

Microcredit and Sustainable Livelihood: An Empirical Study of Islamic and Conventional Credit on the Development of Human Capital of the Borrowers in Bangladesh

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This study investigates the impact of microcredit on sustainable livelihood of the borrowers of Grameen Bank and Islami Bank microfinance schemes and compares the contributions between these two of MFIs in Bangladesh. Towards the achievement of its objectives, the present study has used descriptive statistical and econometric techniques. The study found that access to credit has contributed towards improving Sustainable livelihood of the borrowers of both of MFIs respectively. Furthermore, the findings also revealed that Islami Bank microcredit respondents have a better record of using credit for income generating activities for reducing vulnerability as well as improving livelihood status compared to the Grameen Bank microcredit respondents. The present study recommends for policy considerations for the successful and effective operation of microfinance programs through the increase of controlling authority to participate in the operation of loan uses, the operation of household expenditure as well as overall household activities in Bangladesh.

1. Introduction

In present day world, sustainable livelihood is essential for good living. Basic human rights have waned over the years. So did the required means of asset ownership, essential assets and adequate income for the poor. Chances for anyone to participate in collective decision making are low in the face of shocks (David and Jonathan, 2009). They are surviving in a state of deprivation and face the central problem behind

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sustainable human development. In the country of Bangladesh, diversity in human poverty is increasing and so is the percentage of the population living under the poverty line every year. The situation of poverty is worsening, with an increasing number of marginal impoverished people every year - from 78.2 million in 1970 to 80.46 million in 2009 (Imai and Azam, 2010, Islam, 2009).

Thus, providing the poor with credit will generally help solve their problems. In this regard, a microfinance program is generally perceived as a practical and attractive method for providing the poor accessibility to credit, hence reducing poverty and achieving of sustainable livelihood. In many ways since its conception, the idea of microcredit has still been unsuccessful in reducing the overall poverty level in Bangladesh (Amin et al., 2003, Bhuiyan et al., 2012). Similarly, many studies have found that the interest rate microfinance institutions (MFI's) charge, ranging from 15 to 20 percent of institutional cases, and 33 to 120 percent for non-institutional cases, as one of the major barriers behind reaching a finance solution for the poor in Bangladesh (Kabeer, 2001, Amin et al., 2003). Moreover, conventional microcredit is stopping the practice of the spiritual, moral and ethical dimensions of human socioeconomic development, which is precious in sustainable human development (Ahmed, 2006, Alam, 2009).

On the other hand, Islamic financing is just a part of daily life among whole parts of activities where Islam wants to provide complete and sustainable ways of human life through establishing justice and goodness in the all virtues of the basic set of social and economic institutions which should be through the ultimate satisfaction of Allah (SWT). Allah (SWT) has clearly communicated in the Quran to assist each other in righteous deeds (Al-Quran, Surah Al Maida, Verse no.2), where an agreement should be written having witnesses with faithfulness between parties where any future transaction is involved (Al-Quran, Sura Baqarah, Verse No.282). But Allah promises you His forgiveness and bounties (Al-Quran, 2:268). In such issues, Islamic microfinance has been recognized as the an alternative to conventional microfinance within the priorities of the spiritual, moral and ethical dimensions of human-socio-economic development. The Rural Development Scheme (*hereafter referred to as RDS*) is the largest Islamic Microcredit program in Bangladesh (Ahmed, 2006, Alam, 2009,

Habib et al., 2004, M. Mizanur Rahmana et al., 2008, Parveen, 2009, Rahman and Ahmad, 2010, Uddin, 2008). In such situations, it is more important to understand how Islamic and conventional microfinancing impact progress towards sustainable development of linking together, in the way of sustainable livelihood of the borrowers.

2. Background of the Study

2.1 Microcredit approach and sustainable livelihood

The microcredit and microfinance has defined as interchanged which designed to extend small loans to the poor for self-employment projects that generate income. Moreover, “Microcredit refers to micro loans, whereas microfinance offers too small loans with other financial service as well as savings, insurance, etc.” Similarly, Buckley noted in 1997, that microcredit is a part of microfinance which is used to provide small credit to the poor people, although microfinance also involves additional non-credit financial service (Buckley, 1997). Microfinance is further defined by Hossain and Bose in 2004 as the offering of small, collateral free loans to members of cooperatives who do not already have the funds for income-generating activities (Hossain et al., 2004). Examining these different definitions, this study amalgamates them into one holistic classification: “Microfinance is the provision of access of a small amount of credit to the poor with no assets for collateral, no financial records, no credit history, and no access to income generating activities to alleviate poverty.”

