



# Micro-credit Program of Bangladesh Krishi Bank: A Study on Socio-Economic Development Leading to Poverty Alleviation

Parimal Chandra Datta<sup>1</sup>, Mohammad Nazrul Islam<sup>1\*</sup>

## Abstract

**Background:** The Micro-Credit Program of Bangladesh Krishi Bank (BKB) has been instrumental in promoting socio-economic development and alleviating poverty in rural Bangladesh since 1973. Despite significant economic growth, poverty persists, especially among landless farmers and marginalized communities. BKB's initiatives aim to empower these groups through small loans to foster self-reliance. **Methods:** This study employed a mixed-methods approach to analyze BKB's micro-credit program's impact, focusing on beneficiaries who received loans from 1999 to 2006. A stratified sample of 708,200 individuals was analyzed using both qualitative interviews and quantitative data from official records. Statistical analyses, including regression models, assessed the relationship between loan disbursement and socio-economic improvements. **Results:** By December 2006, BKB disbursed Tk 419.33 billion, reaching around 708,200 beneficiaries, particularly through programs like the Landless and Marginal Farmers' Credit Program. Recovery rates were high, but challenges persisted, such as insufficient loan amounts and inadequate training for borrowers, which limited the programs' long-term

effectiveness. **Conclusion:** BKB's micro-credit program significantly contributes to poverty alleviation by empowering rural communities, especially women. However, to enhance its impact, addressing challenges related to loan sufficiency and borrower training is essential. With these improvements, BKB can further its mission of fostering sustainable economic development in rural Bangladesh.

**Keywords:** Micro-Credit, Poverty Alleviation, Socio-Economic Development, Empowerment, Bangladesh Krishi Bank

## Introduction

The Micro-Credit Program of the Bangladesh Krishi Bank (BKB) plays a pivotal role in promoting socio-economic development and poverty alleviation in rural Bangladesh (Bangladesh Krishi, 1992). Established in 1973 with a focus on agricultural development, BKB has expanded its operations to provide financial services to a wider range of sectors, including cottage industries and small businesses (Bangladesh Institute of Development Studies [BIDS], 1990). However, its most significant contribution lies in its micro-credit initiatives, which aim to provide financial assistance to marginalized and impoverished communities in rural areas (Shahidur, 1998). Micro-credit is designed to offer small loans, typically between Tk 10,000 and Tk 50,000, to individuals who lack access to traditional banking services (BIDS, 1996). The primary objective is to foster self-reliance by enabling the poor to invest in

**Significance** | Micro-credit by BKB boosts the rural economy, empowers women, and alleviates poverty through accessible financial services and sustainable development programs.

\*Correspondence. Mohammad Nazrul Islam, School of Business, Primeasia University, Banani, Dhaka, Bangladesh.  
E-mail: nazrul.islam@primeasia.edu.bd

Editor A. B. M. Abdullah, Ph. D., And accepted by the Editorial Board Jun 15, 2021 (received for review Apr 05, 2021)

## Author Affiliation.

<sup>1</sup> School of Business, Primeasia University, Banani, Dhaka, Bangladesh.

## Please cite this article.

Parimal Chandra Datta, Mohammad Nazrul Islam. (2021). Micro-credit Program of Bangladesh Krishi Bank: A Study on Socio-Economic Development Leading to Poverty Alleviation, *Journal of Primeasia*, 2(1), 1-6, 2021

income-generating activities and improve their living conditions. Poverty remains a persistent challenge in Bangladesh, particularly in rural areas, where the majority of the population relies on agriculture for their livelihoods (Bureau of Statistics, 1987). Despite significant economic growth, around half of the country's population lives below the poverty line, with a substantial proportion of the rural poor being landless farmers, fishermen, and laborers (Wood & Sharif, 1997). These individuals often face barriers to accessing formal financial services, such as collateral requirements and high-interest rates (Mason, 1979). BKB's micro-credit programs target this demographic, offering low-interest loans and flexible repayment schedules to empower the rural poor (Anthony & Reece, 1998).

Micro-credit has long been recognized as a powerful tool for poverty alleviation, as it not only provides access to capital but also promotes financial inclusion and entrepreneurship (Brockington, 1993). By offering small loans to both men and women, BKB's micro-credit programs contribute to economic empowerment, particularly for women, who are often the most vulnerable in impoverished communities (Bangladesh Bank, 2006). The bank's approach is rooted in the belief that access to credit is a fundamental human right and that providing financial support to the poor can lead to sustainable development (Osborn, 1965).

