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Impact of Microcredit Programme on Poverty alleviation: A Comparative Study in Bangladesh and Malaysia

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ABSTRACT

Microcredit programmes provide small loans to the very poor in order to undertake self employment and other financial and business activities giving them the ability to care for themselves and their families and thus, achieve a level of independence. Microcredit is also referred to as microfinance and microlending which has demonstrated to be an effective tool in the ongoing struggle against poverty and enables those without access to lending institutions to borrow and start small business. In Bangladesh, the major microcredit programmes engaged by government organizations such as Bangladesh Rural Development Board (BRDB), Grameen Bank (GB), Pallil Karma Sahayak Foundation (PKSF), and Non government organization like Bangladesh Rural Advancement Committee (BRAC), Association for social Advancement (ASA), PROSHIKA, Palli Daridro Bimochon Foundation (PDBF). Among these microcredit programmes, Grameen Bank is a successful model of poverty alleviation in Bangladesh that works in over 81,379 villages, has lent money out to 8.35 million people all over Bangladesh, and 96% of whom are women. The Grameen Bank concept of microcredit has been replicated in more than 60 countries around the world. In Malaysia, with some modification from the Grameen Bank model, the Amanah Ikhtiar Malaysia (AIM) was adopted as a programme to eradicate poverty of the rural poor. The objectives of AIM are to give out benevolent loans to finance income generating activities to the poor households and eventually move out from the poverty group. It is complementary to the Government objective in eradicating poverty amongst the poor households in Malaysia. This paper will compare the microcredit programmes of Grameen Bank Bangladesh and Amanah Ikhtiar Malaysia and assess the impacts on poverty eradication in both countries.

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INTRODUCTION

Microcredit programmes provide small loans to the very poor in order to undertake self employment and other financial and business activities giving them the ability to care for themselves and their families and thus, achieve a level of independence. Microcredit is also referred to as microfinance and microlending which has demonstrated to be an effective tool in the ongoing struggle against poverty and enables those without access to lending institutions to borrow and start small business [2]. In Bangladesh, the major microcredit programmes engaged by government organizations such as Bangladesh Rural Development Board (BRDB), Grameen Bank (GB), Pallil Karma Sahayak Foundation (PKSF), and Non government organization like Bangladesh Rural Advancement Committee (BRAC), Association for social Advancement (ASA), PROSHIKA, Palli Daridro Bimochon Foundation (PDBF). Among these microcredit programmes, Grameen Bank is a successful model of poverty alleviation in Bangladesh. Grameen Bank was started in 1976 by Professor Muhammed Yunus as an action research project in 'Jobra village' in the district of Chittagong. In 1983 it was transformed into a formal bank under a special law passed for its creation. It is owned by the poor borrowers of the bank who are mostly women. Borrowers of Grameen Bank at present own 94 per cent of the total equity of the bank. Remaining 6 percent is owned by the government [10].

The Grameen Bank concept of microcredit has been replicated in more than 60 countries around the world. In Malaysia, with some modification from the Grameen Bank model, the Amanah Ikhtiar Malaysia (AIM) was adopted as a programme to eradicate poverty of the rural poor. AIM was established in September 1987 to institutionalise an action research project carried out by the Centre for Policy Research of University Science Malaysia (USM), sponsored by the Asia and Pacific Development Centre (APDC), Islamic Economic

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Development Foundation of Malaysia (YPEIM) and the Selangor State Government. In Malaysia there are also other microcredit programmes existed such as Yayasan usaha maju (YUM), Koperasi kredit rokyat (KKR), Koperasi kredit Pekerja (KKP) and Tabung Ekonomi Kumpulan Usahawan Nasional (TEKUN). Amanah Ikhtier Malaysia is the first microcredit programme in Malaysia. The objectives of AIM are to give out benevolent loans to finance income generating activities to the poor households and eventually move out from the poverty group. It is complementary to the Government objective in eradicating poverty amongst the poor households in Malaysia.