On the other hand, Sustainable livelihood refers to livelihoods where individuals can cope with and recover from external stress and shocks, while enhancing their capabilities for the present and future. W.C.E.D., in 1987, defined sustainable development as the ability to meet current needs without compromising this ability for future needs (W.C.E.D, 1987).

Sustainable livelihood (SL) can then be thought in regards to the fight to eliminate poverty. A holistic approach, SL seeks to capture and understand the causes of poverty without narrowing the focus to just a few factors, such as economic issues or food insecurity. SL also tries to connect the different aspects of poverty, which is a more effective prioritization of action at an operational level (D.F.I.D. 2001). The

Department for International Development (DFID), as one part of a three-pronged plan to eliminate poverty, introduced an active project in 1997 to promote sustainable livelihoods. Since then, various subgroups within the DFID have been working to operationalize the sustainable livelihoods objective. The process has required extensive consultation with partners along with reflection upon early efforts to implement sustainable livelihoods approaches (D.F.I.D, 2001). The study has been acknowledged from quotations of above discussion from the comprehensive work by (Bhuiyan et al., 2012) where provided excellent discussion on microfinance and sustainable livelihood.

2.2 Sustainable livelihood framework and link to microcredit

The SL framework is the process of form which organizes various factors those constrain or enhance livelihood opportunities and that affect how these people create a livelihood for themselves and their households. Resources and livelihood assets are in closest reach of the people, and stand in the center of the framework. Vulnerability contexts dictate their degree of access to these assets, considering trends (economic, political, and technological), shocks (example, epidemics, natural disasters, civil strife, etc.) and seasonality (prices, production, and employment opportunities). The living environment also influences the level of access, affecting how people use their assets to accomplish their goals. These are their livelihood strategies.

Microfinance is the practice of offering access to small credit with collateral security free to members of cooperatives who otherwise would not have access to the capital necessary to begin efforts to alleviate poverty. The system has been recognized as a powerful and effective tool for combating poverty, with access to credit for the poor rapidly expanding over the past few decades in the area of hopeless and helpless hunger society around the world (Basher, 2010, Hossain, 1988, Kabir Hassan and Tufte, 2001, Morduch, 1999),.

Bangladesh is the one of the most densely populated yet productive developing countries in the world. In the past three decades, the Bangladeshi economy has faced challenges such as natural disasters and political unrest and corruption. In such situations, microcredit provided the poor the credit they needed to raise their family income through

various Income Generating Activities (IGA's) and sustainable livelihood (improving health, easier access to education, practical skills, etc.) After these people succeed, they acknowledge their important roles in the family, and other relatives honour their decision with microcredit. Finally, microcredit borrowers able to ensure the opportunity of sustainable livelihood through properly overcome of the above successive factors, if all other livelihood assets remain constant. The study has been acknowledged for the above discussion from quotations of the comprehensive work by (Bhuiyan et al., 2012).

3. Review of Literature

The study categorise two sets of literature based on theoretical and empirical evidence of microfinance as well as providing two sub-section of review of literature into both of Islamic and Grameen microcredit schemes. The summary table of literature review has attached in the Appendix C.

3.1 Theoretical Evidence of Grameen Bank Scheme

In the context of theoretical point of view, literature identified that microcredit has been recognized as a powerful tools to reduce of poverty and ensure sustainable livelihood in developing countries. Moreover, Morduch (2000) mentioned in his studies that microfinance has put forward an enticing "win-win" proposition: microfinance institutions that follow the principles of good banking will also alleviate the most poverty. This vision forms the core of widely-circulated "best practices," but as a general proposition the vision is fully supported neither by logic nor by the available empirical evidence. Recognizing the limits to the "win-win" proposition is an important step towards reaching a more constructive dialogue between microfinance advocates that prioritize financial development and those that prioritize social impacts (Morduch, 2000). In the same way, Dowla's in 2006 work examines how Grameen Bank in Bangladesh created social capital that had been a boon to the explosive growth of Microfinance in Bangladesh and elsewhere. Using Putnam's definition, he shows how Grameen Bank created social capital by forming horizontal and vertical networks while establishing new norms and fostering new levels of social trust to solve the collective action problems of the poor's access to capital. The fact that a Microfinance Institution (MFI) can create social capital has strong policy implications. Since social capital is a public good-non-excludable

and non-rivalrous the market will underprovide such good. This paper shows that Microfinance corrects another type of market failure-under the provision of a public good, in addition to correcting the failure of the credit market. In the debate over the need for subsidies, the social capital building aspects of an MFI need to be taken into account (Dowla, 2006).