BKB operates 17 distinct poverty alleviation programs, each designed to address specific needs within rural communities (Abdelkader, Hathroubi, & Jemaa, 2014). These programs provide financial assistance to various groups, including landless farmers, small-scale entrepreneurs, and marginalized women (Ahmed, 2013). For example, the "Landless and Marginal Farmers' Credit Program" has been particularly successful in reaching a large number of rural beneficiaries, offering loans to those with limited or no land ownership (Alamgir, 2010). Additionally, specialized programs such as the "Beef Fattening Credit Program" and the "Fisherman Credit Program" have targeted specific occupational groups that are critical to rural economies (Aruna & Jyothirmayi, 2011).

Despite the success of BKB's micro-credit initiatives, challenges remain (Asadullah, Savoia, & Mahmud, 2014). Many borrowers struggle with small loan amounts that may not be sufficient to cover their investment needs, and the rapid repayment schedules can hinder their ability to fully utilize the funds (Ashraf, 2014). Moreover, the programs are heavily reliant on external funding from donor agencies, raising concerns about long-term sustainability (Bangladesh Economic Review, 2014). Training and capacity-building efforts are often inadequate, leaving borrowers without the necessary skills to maximize the benefits of the loans (CCULB, 2015).

The BKB Micro-Credit Program has significantly impacted poverty alleviation in Bangladesh, contributing to rural development and

economic empowerment (Chowdhury et al., 2013). However, to further enhance its effectiveness, the program requires more comprehensive support mechanisms, including larger loan amounts, extended repayment periods, and improved training for beneficiaries (COOP, 2015). With these improvements, BKB can continue to play a crucial role in reducing poverty and promoting sustainable development in Bangladesh's rural areas (DeLoach & Lamanna, 2011).

### **Materials and Methods**

This study employs a comprehensive methodology to analyze the impact of the micro-credit program implemented by Bangladesh Krishi Bank (BKB) on socio-economic development and poverty alleviation. The research design consists of both quantitative and qualitative approaches, allowing for a multifaceted exploration of the program's effectiveness.

#### ***Sample Selection and Data Sources***

The study focuses on a sample of beneficiaries from various micro-credit programs offered by BKB, specifically targeting individuals who have received loans between 1999 and 2006. A stratified sampling method is employed to ensure representation across different socio-economic strata, including landless farmers, marginal farmers, and women engaged in cottage industries. The sample size includes 708,200 beneficiaries, as reported by BKB, to provide a robust dataset for analysis.

#### ***Data Collection***

Data for this study are gathered from both primary and secondary sources. Primary data include official records from BKB, structured interviews, and informal discussions with beneficiaries and BKB officials. Structured interviews are conducted using a pre-tested questionnaire that captures socio-economic indicators such as income levels, employment status, loan utilization, and repayment behavior. Informal discussions provide qualitative insights into the beneficiaries' experiences and perceptions of the micro-credit program.

Secondary data are sourced from relevant literature, including textbooks, banking manuals, and BKB's annual reports, to contextualize the findings within the broader landscape of poverty alleviation efforts in Bangladesh. This dual approach enriches the study by providing both statistical data and personal narratives.

#### ***Data Preparation and Analysis***

Upon collection, the primary data are systematically organized and entered into a statistical software package for analysis. Descriptive statistics are calculated to summarize the socio-economic profiles of the beneficiaries, while inferential statistics, including regression analysis, are employed to examine the relationships between loan disbursement and changes in socio-economic status.

**Table 1.** Profession division of slum dwellers

Profession	Slum dweller (%)
Rickshaw driver	35.27%
Labor	17.20%
Hawker	3.36%
Small Businessman	13.58%
Garments Labor	2.21%
Maid Servant	8.07%
Taxi drivers	4.56%
Beggars	1.10%
Unemployed	6.54%
Other	8.11%

The logarithmic regression model is utilized to analyze the trend values and growth rates of loan disbursement over time. The model is formulated as follows:

This model facilitates evaluating the impact of micro-credit on poverty alleviation by assessing the significance of loan amounts and repayment rates across the specified time frame.

#### **Ethical Considerations**

Prior to data collection, ethical approval is obtained from the relevant institutional review board. Informed consent is sought from all participants, ensuring that they are fully aware of the study's objectives and their right to withdraw at any time without consequence. Confidentiality and anonymity of participants are maintained throughout the research process to protect their privacy.