This paper will compare the microcredit programmes of Grameen Bank Bangladesh and Amanah Ikhtiar Malaysia and assess the impacts on poverty eradication in both countries.

Microcredit Programmes of Grameen Bank Bangladesh (GB):

Grameen Bank has come a long way since it began in 1976. In 1976, Professor Yunus lent US\$ 27 in loans to 42 women in Jobra, Chittagong, Bangladesh. At the end of August 2011, Grameen Bank had cumulatively disbursed Tk 684.13 billion (US\$ 11.35 billion) to 8.35 million borrowers, 96% of whom are women, 2,565 branches, in nearly 81,379 villages across Bangladesh [10]. Of this amount, US\$ 10.11 billion has been paid back. Current amount of outstanding loans stands at TK 73.32 billion (US \$ 968.31 million). During the past 12 months (from November '10 to October'11) Grameen Bank disbursed Tk. 107.30 billion (US \$ 1480.53 million). Monthly average loan disbursement over the past 12 month was Tk 8.94 billion (US \$ 123.38 million). The loan recovery rate is 96.67%.

GB loan programmes:

Previously, Grameen had offered more than a dozen kinds of loans, including seasonal, family and general loans. In order to avoid the confusion and needless redundancy resulting from this breadth of offerings, Grameen II (which was conceived in 1999 and implemented from 2000 to 2003) starts three loan categories which are discussed below. The main changes to the classic Grameen system included simplifying loan classifications and offering greater flexibility for loan repayments

Basic loan:

The Basic Loan matures in one year and carries a fixed interest rate, with payments due every week. Women who are unable to meet their repayment schedules for any reason immediately restructure their obligations into a Flexible Loan contract, which allows for greater variability in loan maturity and weekly payments. The Flexible Loan process also offers customized credit for borrowers who encounter unexpected difficulties in the course of their loans.

Previously, women who defaulted on their loans were cut off from taking further loans and unable to renegotiate payments. Flexible Loans ensure that borrowers will be more

successful in repaying defaulted loans more quickly. The new system treats as late payments what in the old model would have been considered defaulted loans. Flexible Loans have a high percentage of overdue loans (see Figure 1) compared to the old system (although still in single digits). However, Yunus [30] contends that these loans (even those that have been written off) end up being paid because of the strong disincentive for staying out of the system. As a consequence, the effective repayment rate exceeds 98 percent.

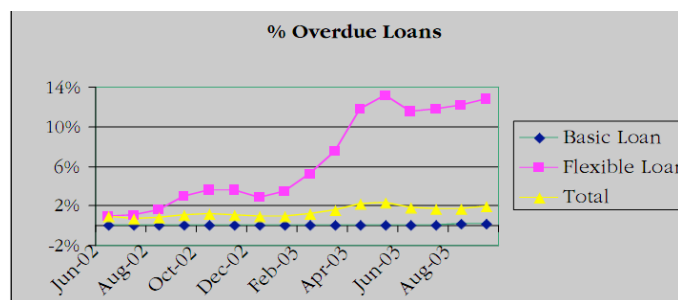


Fig. 1: Percentage of Overdue Loans for the Different Loan Types in Grameen Bank II.

Source: Grameen Bank Monthly Updates [9].

In addition to increasing flexibility, Grameen Bank also implemented a new system for recognizing non performing loans in response to earlier criticism from the media. Loans are now declared overdue upon the borrowers' failure to pay either the installment for 10 consecutive weeks or to clear the outstanding balance within a six-month period without moving into a Flexible Loan. In the latter case, the bank declares the loan to

be in default and makes a loss provision for 50 percent of the unpaid principal and interest. If the arrears extend to a full year, the bank writes off 100 percent of the loan.