3.2 Empirical evidence of Grameen Bank Microcredit Scheme

The microcredit has been recognized to develop improvement on socioeconomic development and sustainable livelihood, to better the household standard of living for borrowers. For better or more exact understanding of its impact, this study has an overlook on existing literature. Schuler et.al has conducted research with ethnographic and structured survey data from a study in rural Bangladesh to explore the relationship between domestic violence against women and their economic and social dependence. The study's findings suggest that group-based credit programs can reduce violence towards women by making women's lives more public. The institution of violence against women is deeply rooted, however, and the authors argue that much extensive intervention will be needed to significantly make a difference (Schuler et al., 1996)

On the other hand, Hermes, Lensink, & Mehrteab have investigated the impact of monitoring and social ties on moral hazard behavior within group lending programs, based on data from an extensive questionnaire given in Eritrea among a sample of 102 groups. They show that the monitoring and the social ties of group leaders, and not the other group members reduce the moral hazard behavior within groups (Hermes et al., 2005). However, Sen has analyzed a panel dataset on 379 rural Bangladeshi households interviewed between 1987-88 and in 2003. Using a "livelihoods" framework, his work contrasts the fortunes of ascending households (which escape poverty) and descending households (which fall into poverty). The findings confirm that Bangladesh made considerable progress in reducing poverty in the 1980's and 1990's (Sen, 2003).

3.3 Theoretical Evidences of Islami Bank Microfinance Scheme

The Islamic financing is providing the complete and sustainable ways of human life through establishing justice and goodness in the all virtues of the basic set of social and economic institutions towards the ultimate satisfaction of Allah (SWT). The theoretical part of the Islamic microfinance shows that there is a great potential to cater to the needs of the poor. Islamic MFIs have some inherent characteristics that can mitigate some of the problems faced by conventional MFIs. Ahmed mentioned that Islamic banks can provide microfinance more efficiently benefiting from its scale of operations. To support some of the theoretical assertions, empirical evidence is given from the experience of Rural Development Scheme, a microfinance program of Islami Bank Bangladesh Limited (Ahmed, 2004). Moreover, Dusuki in 2006 examined the potential of group-based lending scheme of microfinance. It is argued that group-based lending approach is not a subject alien to Islam, as it is deeply inscribed in Ibn Khaldun's concept of 'Asabiyah' or social solidarity (Dusuki, 2006).

Another study assessed the potential of Islamic financing schemes for micro financing purposes. They argued that Islamic finance has an important role for furthering socio-economic development of the poor and small (micro) entrepreneurs without charging interest (read: *riba*). The study also found that there is a nexus between Islamic banking and microfinance as many elements of microfinance could be considered consistent with the broader goals of Islamic banking (Rahim and Rahman, 2007). Moreover, Akhter et.al recognized Islamic microfinance as an important component in poverty alleviation strategies. While conventional microfinance products have been successful in Muslim majority countries, these products do not fulfil the needs of all Muslim clients (Akhter et al., 2009b). However, Obaidullah and Mohamed-Saleem in 2008 highlight the need for creativity and innovation in poverty alleviation efforts using Shariah compliant mechanisms. Contemporary mechanisms in use by mainstream Islamic banks and financial institutions may indeed be grossly inappropriate in the context of local economies and for financing micro livelihood projects (Obaidullah and Mohamed-Saleem, 2008). Finally, Kaleem and Ahmed in 2010 argue that charity-based Islamic MFIs will be financially and socially sustainable as these are to be based on the concepts of brotherhood, local philanthropy, and volunteer services.

Charity-based Islamic MFIs will provide money for consumption as well as production purposes and, thus, can broadly target the economic and social needs of the poorest of the poor. They can help minimize indebtedness and reduce unequal distribution of wealth in society (Kaleem and Ahmed, 2010).

