NGOs as it needs more time and there is none to help her.

4. Experimenting with the Hardcore Poor

With increasing realisation that microfinance as currently practiced in Bangladesh is inadequate to meet the need of the hardcore poor, some NGOs such as BRAC, ASA, Proshika, Concern, Care Bangladesh have initiated some programme with new strategy.

Taking the problem in consideration Proshika made two folds of initiatives in order to incorporate hardcore poor in its programme in the last five year plan. First, it has expanded and strengthened its ongoing strategies i.e. thousand of extreme poor have been preferably employed as caretakers and pond diggers in the social forestry and fishery programmes. In case of providing relief of foods and medicine as well as interest free loan for rehabilitation, preference has been given to the

extreme poor, so that greater number of extreme poor can participate. Secondly, some new strategies have been developed and taken new steps in order to expand social as well as credit programme for the hardcore poor. The major components of the new strategies are: made the savings and loan policies flexible for the extreme poor, taking special programme for the disabled i.e. providing wheel chair, medical support etc. The steps are: finalizing the functional definition of hardcore poor, conducting a baseline survey in all ADCs to get complete list of hardcore poor etc.

“BRAC has started a programme to transfer assets to the hardcore poor. Under the scheme, the hardcore poor are given some sorts of productive asset, say, a cow with feeds and veterinary care to rear it. The extreme poor are also supported with health care to plug illness- related drain on their income. Once he/she completes a full cycle of scheme and turns better off, he/she is then brought under the mainstream micro credit”(Ahmed, 2006). In addition, in order to create new avenue of income generation for the extreme poor, BRAC has developed its income generating VGD (IGVGD) on the government VGD programme. BRAC’s agro forestry programme is one of those programmes.

Similarly, ASA has opened up special branches in the chars to provide lambs and goats to the ultra poor who do not need to go by weekly repayment instalments. Rather they return the money once they sell the cattle.

CARE’s Road Maintenance Programme (RMP) supports most destitute rural women by providing cash, some awareness and skill training such as basic health and IGA etc.

“In late 2003, Grameen Bank embarked on a new program, exclusively targeted for the beggars in Bangladesh.

The key features of this program are different from the rules and regulations of regular Grameen Bank members. The struggling members are not required to form any micro-credit group. While they may be affiliated with a regular group, they are not obliged to attend the weekly meetings. The regular group members act as mentors to the struggling members, providing guidance and support to them. The bank treats its struggling members with the same respect and attention as regular members and refrains from using the term "beggar" which is socially demeaning.

A typical loan to a beggar member amounts to Tk. 500 (US\$ 8.00). It is collateral-free and there is no interest charged on it. The repayment schedule is flexible, decided by the struggling member herself. The installments are to be paid according to her convenience and earning capability, and must not be paid from money earned from begging

For some of them Grameen Bank makes arrangements with local shops to give the members a credit line upto a given amount to pick-up whatever items they choose to take out to sell in the village. The bank provides guarantee to the shops that it will make payments in case of defaults. The struggling members sell items such as bread, candy, pickles, and toys, and so on to supplement their begging.

The struggling members are welcome to save with Grameen Bank as they wish. They are covered by the loan insurance scheme under which their loans will be fully repaid by Grameen Bank in case of death. In addition, Tk. 500 will be provided from the bank's Emergency Fund to the bereaved family for meeting burial expenses.

The bank provides struggling members with blankets, woolen shawls, mosquito nets and umbrellas on credit to be repaid as interest free loans. Although there is no compulsion for the struggling members to give up begging, there are many cases of beggars who have given up begging and moved on to being business persons (Yunus, 2005)".

5. Analytical Reflections

Despite the considerable variation in the approach of the special programme offer for the hardcore poor by the MF-NGOs, the two principal instruments are food support and income generation. These initiatives are undoubtedly admirable. However, there are some limitations with these new initiatives. These are:

First, it is not possible to alleviate extreme poverty by providing cows, goats or lambs as most of the hardcore poor do not have homestead land. They live on others' land. In the urban context. Thousands of hardcore poor live in the road side, rail station or slums.

Secondly, In case of household with disabled persons, it is not possible to alleviate poverty without giving full medical support.

Thirdly, in most of the MF- NGOs, more than 90 % borrowers are women. "NGOs are focusing on women as they are seen as.

1. accessible during working hour,
2. more likely to repay on time and
3. more adaptable and patient than men” (Rutherford, 1995)

In case of employment generation in the social forestry programme as caretaker, or in the agro- forestry programme as farmers, or in the road maintenance programme as care taker, women need intensive physical labor. Providing job to the destitute women, these programme do not concern about the ability of women. Whether the women are suitable or not for these types of work in the socio-economic and religious context is not considered. It has been experienced by the author that in many cases women dropped out from this type of program. In this regard, intensive study on the rate and causes of drop-out can be conducted. In addition to that women suffer from different disruptive activities.