Housing loan:

Grameen Bank introduced housing loan in 1984. It became a very attractive programme for the borrowers. This programme was awarded Aga Khan International Award for Architecture in 1989. Maximum amount given for housing loan is Tk 25,000 (US \$ 354) to be repaid over a period of 5 years in weekly instalments. Interest rate is 8 per cent. 690,737 houses have been constructed with the housing loans averaging Tk 13,059 (US \$ 181.50). A total amount of Tk 9.02 billion (US \$ 211.21 million) has been disbursed for housing loans. During the past 12 months (from Nov.'10 to October'11) 4,482 houses have been built with housing loans amounting to Tk 52.43 million (US \$ 0.69 million).

Higher education loan:

Students who succeed in reaching the tertiary level of education are given higher education loans, covering tuition, maintenance, and other school expenses. By October'11, 49,588 students received higher education loans, of them 46,885 students are studying at various universities; 577 are studying in medical schools, 894 are studying to become engineers, 1232 are studying in other professional institutions.

Scholarship programme of GB:

Scholarships are given, every year, to the high performing children of Grameen borrowers, with priority on girl children, to encourage them to stay ahead to their classes. Upto October'11, scholarships amounting to Tk 205.03 million (US\$ 3.00 million) have been awarded to 1, 33031 children. During 2011, US\$ 592,849 will be awarded to about 24,611 children, at various levels of school and college education.

Struggling (Beggars) members programme:

Begging is the last resort for survival for a poor person, unless he/she turns into crime or other forms of illegal activities. Among the beggars there are disabled, blind, and retarded people, as well as old people with ill health. Grameen Bank has taken up a special programme in 2002, called Struggling Members Programme exclusively for the beggars. Over 111,296 beggars have joined the programme. Total amount disbursed stands today at Tk. 162.60 million. Of this amount of Tk. 130.89 million (80% of the amount disbursed) has already been paid off.

Grameen savings schemes:

Grameen Bank offers very attractive rates for deposits. Minimum interest offered is 8.5 percent. Maximum rate is 12 percent.

- Grameen Pension Schemes
- Fixed Deposits
- 7- Years Deposits
- Special Savings Funds
- Monthly Profit Schemes

By the end of October, 2011 total deposit in Grameen Bank stood at Tk. 105.95 billion (US\$ 1399.30 million). Member deposit constituted 56 per cent of the total deposits. Balance of member deposits has increased at a monthly average rate of 1.42 percent during the last 12 months.

Loan Delivery System:

Organizing the primary groups of five members and federating them into centres has been the foundation of Grameen Bank's system. The emphasis from the very outset is to organisationally strengthen the Grameen clientele, so that they can acquire the capacity for planning and implementing micro level development decisions. The centres are functionally linked to the Grameen Bank, whose field workers have to attend Centre meetings every week.

Grameen Bank credit delivery system has the following main features:

- There is an exclusive focus on the poorest of the poor.
- Borrowers are organized into small homogeneous groups.
- Special loan conditionality's which are particularly suitable for the poor.
- Simultaneous undertaking of a social development agenda addressing basic needs of the clientele.
- Design and development of organization and management systems capable of delivering programme resources to targeted clientele.
- Expansion of loan portfolio to meet diverse development needs of the poor.

Loan is delivered to the member's right at their door steps. The borrowers need not to come to the town, they do not require incurring any extra expenditure to get loan. The loanee can use the credit in any productive activity of his/her choice. The loan is to be repaid in weekly installments of the loan amount. A close supervision is made by the GB worker, so that loan is utilized properly. There is a group pressure for loan repayment. Thus, close supervision and group pressure are the main cause of success of the GB loan recovery.

Microcredit Programmes of Amanah Ikhtiar Malaysia:

The concept of AIM is to create out of the hardcore poor households, highly motivated individuals who are committed to earn an honest living and eventually move out of the poverty level. The strategies are by giving out to borrowers' interest free loans to undertake income generating projects.