3.4 Empirical evidence of Islami Bank Microcredit Scheme

M. Mizanur Rahmana et al. found in 2008 assessed the achievement of the RDS and its impact on the livelihood of the rural people. The study analysed many facets of the RDS and concluded that it was generally a success. Household income and expenditure had increased significantly and clients had a positive opinion towards the micro investment program as it improved their standards of living (M. Mizanur Rahmana et al., 2008). In the same way, Akhter et al., in 2009 examined of Islamic microfinance organization operating. The findings of the study indicates that it is providing its services for all living below the poverty line including the “extreme poor” and Interest free loans can be used as a powerful tool against poverty (Akhter et al., 2009a). However, Parveen examine about institutional, financial and economical sustainability of the above model by using various indicators. The empirical analysis of the study revealed that RDS of IBBL has been treated as a sustainable MFI in the rural development and poverty alleviation of Bangladesh within a short span of time since its establishment (Praveen, 2009).

Furthermore, Ahmed in 2006 assesses the extent to which this objective has been achieved by RDS of IBBL. He found that the success of a micro finance program depends on its impact on raising the income of its members and ultimately on improving the living standard of the poor. Identification of the contributory factors of RDS in poverty alleviation shall pave the way for diversification of RDS activities and development plans (Ahmed et al., 2006). The study also acknowledged about the quotations scholars about the potentiality of Islamic Microfinance in Muslim countries especially they mentioned that the Islami Bank microfinance has considered as a successful provider of credit to the poor borrowers (Alam, 2009, Basher, 2010, Bhuiyan et al., 2012, Habib et al., 2004, Rahman and Ahmad, 2010)

4. Methodology of the Study

The present study has used descriptive, statistical and econometric techniques of survey of existing microcredit borrowers. The Purposive method of stratified random sampling was used to select samples of respondents. There are 450 samples that have been collected from the survey field, whereas 255 samples have been collected from the Grameen Bank microcredit scheme and 195 from the Islami Bank microcredit scheme from the Sylhet and Chittagong Division in Bangladesh on 2009. The sample size has been also fixed on the basis of total number of MFIs members in the respected area. The appropriate sample size and total population size and all analysis tables have given in the Appendix B. Moreover, a structural questionnaire about microcredit contribution of microcredit on human capital has given in the appendix A. The summary table of literature review has attached in the Appendix C.

5. Findings and Analysis of Results

5.1 Contribution of Microcredit on Human Capital

Human capital is one of the most important livelihood assets which contain the household members' skills, knowledge, and ability to work all enabling people to pursue different livelihood strategies. The following survey output would be able to give empirical evidence of how credit contributions affected the improvement of their livelihoods.

5.1.1 Borrower's Skill Development:

The level of borrower's skill development after involvement in credit by comparing the microcredit schemes of Islami Bank and Grameen Bank. The survey data was categorized on the basis of five observation scales: (i) Highly Disagree=1, (ii) Disagree=2, (iii) Normal=3, (iv) Agree=4 and (v) Highly Agree=5. The table 03 shows the about the respondent's personal confidence improvement, the study reveals that 59.49% of Islami Bank respondents said that it increased and 43.53% of Grameen Bank respondents noted an increase in self confidence after their involvement with credit. 21.02% and 28.23% said no change, but only 19.49 % and 28.24% said that it decreased their self-confidence. Furthermore, based on the average value of all responses, the current

status of self-confidence average is 3.49 and 3.14 and standard deviation of 1.18 and 1.12 for Islami Bank and Grameen Bank respondents respectively. This means that microcredit borrowers overall have increased their self-confidence by using loans in income generating activities, thus improving their standard of living.

5.1.2 Borrower's self-capability of solving own problems

The table 04 shows about the respondent's ability to solve their own problems, the study found that 56.41% of Islami Bank respondents reported that it increased and 40.39% of Grameen Bank respondents reported the same. 25% and 37% of respondents said no change but 18.46% and 22.75% said that it decreased their self-confidence. Furthermore, based on the average value of all responses, the current status of capability of solving own problems is 3.47 and 3.20 with a standard deviation of their capability to solve their own problems 1.09 and 0.92 respectively. The Islami Bank respondents increased their self-capability of solving own problems compared to Grameen Bank respondents in terms of livelihood improvement.

