

Micro finance place most important role

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A Report on the Income & Rural Development

Scheme Participation:

RDS Included Participants Income

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Introduction

Micro finance plays most important role in economic sectors of a developing country. Being a developing country Bangladesh suffers from various issues of poverty. The outrageous population of Bangladesh makes its economy very hard to develop like other developing countries. Many initiatives along with micro finance have been undertaken by Bangladeshi government & other financial NGOS. But stand alone micro finance has proven itself the best to improve & develop economical situation of the poor rapidly.

The foremost objective of Islami Bank Bangladesh Limited is to establish an Islamic economy for balanced economic growth by ensuring reduction of rural & urban distribution of income.

Under this perception most of the branches of this bank encourages to invest it's client's deposits in their respected areas. This is mostly to uplift the economic status of the poor people particularly in rural areas.

Accordingly "Rural Development Scheme" has been introduced in 1995 to provide the investment needs of the agricultural & other rural sectors to commence opportunity to generate employment & income raise of the people in poverty. This is considered the first Islamic Micro Finance Model in Bangladesh.

Point of view of the study:

As we all know that Bangladesh is a highly dense country. Most of its people lives under the poverty line. Despite of couple of major cities like Dhaka, Chittagong, Khulna, Rajshahi, 70% of the people live in rural area of Bangladesh doing mostly agriculture works. But there are vast majorities who are unemployed and have no income at all. Islami Bank Bangladesh limited (IBBL) tends to devise a "Rural Development Scheme" (RDS) with a perspective to reduce poverty through income generation activities by creating self employment.

Research Intents:

My research intents are to obtain and examine the relationship between the participation and the income in RDS. Also investigating the performed attitude and the income of the participant. It will also be considered to recommend the policy planning in order to increase the participation of the people in poverty to RDS.

Significance:

Introducing Micro credit system to such a vast market with a huge population initiated immense dynamics of different economics and social courses. Important quarters as policymakers, academicians, researchers and other development practitioners who were trying to unfold and shape social and economic boundaries put a centralized attention on RDS with its rapid expansion in Bangladesh. So RDS spread vigorously through financial NGOS. Palli Karma-Shahayok foundation, Asha, Grameen, Brac are some of the first NGOS to obtain RDS and encourage rural people to self employment through it.

After mass recognition of RDS among the people many commercial banks and orthodox financial institutions obtained the policy. Like other financial conciliator, Islami Bank Bangladesh Limited started making profit by putting the savings of their respected investors at the services of the borrowers. Because the critically analyzed performance of RDS paved the way to better success rate in future.

The optimized focus of this study is limited to the generic performance and analysis of the potential improvement of the participants after taking the loan, so their socio economic contribution and participants financial performance (Risk and Return) to RDS. The study draw a significant line between the participants of RDS and non participants of RDS defining their income, expenses, living standards and future economical probabilities regarding the micro credit framework of Islami Bank Bangladesh Limited.

Target Area:

Islami Bank is providing micro- financial loan in the Kamrangi Char area near Dhaka city under this RDS. The collected data is from the people living under poverty line in that particular area as they are the sole element of this scheme.

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Rural Development Scheme of IBBL:

With the will of enhancing the overall socio economic condition of rural people in Bangladesh IBBL launched a Shariah based Micro finance programme "Rural Development Scheme" in the year 1995. At present they have increased their activities by rapidly involving near about 0.52 million people. The growing achievements of RDS required more activities assessing the impact of RDS on the livelihood of the rural people. So IBBL undertook a nationwide survey of their clients of RDS to collect data and improve the system which should be more effective and efficient for the client. The sole purpose of the system is to include more and more people as

the time went by and make them solvent as the bank counts in profit by the returns. So IBBL replicated the programme from one area to another with some major and minor modifications according to the needs. To accelerate the economic activities around the country it was a pleasant and secure financial investment for both the bank and the people below the poverty line.