AIM open branches in almost all potential areas throughout Malaysia. Thus the services provided by AIM are accessible throughout Malaysia, including Sabah and Sarawak. In 2007, AIM has total of 168,700 clients, total amount disbursed RM 2,115,366,605 and total balance outstanding RM 345.8 ml [13]. The extent of outreach in term of branches, clients and the number of staff from 1990 to 2004 shows a positive trend (Table 1).

Table 1: AIM: Progress of AIM 1990 to 2004.

Years	No of Branches	No of Staffs	No of Clients	Amounts of loans	Growth of loan disbursed
1990	27	240	3220	891,488	
1991	33	352	9401	2970467	233.20
1992	34	429	18918	7318141	146.36
1993	34	408	25470	18512693	152.97
1994	35	433	33001	23339550	26.07
1995	35	453	39401	34716000	48.74
1996	35	460	42861	47912552	38.01
1997	37	502	51052	90216140	88.29
1998	45	617	56466	102685700	13.82
1999	59	770	60812	82980990	19.19
2000	61	821	69017	107247260	29.24
2001	62	884	79492	128126650	19.47
2002	63	899	87436	140712480	9.82
2003	69	834	70197	152,082,150	8.08
2004	69	922	131032	328,647,600	116.10

Source: AIM cited in Roslan *et al.*, [28].

In 2004, AIM has 69 branches, 922 numbers of staffs and a total of 131,032 clients. Besides the opening of additional branches, AIM has also increase its outreach by recruiting more credit officers (or credit analysts) as well as equipping the credit officers with vehicles, especially motorcycle, in order to enable the officers to reach their clients deep in the countryside. Except in 1999, which were due to re- screening of members, the amount of loan disbursed shows an increasing trend. Nonetheless the growth of loan disbursed fell until to reaches 8.1% in 2003. However, between 2003 and 2004, there is a huge increase in the percentage of loans disbursed, i.e. an increase of 116.1%. In addition to the significant increase in the number of clients as could be seen in above, this huge increase in the percentage of loans disbursed might be due to larger amounts of loan borrowed on average by members.

AIM Loan Programme:

AIM offers two types of loans. There are the Economic Loans and the Social or Special Loans.

Economic loans:

The Economic Loans were designed to help the poor to generate extra income through the economic activities to improve their income and living conditions and has three different schemes e.g. Ikhtiar Loans Scheme 1 (SPI 1), Ikhtiar Loan Scheme 2 (SPI 2), and Ikhtiar Loan Scheme 3 (SPI 3) these are described below.

Ikhtiar Loan Scheme 1 (Skim Pembiayaan Ikhtiar 1-SPI 1):

The first borrower in the scheme gets a maximum loan of RM1,000. Borrowers who have good repayment record on their first loan are considered for a second loan which is twice the amount of the first loan and up to a maximum of RM2,000, followed by a maximum of RM3,000 for the third loan, RM4,000 for the fourth loan and RM4,900 for the fifth and subsequent loans.

Ikhtiar Loan Scheme 2 (Skim Pembiayaan Ikhtiar 2-SPI 2):

This scheme offers a range of loans from RM5,000 – RM9,900. Borrowers who have shown good repayment records in SPI 1 and with monthly income of at least RM 600 will be considered for this loan. The repayment period is between 50 to 150 weeks.

Ikhtiar Loan Scheme 3 (Skim Pembiayaan Ikhtiar 3 -SPI 3):

The loan offered in this scheme is RM10, 000. The borrowers with good repayment record discipline and with monthly income of at least RM1, 000 are considered for loan from this scheme. It is specially designed to give opportunities to those who need bigger capital to expand their business activities. The repayment period is between 50 to 150 weeks.

Social or Special loans:

Loan may be used to start or expand any type of legitimate income generating activities of the borrower's choice, according to their experience, skill and capabilities. The major activities are petty trading, agriculture, animal husbandry and fishing. Under the economic loan scheme, AIM has introduced two additional schemes, namely Female Single Parents Financing Schemes (SKIT) and Fishermen Financing Scheme (SPIN).