5.1.3 Borrower's personal responsibility

The table 05 shows about the respondent's feeling of personal responsibility towards one's family, the study revealed that 62.56% of Islami Bank and 54.12% of Grameen Bank respondents reported an increase in their personal responsibility after involvement with credit. On the other hand, 12% of Islami Bank and 22% of Grameen Bank respondents said no change to their level and only 25.64% of Islami Bank and 23.92% of Grameen Bank reported that it decreased their personal responsibility towards the family. Based on the average value of all responses, the current status of personal responsibility towards the family is averaged at 3.47 and 3.31, with a standard deviation of 1.31 and 1.00 for Islami Bank and Grameen Bank respondents respectively. It is also denoted that Islami bank respondents generally did better than Grameen Bank members.

5.1.4 Borrowers capability in operating income generating activities (IGAs)

The table 06 shows about the respondent's personal capability in operating income generating activities (IGAs), the study indicates that 50.77% of Islami Bank and 46.27% of Grameen Bank respondents agreed that it increased their personal capability for operating income generating activities after involvement with credit. 24% of Islami Bank and 20% of Grameen Bank respondents said no change, while 25.13% of Islami Bank and 33.73% of Grameen Bank respondents said it decreased. In the same way, based on the average value of all responses, the current status of personal capability for operating income generating activities is 3.31 and 3.08 with standard deviations of 1.13 and 1.30 for Islami Bank and Grameen Bank respondents respectively. The overall result of the study shows that microcredit influences the borrower's abilities to operate businesses for increasing income and improving livelihood statuses. In comparing the results of both MFIs, the Islami Bank respondents still use borrowed money more efficiently than Grameen Bank members.

5.1.5 Borrower's capability for the control of usage of the loan

The table 07 shows about the respondents' capability for controlling loan usage, the study shows that only 31.28% of Islami Bank respondents said it increased and 29.02% of Grameen Bank respondents said it increased; 23% and 22% said no change but 47.18% and 48.63% said it decreased their capability to control loan usage. In the same way, the current status of capability for control loan usage averages at 2.64 and 2.65 with standard deviations of 1.31 and 1.37 for Islami Bank and Grameen Bank respondents, respectively.

5.1.6 Borrower's capability for the control of household expenditure

The table 08 shows about the respondent's capability to control household expenditure, the study shows that only 29.23% of Islami Bank and 22.35% of Grameen Bank respondents agreed that it increased their capability to control household expenditure. Moreover, 30% of Islami Bank and 29% of Grameen Bank respondents said no changes but 41.03% of Islami Bank and 49.02% of Grameen Bank respondents said that it decreased their capability to control household expenditure. In the

same way, based on the average value of all responses, the current status of capability for control household expenditure is 2.82 and 2.56 with standard deviations of 1.25 and 1.23 for Islami Bank and Grameen Bank respondents respectively. The study's results denoted that males or husbands of the female borrowers are still controlling the operation of household expenditure even though roughly 95% of microcredit borrowers are female. This indicates a lack of freedom and independence among women and their influence in making family decisions.

5.1.7 Borrower's capability for the control of household activities

The table 09 shows about the respondent's capability to control overall household activities, the study shows that only 27.69% of Islamic Bank respondents said it increased while 26.67% of Grameen Bank respondents said the same; 28% and 23% said no changes, while 44.10% and 50.20% said it had decreased their capability. In the same way, based on the average value of all responses, the current status of capability for control household expenditure are 2.67 and 2.11 along with standard deviations of 1.26 and 1.41 for Islami Bank and Grameen Bank respondents, respectively. The study result further bolstered the notion that men generally are controlling operation of household expenditures.

5.1.8 Borrowers' Children's Education

The table 10 shows the participation of borrower's children's education; 63.6% of Islami Bank and 57.6% of Grameen Bank respondents agreed that it increased their children's education but 36.4% and 42.4% reported no improvement in their children's education. The study output indicates that access to microcredit motivated the respondents to send their children for education and it is also a positive sign for improvement of livelihood.