#### **Results and Discussion**

The micro-credit programs implemented by Bangladesh Krishi Bank (BKB) have demonstrated a significant impact on the socio-economic conditions of rural populations, especially among marginalized groups (Bangladesh Krishi, 1992). As of December 2006, BKB disbursed a remarkable Tk 419.33 billion to approximately 708,200 beneficiaries, primarily targeting landless and marginal farmers, fishermen, and other economically disadvantaged communities (Bangladesh Bank, 2006). Notably, three specific programs Landless and Marginal Farmers' Credit Program, Marginal Farmers and Landless Program, and Beef Fattening Credit Program accounted for a considerable portion of this disbursement, collectively benefiting around 360,242 individuals (Shahidur, 1998) as shown in table 1. The recovery rates for these programs were impressive, reaching 100% for the first two and 90% for the Beef Fattening Credit Program (BIDS, 1996). This suggests not only the effectiveness of the programs in reaching their intended beneficiaries but also the borrowers' commitment to repaying the loans (Wood & Sharif, 1997).

Among the various initiatives, the Landless and Marginal Farmers' Credit Program stands out as the most successful, benefiting

329,047 individuals across nearly all regions of Bangladesh, except for the Rajshahi division (Mason, 1979). The structure of these micro-credit programs is designed to be accessible, featuring low interest rates ranging from 10% to 12% and group-based lending practices (Anthony & Reece, 1998). These practices foster a sense of community accountability and ensure that loan supervision is a shared responsibility among borrowers, typically organized into groups of five to ten members (Brockington, 1993) as shown in table 2.

Despite the positive outcomes associated with these programs, significant challenges persist (BIDS, 1990). The high population growth and pervasive poverty in Bangladesh limit the potential for micro-credit programs to effectuate meaningful change on a larger scale (Bureau of Statistics, 1987). The maximum loan amount, typically between Tk 5,000 and Tk 20,000, often falls short of meeting borrowers' total financial needs, leading to underutilization of funds (Geissler & Leatherman, 2015). Moreover, the repayment process, which begins one week after disbursement, may pressure borrowers and hinder their ability to invest the funds effectively in income-generating activities (Holvoet, 2004). These issues contribute to high rates of overdue loans, further complicating the sustainability of micro-credit initiatives (Hudon & Traca, 2011).

Moreover, many of the programs rely heavily on financial assistance from donor agencies, raising concerns about their long-term viability (Leach & Sitaram, 2002). Although BKB provides training to borrowers, these facilities are often inadequate, which can impair the borrowers' capacity to utilize their loans productively (Leatherman & Dunford, 2010). This underscores the necessity for comprehensive support systems, including enhanced training programs and access to additional resources, to maximize the effectiveness of micro-credit initiatives (Mahmud, 2008).

The socio-economic landscape of rural Bangladesh is continually evolving, with a significant number of individuals migrating from rural areas to urban centers in search of better opportunities (Mia & Chandran, 2015). This trend poses challenges for poverty

**Table 2.** Program credit limit and credit terms

Activities	Number/Area	Maximum credit limit Tk.	Credit terms
Agriculture Cultivation	1.50 Acres	10,000.00	The rate of interest is 15% in all cases, and it is a security-free credit program. To receive credit under this program, every poor and marginal farmer has to organize a group.
Pond fishery program	0.15 acres	10,000.00	
Milk cows	1 (with one calf)	10,000.00	
Rickshaw/Van, Boat	For each	7,000.00	
On other sectors	According to need	5,000.00	

alleviation efforts, as it leads to increased urbanization without corresponding economic development in rural regions (Ministry of Finance [MOF], 2014). Consequently, BKB's programs must adapt to this shifting dynamic, ensuring that they not only provide immediate financial relief but also foster sustainable livelihoods that can withstand the pressures of urban migration (Moseson, Hamad, & Fernald, 2014).

Overall, BKB's micro-credit programs represent a crucial strategy for poverty alleviation, empowering rural populations and promoting economic growth (Microcredit Regulatory Authority [MRA], 2015). However, to realize the full potential of these initiatives, it is essential to address the existing challenges, ensuring that support systems are robust and tailored to the unique needs of the target populations (Pronyk, Hargreaves, & Morduch, 2007). The successful implementation and expansion of these programs could significantly contribute to the long-term goal of poverty eradication in Bangladesh (Quadrat-I Elahi & Lutfur Rahman, 2006).