Female Single Parents Financing Scheme (Skim Ibu Tunggal - SKIT):

Female Single Parents Financing Scheme (SKIT) is a financing scheme for the benefit of female single parents living in town areas. This scheme is introduced in view of economic and social problems faced by single parents due to divorce or death of the breadwinner. The purpose is to ensure that the living standard of female single parents does not decline dramatically following these incidents. The maximum amount the first loan is RM10, 000 and the maximum amount of second and subsequent loans is RM 20,000.

Fishermen Financing Scheme:

Fishermen Financing Scheme (SPIN) is a financing scheme targeted at coastal fishermen of Malaysia. This scheme is introduced to help small fishermen increase their livelihood as well as prepare them for the commercialized fishing industry. It also aims at increasingly fish-based food production. The maximum amount the first loan is RM10, 000 and the maximum amount of second and subsequent loans is RM20, 000. Beside economic loan schemes, AIM also provides social loan schemes, which are of two types:

Educational Loan:

Borrowers who have completed the first loan in SPI 1 could apply for Educational Loan whose maximum amount is RM1, 000 and to be repaid within 50 weeks. The purpose of the loan is to cover school expenses of their children.

Housing Loan:

Borrowers who have completed the third loan in SPI 1 entitled to get Housing Loan whose maximum amount is RM 5,000 for house renovation, land purchase and enlarging business premises. The repayment period for this scheme is between 50 to 100 weeks.

Amanah Ikhtiar Credit Delivery System:

AIM has set up requirements to ensure that the poor has access to the credit programmes.

These requirements are:

- Suitable loan condition (no collateral, no guarantor and no legal action)
- Credit is taken to the very poor, to their village
- Simple procedures, compulsory group training and oral test on understanding of rules and regulations
- Formation of groups by potential members (five members in a group, equal socio-economic status, create right peer pressure and peer support)
- Collective responsibility, group and centre accept collective responsibility
- Small loan and weekly repayment
- Loan for income generation
- Close supervision by field staff in centre meeting and loan monitoring
- Availability of subsequent loan
- Open conduct of all business at centre meeting.

A group has to choose a leader who is responsible for the welfare of the members. For instance, the leader has to settle any misunderstanding among the members, and also to ensure that every member obeys the rules and regulations set by AIM that has been agreed upon. As a group, team spirit is encouraged and each member shares the responsibility of supporting the others to succeed. For example, if a member cannot afford to make a

loan repayment, the other members of the group are collectively responsible to repay the loan. As such, AIM employs group pressure to reduce the risk of non repayment.

Impact of Grameen Bank on Poverty Eradication and Empowerment of Women:

Grameen Bank's success on poverty eradication must be measured in terms of both financial and social standards such as income and asset as well as women empowerment.

This section briefly discusses the extensive literature on GB's impact of poverty eradication and empowerment of women.

Income, Asset and Expenditures:

Beginning with a simple experiment in 1976, Grameen Bank has become one of the largest enterprises in Bangladesh and has lifted millions of people- mostly women and their families- out of poverty. Hossain [11] found that GB loans have resulted in significant increases in member income and assets. He found that GB member households had incomes that were 43% higher than target group households in control villages and 28% than those of non-participants in Grameen villages. The income increase was greatest for the absolutely landless and the marginal farmers. Qasim *et al.* [27] also found that women borrowers increased their family income by about 72% due to the availability of GB credits. According to Khandker [14], "as much as 5 per cent of program-participating households should be able to lift their families out of poverty every year", the 4.2 million women already reached through BRAC and Grameen Bank in Bangladesh translates into 21 million family members. If 5 percent of these are able to lift themselves out of poverty every year, then in Bangladesh alone one million people are lifting themselves out of poverty every year (87,000 per month) as a result of microcredit [14].