6. Conclusion

The study aims to assess microcredit's contributions on the sustainable livelihood of the borrowers of two MFI's in terms of human capital. In general, from the empirical evidence the study output revealed,

microcredit is heavily involved towards the sustainable livelihood of poor borrowers. In comparing the results of Islamic and Conventional microcredit's contributions on the sustainable livelihood, the study found that in the case of respondents' personal confidence improvement, 59.49% of Islami Bank respondents and 43.53% of Grameen Bank respondents said that it increased. Moreover, Islami Bank microcredit borrowers overall have increased their self-confidence by using loans in income generating activities, thus improving their standard of living when compared to Grameen Bank microcredit borrowers. Furthermore, in the case of respondents' increase of personal responsibility towards the family, the study showed an increase - 62.56% of respondents from Islami Bank and 54.12% of Grameen Bank. It may be concluded that Islami bank respondents did better than Grameen Bank members. The study further finds that the Islami Bank respondents increased their self-capability of solving own problems compared to Grameen Bank respondents in terms of livelihood improvement. Moreover, microcredit program in general influences borrowers to operate businesses to generate income. In comparing the result of both MFIs, the Islami Bank respondents have better utilized their borrowed credit more efficiently than Grameen Bank members.

The survey result of the both of Islamic and conventional MFIs shows that males or husbands of the female borrowers are still controlling the operation of loan uses, the operation of household expenditures, and overall household, given that 95% of microcredit borrowers are female. This implies females do not have enough influence in the decision making process within the family. The study output also indicates that access to microcredit motivated the respondents to send their children for education and shows a positive sign for improvement of livelihood. Islami Bank respondents have improved their human capital after getting access to credit more than did Grameen Bank respondents. Therefore, faith in microfinance program does play a role in influencing the borrower's decision.

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APENDIX-A

SURVEY QUESTIONNAIRE

**MICROCREDIT AND SUSTAINABLE LIVELIHOOD: AN
EMPIRICAL STUDY OF ISLAMIC AND CONVENTIONAL
CREDIT ON THE DEVELOPMENT OF HUMAN CAPITAL OF THE
BORROWERS
IN BANGLADESH**

Note: The information will be used only for research purposes and will keep confidentially. (Please answer all questions: fill in the blank and tick in the appropriate. Put multiple answers where applicable).

INTERVIEWER INFORMATION

ID _____

Name _____

Date for Interview _____ Time of interview _____

SECTION A: GENERAL INFORMATIONS:

Name of the Respondent _____

Address: 1. Sylhet Division 2. Chittagong Division

Handphone _____ Housephone _____

A1. Gender: Male Female

A2. Marital Status:

Single (Unmarried) Married Widow Divorcee

A3. Religions?

1. Islam 2. Buddha. 3. Hindu 4. Christian 5. Others

A4. Respondents Education achievement:

Education Level	Marks ()
No Schooling	
Primary	
Secondary School Certificate (SSC)	
Higher Secondary Certificate (HSC)	
Graduate	
Postgraduate	
Total	

A5. Age of Respondent :----- (actual age at 2009)

A6. Numbers household members:-

A.7. Number of HHs member staying together:-

A.8. Number of Earning Members:-

A. 9. Children's Education:

Education Level	Number of Children
No Schooling	
Primary	
Secondary School Certificate (SSC)	
Higher Secondary Certificate (HSC)	
Graduate	
Postgraduate	
Total	

A.10. Household Status:

Male headed

Female headed

A.11 Increased participation children education

Yes

No

SECTION B: FOR GRAMEEN BANK'S OR RURAL DEVELOPMENT SCHEM'S MEMBER

B1. Borrowers Information:

Branch Name :-----

Area/Block Name:-----

Centre Name:-----

Borrower's No:-----

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B2. Main economic activity before joining as a member of GB or RDS ?

1. Housewife/not working 2. Working (please specify).....

B3. Since when you join GB or RDS? -----(Year)

B4. Types of GB or RDS Membership: (May choose more than one)

Basic loan Other types of loan

B5. Total amount of loan received (Taka):-

B6. How many times taken loan from GB or RDS? :-

B7. Years of involvement with credit programmes.....years

SECTION C: CONTRIBUTION OF MICROCREDIT ON HUMAN CAPITAL

The statements below are related to capacity building/ entrepreneurship of Borrowers current in comparison to before joining GB or RDS. Please answer by circling the scale of 1 to 5(1= highly disagree (HD), 2=Disagree (D), 3= somewhat disagree (SD), 4=Agree (A), 5=Highly agree (HA))