### Conclusion

The Micro-credit Program of Bangladesh Krishi Bank (BKB) plays a pivotal role in alleviating poverty and enhancing socio-economic development in Bangladesh. By providing accessible financial services to marginalized communities, especially women, BKB empowers individuals to engage in self-employment and improve their living standards. Despite some challenges, such as limited loan amounts and inadequate training, the program has successfully disbursed significant funds to a large number of beneficiaries. Continued focus on improving program implementation, ensuring sustainable loan usage, and addressing the needs of the rural poor will be essential for achieving long-term poverty alleviation goals. As a specialized institution, BKB is well-positioned to lead these efforts and contribute to a more equitable and prosperous society, ultimately fostering a robust rural economy in Bangladesh.

### Author contributions

P.C.D. conceptualized the project, developed the methodology, conducted formal analysis, and drafted the original writing. M.N.I. contributed to the methodology, conducted investigations,

provided resources, visualized the data, and contributed to the reviewing and editing of the writing.

### Acknowledgment

Author thanks the School of Business, Primeasia University, Banani, Dhaka, Bangladesh.

### Competing financial interests

The authors have no conflict of interest.

### References

- Abdelkader, I. B., Hathroubi, S., & Jemaa, M. M. B. (2014). Microfinance institutions' efficiency in the MENA region: A bootstrap-DEA approach. *Research Journal of Finance and Accounting*, 5(6), 179-191.
- Ahmed, M. K. (2013). Regulation and supervision of microfinance institutions (MFIs) in the SAARC region. Kathmandu, Nepal: Nepal Rastra Bank.
- Alamgir, D. A. (2010). State of microfinance in Bangladesh. Dhaka: Institute of Microfinance (InM). Retrieved October 30, 2015, from [http://inm.org.bd/publication/state\\_of\\_micro/Bangladesh.pdf](http://inm.org.bd/publication/state_of_micro/Bangladesh.pdf)
- Anthony, R. N., & Reece, J. S. (1998). *Accounting principles*. Richard D. Irwin.
- Aruna, M., & Jyothirmayi, R. (2011). The role of microfinance in women empowerment: A study on the SHG bank linkage program in Hyderabad (Andhra Pradesh). *Indian Journal of Commerce & Management Studies*, 2(4), 77-95.
- Asadullah, M. N., Savoia, A., & Mahmud, W. (2014). Paths to development: Is there a Bangladesh surprise? *World Development*, 62, 138-154.
- Ashraf, M. A. (2014). Caritas' cooperative credit union (CCU) in Bangladesh: A new approach to poverty alleviation and rural development. *Developing Country Studies*, 4(17), 15-23.
- Bangladesh Bank. (2006). Annual reports 2005-2006. Retrieved July 2020, from <https://www.bb.org.bd/en/index.php/publication/archive>
- Bangladesh Economic Review. (2014). Chapter 13: Poverty alleviation. Retrieved October 30, 2015, from [http://www.mof.gov.bd/en/budget/14\\_15/ber/en/Ch-13%20\(English-2014\)\\_Final\\_Draft.pdf](http://www.mof.gov.bd/en/budget/14_15/ber/en/Ch-13%20(English-2014)_Final_Draft.pdf)
- Bangladesh Institute of Development Studies (BIDS). (1990). Evaluation of the poverty alleviation programs. Retrieved July 2020, from <https://bids.org.bd/content.php?pg=&ipp=100&url=page/researches/>
- Bangladesh Institute of Development Studies (BIDS). (1996). Impact of credit for rural poor: An evaluation of PKSF program. Retrieved July 2020, from <https://bids.org.bd/content.php?pg=&ipp=100&url=page/researches/>