The Socio Economic Context:

Education

Kamrangi Char is a suburb very close to the main city of Dhaka. Despite of its location people living here are mostly poor and earn on a day to day basis. Most of the people are either illiterate and work as a labour in factories and garments of primary educated and works in shops, markets and at most runs small sole proprietor businesses. But government and many other educational NGOS have tried heart and soul to educate the people of this area and many other areas like kamrangi Char. As a matter of fact the next generation is getting their proper education. In this scenario RDS will help the parents to start new businesses with the loan and uplift their living standard so that their children can have better education and perform in the competition of the long run.

Food, Nutrition and Consumption

Being a over populated area kamrangi Char lacks in food quality, its necessary nutrition's and high consumption rate creates a scarcity of food most of the time. As most of the people in this area lives under the poverty line, they hardly can cope up with the regular increasing price of food items. Children and women suffers from malnutrition. It is to obtain that if more income is indulge by the wage earner of the family the whole family will be nutrient and satisfied with food. In that case they might help one or two with their extra sustenance. RDS gives the chances of a better earning and which will create a better nutrient for the whole family of its participants.

Poverty

Bangladesh is well recognized as a poor and under² developed country. Over population is considered as the main reason of the poverty. The level of poverty is closely¹⁰ linked to the level of deprivation and to the nature of inequality prevailing in the country. The monthly income of women¹ is significantly poor and the low income of poor women is visible. But through this scheme Women's household responsibilities have changed greatly in the past decade.

Women's participation in RDS:

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Female participation in the formal rural economy increased from 5% in 1983/84 to 9% in 1990/91, 12% in 1995/96. But while almost all of the increases in rural non- agriculture employment was male, women's involvement in agriculture employment grew from 39% to 49% of the total agriculture labor force during the first half of the 1990s. In Bangladesh, about a half of the total population is female and a majority of them 80% live in rural areas. Among the rural women we can see that:

- 25% in agriculture sector
- 45% are unpaid family sector
- 30% of the total labor force

Interdiction area & Baseline survey:

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Following criteria is being followed in selecting a village

- 3 Communicate with the poor people
- Availability of agriculture and other off- farm activities
- Provide support to the low income group.

The branches conduct the detailed survey Consisting 4-5 villages through their branches support.

Performance of RDS:

Up to 31 may, 2017 the performance of rural development scheme have been published. The scheme was introduced by Islami Bank Bangladesh Limited in 1995. They are continuing their work for both male & female participants. The branches have been divided by 63 districts and many more villages. Right now their total participant's number is 959,513. The members are provided investment facilities an amount of BDT 145,727.50 million against which the outstanding was 31,599.50 million. The recovery rate is more than 99%.

Methodology

In research methodology there is a structured, which definite the guideline to create sustainable results. There are four major sectors. Those are given below:

- First sector defining the size of sample, area choosing & feature of the rural population.
- Second sector arranged by the design of methodologies.
- Third sectors are analyzing the data
- The last sector is how it looks after applied methodology.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Here Y shows income which is dependent variable. The independent variables are participation in RDS, Attitude, Rationality & consumption which shows X_1 , X_2 , X_3 and X_4 . There are also parameters which show β_1 , β_2 , β_3 , β_4 and β_0 is a vertical intercept. And the Error term is e .

In my research paper my purpose only investigates about the income of RDS. And also showing that the relationship between dependent variable & independent variables.

Data Collection:

Basically the data has been collected from Kamrangi Char area, which is suitable for me to get more information about RDS Participators. And the other one is those areas peoples are benefited by RDS.

There are two types of sources to collect information of data. One is primary data and another one is secondary data. The participators can help me out to observe how much they are benefited by RDS and also their personal information like qualification, monthly income and so on, which called primary data. And the Secondary data collected from international agencies, websites, different type of books and articles and so on.

Data Analyzing Techniques:

To get result I am using SPSS 16.1 version. There are 3 types of analytical methods. First one is descriptive statistics which show frequency, Median and Mean. And the second one is analytical statistics which deals with correlation and multiple regressions. And the last one is principle of exploratory.