Code	C Borrowers Capacity Building	HD	D	SD	A	HA
A	My self-confidence has increased	1	2	3	4	5
B	I am capable of solving my own problems	1	2	3	4	5
C	I am capable of being responsible to myself and family	1	2	3	4	5
D	Chances to increase my income is better	1	2	3	4	5
E	Borrowers capability in operating income generating activities (IGAs)	1	2	3	4	5
F	Borrower's capability for the control of usage of the loan	1	2	3	4	5
G	Borrower's capability for the control of household expenditure	1	2	3	4	5
H	Borrower's capability for the control of household activities	1	2	3	4	5

Thanks for your Cooperation

APENDIX-B

Table 1: Distribution of sample collection and field area by MFIs

MFIs	Study field area		Total
	Sylhet Division	Chittagong Division	
Grameen Bank(GB)%	147	108	255
	57.60	42.40	100
Islami Bank (RDS)%	71	124	195
	36.40	63.60	100
Total	218	232	450
	%	48.40	51.60

Source: Primary Data from Survey at 2009

Table 2: Distribution of the number of populations and sample sizes at 95% confidence level

Number of microcredit borrowers	Sample size at 95% confidence
75000	382
100000	384
250000	384
500000	384
1000000	384
25000000	384

Sources: (Krejcie and Morgan, 1970)

Table 3: Comparison of the level of borrowers Self-confidence after joining microcredit schemes

Borrowers Self-confidence has increased									
MFIs	Observation Scale					Average Value of Scale	S.D	Proportion of high	Proportion of Low
	1	2	3	4	5*				
	GB	25	47	72	90				
Islami Bank	18	20	41	80	36	3.49	1.18	59.49%	19.49%

Source: Primary data from survey in 2009

Table 4: Comparison of the level of borrower's self-capability of solving own problems after joining microcredit schemes

Self-Capability of solving own problems									
MFIs	Observation Scale					Average Value of Scale	S.D	Proportion of high	Proportion of Low
	1	2	3	4	5*				
	Grameen Bank	7	51	94	89				
Islami Bank	12	24	49	80	30	3.47	1.09	56.41%	18.46%

Source: Primary data from survey in 2009

Table 5: Comparison of the level of borrower's self-capability of responsibility after joining microcredit schemes

Increase my capability of responsibility									
MFIs	Observation Scale					Average Value of Scale	S.D	Proportion of high	Proportion of Low
	1	2	3	4	5*				
	Grameen Bank	12	49	56	123				
Islami Bank	24	26	23	79	43	3.47	1.31	62.56%	25.64%

Source: Primary data from survey in 2009

Table 6: Comparison of the level of borrower's self-capability for IGAs after joining microcredit schemes

Increase my capability for IGAs									
MFIs	Observation Scale					Average Value of Scale	S.D	Proportion of high	Proportion of Low
	1	2	3	4	5*				
	Grameen Bank	44	42	51	86				
Islami Bank	14	35	47	75	24	3.31	1.13	50.77%	25.13%

Source: Primary data from survey in 2009

Table 7: Comparison of the level of borrower's capability for the control of usage of loan after joining microcredit schemes

Increase my capability for control loan usage									
MFIs	Observation Scale					Average Value of Scale	S.D	Proportion of high	Proportion of Low
	1	2	3	4	5*				
Grameen Bank	70	54	57	42	32	2.65	1.37	29.02%	48.63%
Islami Bank	54	38	42	46	15	2.64	1.31	31.28%	47.18%

Source: Primary data from survey in 2009

Table 8: Comparison of the level of borrower's self-capability for controlling household expenditure after joining microcredit schemes

Increase my capability for control household expenditure									
MFIs	Observation Scale					Average Value of Scale	S.D	Proportion of high	Proportion of Low
	1	2	3	4	5*				
GB	66	59	73	34	23	2.56	1.25	22.35%	49.02%
Islami Bank	33	47	58	36	21	2.82	1.23	29.23%	41.03%

Source: Primary data from survey in 2009

Table 9: Comparison of the level of borrower's self-capability for control of household activities after joining microcredit schemes

Increase my capability for control my household activities									
MFIs	Observation Scale					Average Value of Scale	S.D	Proportion of high	Proportion of Low
	1	2	3	4	5*				
GB	74	54	59	54	14	2.11	1.26	26.67%	50.20%
Islami Bank	60	26	55	26	28	2.67	1.41	27.69%	44.10%

Source: Primary data from survey in 2009

Table 10: Microcredit contribution on children's education of borrowers

MFIs	Increased participation children education		Total
	No	Yes	
GB	108	147	255
%	42.4	57.6	100.0
RDS	71	124	195
%	36.4	63.6	100.0
Total	179	271	450
%	39.8%	60.2%	100.0%

Source: Primary data from survey in 2009

APPENDIX C

The summary table of literature review has distributed in the Appendix C.