In 1998, again, Pitt and Khandker used different data and controlled for unobserved heterogeneity at the individual, household, and village levels. They found that annual household expenditure increased by \$18 for each additional \$100 of cumulative disbursement. If this effect persists and if the average effect exceeds the marginal effect, then the increase in expenditure by itself would provide at least \$0.09 per dollar-year borrowed to balance the subsidy of \$0.22. Pitt and Khandker [25] also find that the value of women's non-land assets increased by \$27 for each additional \$100 disbursed. Using the same data, McKernan [20] finds that participation in Grameen increases average monthly profits from self-employment from about \$45 to about \$80. Average monthly income for a four-person household in the sample is about \$73, so this is a very large effect that, if correct, would by itself more than compensate for subsidy. Finally, it has been shown that Grameen Bank, through its disbursement among the poor, has contributed 1.50, 1.33 and 1.10 percent of total GDP in 1994, 1995 and 1996 respectively [1].

Women Empowerment:

Several studies have sought to specifically determine whether microcredit empowers women. Hossain [11] surveyed 534 women Grameen Bank members and found that 50% were unemployed before joining the Bank, while only 21% called themselves unemployed after joining. Nearly one third of female members who had previously engaged in unpaid household work took up paid work. One of the most important studies, conducted by Pitt, Khandker and Cartwright, investigates the situation in Bangladesh and concludes that empowerment effects, more than standard income-substitution effects, drove the results of their earlier study, which demonstrated that communities benefit more when loans are disbursed to women rather than to men [26]. Pitt, Khandker and Cartwright also determined that women were more likely to vote, have fewer children and influence household decisions after entering the loan program. Women's increased empowerment may explain the fundamentalist Islamic Party's loss of 14 of its 17 parliamentary seats in the June 1996 Bangladeshi elections after it expressed opposition to microcredit and women's rights. In those elections, for the first time in Bangladeshi history more women than men voted. The ranks of the women were bolstered by Grameen's 3.5 million women borrowers, who, given the average size of the families they represent, can have an impact on a remarkable 20 percent of Bangladesh's entire population. The empowerment criterion is therefore being adequately met.

Women are given equal access to the Grameen schemes as a result; they have raised their status, lessened their dependency on their husbands and improved their homes and nutritional standards of their children. 90% of women who used begging as a means of survival now have roof over their heads and can support themselves [23]. Grameen Bank aims to change the social and economic structure of rural Bangladesh. To do this, it supplies, in addition to loans, what it calls discipline [15]. This is not only financial discipline to make repayments and deposits each week, but also physical discipline: members must sit in straight rows, salute, chant, and sometimes do calisthenics [12].

Pitt and Khandker [25] found that a 1 percent increase in cumulative disbursement to a woman increases the likelihood of school attendance of daughters by 1.9 percent and of sons by 2.8 percent. These benefits are also large. The vows that members recite also instill discipline in that they foster a break from some social norms

that perpetuate misery in rural Bangladesh. For example, the resolutions praise small families, prohibit dowry and child marriage, promote gardens, extol education, and exhort members to drink clean water and to use latrines. Perhaps the most important non-financial service of Grameen is social intermediation [7], creating social capital as a by-product of meetings. In rural Bangladesh, social capital is scarce because purdah norms isolate women. Grameen meetings provide a socially accepted excuse to gather and to talk. The impacts are both psychological and economic; not only do women feel less isolated, but they also strengthen their support networks [16].

According to Dowla [6], Grameen Bank proved that the poor can be trusted and, with proper incentives and institutional structures they will take advantage of the assistance. The Bank's trust in its members has created a realization among them that they have to reciprocate by repaying the loans on time. The mere fact that the bank has placed its trust in the poor makes them feel obligated, and this makes it harder for them to betray that trust. Arrow [3] argues that the presence of trust will lessen the need to use costly safeguards and monitoring that would be necessary to conclude most transactions. Since its inception, Grameen Bank and its founder publicised the high repayment rate of its members. The high repayment rate was in sharp contrast to the low repayment rate of commercial sector. These high rates created a reputation for trustworthiness of the poor. Once Grameen Bank established the trust in poor people's ability to repay, others could benefit from this generalized trust - a public good.