Results & discussion

Micro finance borrowers using by sample statistics

Gender

Valid	Frequency	Percent	Cumulative Percent
Male	29	58.0	58
Female	21	42.0	100
Total	50		

Age

Valid	Frequency	Percent	Cumulative Percent
0-20	3	6.0	6.0
20-35	19	38.0	44.0
36-50	20	40.0	84.0
51-65	8	16.0	100
Total	50	100	

Here we can see that female frequency is 21, and the valid percent is 42 and cumulative percent is 100. That is showing age of female members. Male member's frequency is 29 and the valid percent is 58, which is more than female members.

Monthly Income

Valid	Frequency	Percent	Cumulative Percent
0-10000	13	26.0	26.0
10000-20000	17	34.0	60.0
20000-30000	10	20.0	80.0
30000-40000	6	12.0	92.0
40000-50000	3	6.0	98.0
Above 50000	1	2.0	100

Educational Background

Valid	Frequency	Percent	Cumulative Percent
Illiterate	26	52.0	52
Primary	23	46.0	98
Secondary	1	2.0	100
total	50	100	

Religion

Valid	Frequency	Percent	Cumulative Percent
Religion	49	98.0	98
Hindu	1	2.0	100
Total	50	100	

In this result we can see that there is not that much difference between male and female members. The result almost equals both of them. Another thing we can see that there are over aged people who are 36-50, they are getting more benefited by RDS. If we can see the income level of RDS participants, the percentage shows 80 that are lower earning members can taking this facilities. The other important sector is educational qualification which shows that there are 52% people are illiterate; they never had gone to school. And the 46% people studied only primary level. And the last sector is religion which shows 98% peoples are Muslim.

Factor Analysis:

Name of Factors	Percentage of variable explained (cumulative)	Coefficient
Participants (9.505)	15.231 (15.231)	.654
Rationality (1.927)	13.972 (29.203)	.737
Attitude (1.767)	13.363 (42.566)	.897
Consumption (1.545)	10.497 (53.063)	.701

Interpretation:

There are four main components we can see here. The first component is Participants in RDS which indicates 65% coefficient term, and the cumulative value shows 15.231. That has been moderately average.

The second component is the rationality which coefficient term is 73% and the cumulative value is 13.972 that mean total value is 29.203. So the result implies that this factor is very important for policy makers.

The third component shows the Attitude, the percentage of this coefficient term is 89% and the cumulative value is 13.363. So the total value is 42.566. That means high term of insights it shows in this sector.

The last component is consumption, it implies total value is 53.063 and the percentage is 70. which is also average.

Descriptive Statistics:

	Minimum	Maximum	Mean	Standard Deviation
Gender	.00	2.00	.6200	.53031
Income	1.00	6.00	2.4400	1.28031
Age	1.00	4.00	2.6600	.82338
Qualification	1.00	3.00	1.5000	.54398
Religion	1.00	2.00	1.0200	.14142

Here, we can see that male and female both minimum values are .00 and the maximum value is 2.00. The monthly income increases 1.00 to 6.00 that shows minimum level to maximum level. The other variable age, educational qualification and religion which imply the maximum level 4.00, 3.00 and 2.00.

Analysis for coefficient:

Correlations

	Participation	Behavior	Rationality	Consumption	Income
Participation	1				
	50				
Behavior		1			
	50	50			
Rationality			1		
	49	49	49		
Consumption				1	
	50	50	49	50	
Income					1
	50	50	49	50	50

For the correlation we can see that all the values are significant. The significant level is 1%. So we can easily say that the income level shows top level correlated.

Conclusion:

The focal purpose of the paper is to consider ² the impact of micro finance on the income of the rural people who were and are the participants of the RDS programme of Islamic Bank

Bangladesh Limited. The main theory that legitimize the application of Rural Development Scheme to raise the income and other assets of the poor to establish a steady economical flow by creating opportunity of employment. Being a developing country with a huge population and limited resources it is very important to help the poor to get above the poverty line. This will change economic development and put a positive impact on the GDP growth of the country which will gradually increase living standard. At this stage of the study we come to the conclusion with the sense that micro financing is very important to reduce poverty permanently. Cause the study reveals those micro credit clients of the Islamic Bank Bangladesh Limited increases the income as participating in RDS brings a better development for the financial situation for the lower income parties.

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