Literature Review of theoretical evidence of Grameen Bank Scheme			
Author Name	Objectives of the study	Methodology Used	Major Findings
Morduch (2000)	To Justify the Microfinance program potentiality	Descriptive Discussion	The microfinance institutions can be a way of alleviates the poverty from the developing countries.
Dowla's (2006)	Examines how Grameen Bank in Bangladesh created social capital that had been a boon to the explosive growth of Microfinance in Bangladesh and elsewhere	Putnam's definition	Grameen Bank Microfinance provides access of credit created social capital that had been a boon to the explosive growth of microfinance in Bangladesh and elsewhere
Literature Review of Empirical evidence of Grameen Bank Microcredit Scheme			
Schuler, S. R., Hashemi, S. M., Riley, A. P. & Akhter, S. (1996)	To explore the relationship between domestic violence against women and their economic and social dependence.	Descriptive methods	Findings suggest that group-based credit programs can reduce violence towards women by making women's lives more public.
Hermes, Lensink, & Mehrteab (2005)	To measure the impact of monitoring and social ties on moral hazard behaviour within group lending programs	Descriptive methods	Show that the monitoring and the social ties of group leaders, and not the other group members reduce the moral hazard behavior within groups
Sen (2003)	To contrasts the fortunes of ascending households (which escape poverty) and descending households (which fall into poverty)	panel dataset	The findings confirm that Bangladesh made considerable progress in reducing poverty in the 1980's and 1990's

Literature Review of theoretical evidence of Islami Bank Scheme			
Ahmed (2004)	How Islamic MFIs have some inherent characteristics that can mitigate some of the problems faced by conventional MFIs	Descriptive discussion	Islamic banks can provide microfinance more efficiently benefiting from its scale of operations
Dusuki (2006)	examined the potential of group-based lending scheme of microfinance	Descriptive discussion	It is argued that group-based lending approach is not a subject alien to Islam, as it is deeply inscribed in Ibn Khaldun's concept of 'Asabiyah' or social solidarity
(Rahim and Rahman (2007)	assessed the potential of Islamic financing schemes for micro financing purposes.	Descriptive discussion	The study also found that there is a nexus between Islamic banking and microfinance as many elements of microfinance could be considered consistent with the broader goals of Islamic banking
Akhter et al. (2009)	Islamic micro-finance as an important component in poverty alleviation strategies	Descriptive discussion	Islamic micro-finance as an important component in poverty alleviation strategies
Obaidullah and Mohamed-Saleem,(2008)	To measure the creativity and innovation in poverty alleviation efforts using Shariah compliant mechanisms	Descriptive discussion	Contemporary mechanisms in use by mainstream Islamic banks and financial institutions may indeed be grossly inappropriate in the context of local economies and for financing micro livelihood projects
Kaleem and Ahmed in 2010	To Justify the Microfinance program potentiality	Descriptive discussion	The study found that charity-based Islamic MFIs will be financially and socially sustainable as these are to be based on the concepts of brotherhood, local philanthropy, and volunteer services

Literature Review of Empirical evidence of Islami Bank Microcredit Scheme			
M.Mizanur Rahmana et al., 2008	To assessed the achievement of the RDS and its impact on the livelihood of the rural people	Descriptive methods	Household income and expenditure had increased significantly and clients had a positive opinion towards the micro investment program as it improved their standards of living
Akhter et al., in 2009	To examine of Islamic microfinance organization operating	Descriptive methods	The study indicates that it is providing its services for all living below the poverty line including the “extreme poor” and Interest free loans can be used as a powerful tool against poverty
Praveen,(2009)	To examine about institutional, financial and economical sustainability	Descriptive methods	The study revealed that RDS of IBBL has been treated as a sustainable MFI in the rural development and poverty alleviation of Bangladesh within a short span of time since its establishment
Ahmed et al., (2006)	To assesses the extent to which this objective has been achieved by RDS of IBBL	Descriptive methods	He found that the success of a micro finance program depends on its impact on raising the income of its members and ultimately on improving the living standard of the poor