Impact of Amanah Ikhtiar Malaysia on Poverty Eradication:

The overall poverty incidence in Malaysia has reduced to a significantly low level; nonetheless there still exist outstanding issues that should be of concern, especially to policy makers. First, the incidence of poverty in the rural areas is still relatively high compared to the urban areas. Table 2 shows that the incidence of poverty in the rural areas has decreased significantly from 60.0 percent in 1970 to 10.9 percent in 1997. It has however increased to 12.4 percent in 1999 due to the financial crisis, but it then declined to 11.4 in 2002 after the economy has recovered. About one fifth (40,300) of this total rural poor households were categorized as in 2004, with the adoption of the new methodology for hardcore poor households. Calculating poverty, poverty incidence in the rural areas has increased slightly to 11.9 percent and the number of rural poor households is 219,700 households. About 53,200 households of the total rural poor households were categorized as hardcore poor households. While it cannot be denied that poverty in the rural areas has declined impressively, the fact is that the percentage is still considered relatively high compared to the urban areas. In 2004, the poverty incidence in the urban areas is 2.5 percent. Nonetheless, in terms of numbers it is still considerably large, i.e. involving 91,600 households.

In the Ninth Malaysian Plan [21], it is stated that AIM increases its non-financial and financial assistance to assist hardcore poor households to increase their income through small business activities. AIM, through its 69 branches and 3,962 service centres throughout the country, provided microcredit amounting to RM 1.02 billion to 147,544 participants, mostly female and single mothers in rural areas. AIM's activities have been directed almost entirely to the alleviation of poverty among poor Malays [19]. It was set up with a charter to disburse small loans on reasonable terms exclusively to the very poor households to finance additional income generating activities [8]. Figure 1 shows the poverty eradication programs taking by AIM.

Table 2: Malaysia Poverty Incidence and Number of Poor Household by Strata.

RURAL	1970	1976	1984	1990	1995	1997	1999	2002	2004
Incidence of Poverty (%)	60.0	50.9	27.3	21.1	14.9	10.9	12.4	11.4	11.9
No. of Poor Households	-	864,100	556,400	492,500	281,800	221,800	271,000	198,300	219,700
Incidence of Hardcore Poverty (%)	-	-	9.3	5.2	3.6	2.5	2.4	2.3	2.9
No. of Hardcore-Poor Households	-	-	-	121,600	68,300	51,800	52,100	40,300	53,200
URBAN									
Incidence of Poverty (%)	22.3	18.7	8.5	7.1	3.6	2.1	3.4	2.0	2.5
No. of Poor Households	-	111,800	93,000	82,000	83,800	52,400	89,100	69,600	91,600
Incidence of Hardcore Poverty (%)	-	-	2.4	1.3	0.9	0.4	0.5	0.4	0.4
No. of Hardcore-Poor Households	-	-	-	15,500	20,100	10,600	13,900	12,600	14,100

Source: Malaysia Five-Year Plans [18].

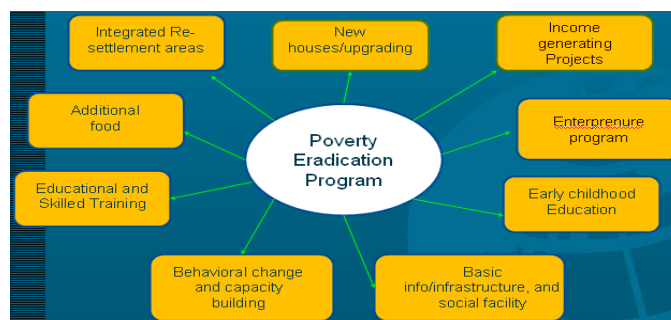


Fig. 1: Poverty Eradication Programs of AIM.