Fourthly, the initiatives taken by the MF-NGOs are all curative type. There is no preventive measure to alleviate extreme poverty. It has been observed that 16.5% divorce occurred due to maintenance incapability that is highest in the total cause of divorce of both male and female. The sex-wise segregation showed that bad character is the most important (18.3%) cause of male divorce but the highest (18.7%) female divorce has occurred due to maintenance incapability (Begum, 2003). Again, dowry is the third highest cause (12.1%) of divorce. There is almost no mechanism in the new initiatives taken for extreme poor to reduce divorce rate.

Fifthly, regarding Grameen Bank’s ‘Beggar Project’, how it can be ensured that the installment will not be paid from money earned by begging.

It seems that most of the MF-NOGs are searching their potential clients. Giving few amount of initial interest free loan, they just raise the capacity of hardcore poor to make them their client.

6. A Way Forward

It is difficult to eradicate extreme poverty fully through MF-NGOs. Providing relief according to need is hardly possible by the MF- NGOs as it has heavy financial implication. Any policy on this ground will be questionable to the donors’ demand of sustainability. It is difficult to change the life of extreme poor by giving little amount of initial loan, as extreme poor needs shelter, full medical support in case of disability, social support in case of destitution etc.

It is not possible to alleviate extreme poverty by a single initiative. As the problems of extreme poor are multidimensional and location-specific, it needs first to analyze the livelihood of extreme poor and to inquire into the cause of poverty.

To eradicate poverty, Islam shows a number of ways such as human labor, paying attention by the relatives, Zakah, self-guided Grant, Sadakatul Fitr, Qurbani, Kaffara, Awqaf etc, which are interrelated.

It is not possible to take all the measures by a single institution. However, any institution which takes measures to fill-up the gap is more likely to contribute more.

Following the ideals and teachings of Islam, Islami Bank Bangladesh Ltd. (IBBL) has devised 'Rural Development Scheme (RDS)' in 1995 with the objective to alleviate rural poverty by providing small and micro investment to the agriculture and rural sector to create opportunity for generation of employment and raising income of the rural poor. It also provides welfare-oriented services. Presently, the scheme is working with 5622 villagers of which 94% are female.

RDS is running like other MF-NGOs in the context of group selection criteria, rules and regulation of group formation, design and delivery mechanism etc. It is, however, different from other NGOs such as;

Mode of financing i.e. it is free of interest.

1. Takes guarantee from the husband as well as from the group in the time of providing investment to the female group.

By this mechanism, RDS counter the common criticism that women do not necessarily benefit from loan disbursement in their names, especially when the growing need for cash to pay debts creates additional tension in the household. Taking guarantee from husband, RDS makes the male counterpart of female group responsible to repay the loan and involves them in the investment process. In addition to that through RDS training, women are instilled in moral and ethical value coupled with dedication, devotion and diligence etc which they can teach to the family members.

In spite of this superb mechanism, RDS screened out the extreme poor through selection criteria. RDS with its present excellent institutional set up can lead the way to reach the hardcore poor taking following steps:

- Incorporate demographic, ecological as well as general criteria to select the poor,

based on the analysis of livelihood of the extreme poor regionally.

- Start campaign to mobilize Zakah fund and Awqaf through RDS to use it locally for the extreme poor.
- For this purpose administrative set up of RDS can be changed by recruiting more staff who will engage in welfare-oriented work not in credit programme. In this regard local female staff can be recruited in the RDS regional office.
- Make a list of poor people in the command area of the branches, who are in age at marriage. Divide them into two groups. The first group who are able to pay 'mohorana' and the second group who are not able to manage the cost of marriage.
- Start campaign against dowry and for paying 'Mohorana' incorporating local Imam as volunteer. So that the number of dowry-led marriage and divorce rate due to dowry decrease. In this way the number of destitute women can be reduced.
- Make arrangement to pay some amount of 'Mohorana' in cash to the bride as initial capital to start any sort of viable project.
- Who are not able to manage cost of marriage, RDS can pay an amount of 'Mohorana' in favour of bride groom from the Zakah Fund in order to demonstrate how to pay 'Mohorana' in the marriage ceremony as it is out of screen in the rural area. Instead of receiving investment from Bank, women can invest this money as initial capital in any sort of productive work. By this way RDS can reduce the burden of debt from the women. RDS can make a long term plan to rehabilitate widows and other extreme poor who are shelterless from locally mobilized Awqaf fund. In this regard Dawa work can be done among the relatives of the extreme poor in the area of RDS in order to mobilize Awqaf resources.
- In this regard an intensive research study on RDS can be done in order to get a picture of present socio economic and ethical position of the people in the areas of RDS.
- New initiatives for the extreme poor can be implemented in parallel to the existing on-going programs.

7. Conclusion

The Prophet (Peace be upon him) said ‘poverty is curse’ (Bhukharie). Islam prescribes tackling the issue of poverty head on. The Quran and the Sunnah identify the way, how to alleviate poverty from society. We must consider the extreme poor at first and try to alleviate extreme poverty according to the guideline of Quran rather to do financial business with the moderate poor. Taking all the strength of IBBL such as strong administrative set up, committed staff, good will as well as capital and the opportunity in the country i.e. Muslim ummah of Bangladesh, RDS must be confident to take new initiatives mentioned above for the extreme poor. At first, five branches can be taken on pilot basis and action research can be done for further development of the program.□

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