Many studies have been carried out on poverty alleviation in Malaysia such as [24, 31, 17]. The studies dealt more with the theoretical aspects and the dimensions of poverty in relation to development, or the formulation of practical programmes for poverty eradication, rather than on the effectiveness and efficiency of the programmes to the poor.

Amanah Ikhtiar Malaysia (AIM) has been the most successful NGO in helping government to redress poverty. This underscored by the fact that between 1991 and 1996 AIM provided interest-free loans accounting to RM 77 million to about 36,200 poor and hardcore poor households to enable them to venture in to micro or small-scale business as well as poultry and livestock rearing. Most of the ventures were successful as was reflected in the increased household income of participants, almost all whom were women, and in the loan repayment rate of almost 100 percent [31].

Rahmah Ismail [29] found that AIM loan was not very successful in uplifting households out of poverty except for a few cases engaging in trading activities. However, the level of income as well as expenditure for the experimental group (members of AIM) was found to be higher than those of the control group, implying that standard of living of the former was higher. The status of women in the experimental group was also found to be better. The study of Norhaziah and Mohamed Sharif [22] has shown that the women were more credit worthy than men of the AIM microcredit programme. In addition since the bulk of the branch's members were women who have access to AIM facilities, they are likely to be poverty-prone. This is obviously found which shown that improvement compared to that prior to their participation. According to the impact of a loan to the respondent income and consumption, the findings showed a significant increase in the income of AIM's branches members. The participant's income increased substantially by almost 70% from its previous level before them joining AIM programme in the rural areas of Terengganu. Similarly, the information recorded has shown a considerable increase in the AIM's member household consumption expenditure. The findings also revealed that 68% of respondents had experienced a substantial increase in their consumption expenditure. Although the AIM programme in poverty alleviation especially in the rural areas was succeed but the AIM only reach about 4% of the total poor in Malaysia.

Conclusion:

For the last two decades Bangladesh has been drawing attention of the world for its successful micro-finance initiatives. Most famous microcredit initiative in Bangladesh is that of Grameen Bank [4]. The Grameen Bank model of credit delivery to the rural poor – especially to women has proved that the poor can lift themselves out of poverty through their own efforts and industry provided they are given access to capital. 54% of Grameen borrowers have thus crossed the poverty line and another 27% are very close to it. By 2006, nearly 80 per cent of poor households have taken part in microcredit programmes, and a majority of those have improved their economic condition. The objective of AIM is to provide loans to the poor households to finance activities that will scale up their income and finally move them out from the poverty. Towards this end, AIM provides poor households with interest free loans to undertake income generating projects. The loans are to be repaid on a weekly basis. Once the loan being fully paid, bigger loans are offered. This process goes on as the demand arises. The first loan is normally restricted to RM1, 000 (USD263) up to a maximum of RM4, 000 (USD1, 289) for successive loan. Successful borrowers could apply for a much bigger loans of RM5, 000 (USD1, 315) or even up to RM10, 000 (USD2, 2631). As with the Grameen Bank model, poor borrowers formed themselves into groups of five who in turn guaranteed each other's loans [28]. These households will undergo a one week compulsory training of one hour per day to understand their rights and obligations in order to ensure good repayment. In terms of outreach, AIM is the largest and it reaches women from the lower segment of the poor households. Indeed, AIM could be commended for its achievement in reaching the poorest of the poor, thus, complementing the government's effort to reduce poverty.

Table 3: Population below poverty line in Bangladesh and Malaysia.

Rank	Country	Population below poverty line (%)
43	Bangladesh	45
128	Malaysia	5.1

Source: CIA World Factbook, [5].

However, the percentage of the population below poverty line and economic conditions (Table 3) are different by the two countries. Although differences in economic and social development mean that the impact of microcredit programmes are not strictly comparable to the both countries. In this paper, the impact of microcredit programmes on poverty eradication and women empowerment in Bangladesh and Malaysian can be demonstrated by looking at the different ways by which the microcredit programme is implemented and succeeded.

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