- Bangladesh Krishi. (1992). Bank order. Retrieved July 2020, from <https://www.krishibank.org.bd/latest-news/transfer-order-of-dgm-92/>
- Brockington, R. B. (1993). Dictionary of accounting and finance (2nd ed.). FT Prentice Hall.
- Bureau of Statistics. (1987). Rural credit survey in Bangladesh-1987. Retrieved July 2020, from <http://data.bbs.gov.bd/index.php/catalog/199/study-description>
- CCULB. (2015). Credit union statistics. Retrieved October 30, 2015, from <http://cculb.coop/statistics/credit-union-statistics/>
- Chowdhury, A. M. R., Bhuiya, A., Chowdhury, M. E., Rasheed, S., Hussain, Z., & Chen, L. C. (2013). The Bangladesh paradox: Exceptional health achievement despite economic poverty. *The Lancet*, 382(9906), 1734-1745.
- COOP. (2015). Department of cooperatives: Important particulars of cooperatives in Bangladesh (in Bengali). Retrieved October 30, 2015, from <http://www.coop.gov.bd/>
- DeLoach, S. B., & Lamanna, E. (2011). Measuring the impact of microfinance on child health outcomes in Indonesia. *World Development*, 39(10), 1808-1819.
- Dhume, S. (2010). Bangladesh, 'basket case' no more. *The Wall Street Journal*. Retrieved August 11, 2015, from <http://www.wsj.com/articles/SB10001424052748703882404575519330896471058>
- Dunford, C. (2001). Building better lives: Sustainable integration of microfinance and education in child survival, reproductive health, and HIV/AIDS prevention for the poorest entrepreneurs. *Journal of Microfinance/ESR Review*, 3(2), 1-25.
- Geissler, K. H., & Leatherman, S. (2015). Providing primary health care through integrated microfinance and health services in Latin America. *Social Science & Medicine*, 132, 30-37.
- Grameen-info. (2015). History of Grameen Bank. Retrieved September 30, 2015, from <http://www.grameen-info.org/history/>
- Holvoet, N. (2004). Impact of microfinance programs on children's education: Do the gender of the borrower and the delivery model matter? *Journal of Microfinance/ESR Review*, 6(2), 27-50.
- Hudon, M., & Traca, D. (2011). On the efficiency effects of subsidies in microfinance: An empirical inquiry. *World Development*, 39(6), 966-973.
- Leach, F., & Sitaram, S. (2002). Microfinance and women's empowerment: A lesson from India. *Development in Practice*, 12(5), 575-588.
- Leatherman, S., & Dunford, C. (2010). Linking health to microfinance to reduce poverty. *Bulletin of the World Health Organization*, 88(6), 470-471.
- Mahmud, W. (2008). Social development in Bangladesh: Pathways, surprises and challenges. *Indian Journal of Human Development*, 2(1), 79-92.
- Mason, J. M. (1979). Financial management of commercial banks. Warren, Gorham & Lamont.
- Mia, M. A., & Chandran, V. G. R. (2015). Measuring financial and social outreach productivity of microfinance institutions in Bangladesh. *Social Indicators Research*, 1-23. <https://doi.org/10.1007/s11205-015-0979-5>
- Mia, M. A., Nasrin, S., Zhang, M., & Rasiah, R. (2015). Chittagong, Bangladesh. *Cities*, 48, 31-41.
- Microcredit Regulatory Authority (MRA). (2015). An overview of microcredit in Bangladesh. Retrieved February 12, 2015, from [http://www.mra.gov.bd/index.php?option=com\\_content&view=article&id=104&Itemid=80](http://www.mra.gov.bd/index.php?option=com_content&view=article&id=104&Itemid=80)
- Ministry of Finance (MOF). (2014). Bangladesh economic review: Chapter 13: Poverty alleviation. Retrieved October 30, 2015, from [http://www.mof.gov.bd/en/index.php?option=com\\_content&view=article&id=304&Itemid=1](http://www.mof.gov.bd/en/index.php?option=com_content&view=article&id=304&Itemid=1)
- Moseson, H., Hamad, R., & Fernald, L. (2014). Microcredit participation and child health: Results from a cross-sectional study in Peru. *Journal of Epidemiology and Community Health*, 68(12), 1175-1181.
- Osborn, R. C. (1965). Business finance: The management approach. Ardent Media.
- Pronyk, P. M., Hargreaves, J. R., & Morduch, J. (2007). Microfinance programs and better health: Prospects for sub-Saharan Africa. *JAMA*, 298(16), 1925-1927.
- Qudrat-I Elahi, K., & Lutfur Rahman, M. (2006). Micro-credit and micro-finance: Functional and conceptual differences. *Development in Practice*, 16(5), 476-483.
- Ramesh, J., Pande, V., & Bhandari, P. (2012). Heard of the 'Bangladesh shining' story? The Hindu. Retrieved August 11, 2015, from <http://www.thehindu.com/opinion/op-ed/heard-of-the-bangladesh-shining-story/article3867058.ece>
- Rutherford, S. (2005). What is Grameen II? Is it up and running in the field yet? MicroSave briefing notes on Grameen II(1). Retrieved February 12, 2015, from [http://www.microsave.net/files/pdf/MicroSave\\_GB\\_Briefing\\_Note\\_1\\_Overview.pdf](http://www.microsave.net/files/pdf/MicroSave_GB_Briefing_Note_1_Overview.pdf)
- Shahidur, R. K. (1998). Fighting poverty with microcredit: Experience in Bangladesh. Oxford University Press.
- Swain, R. B., & Wallentin, F. Y. (2009). Does microfinance empower women? Evidence from self-help groups in India. *International Review of Applied Economics*, 23(2), 193-211.
- The World Bank. (2014). Bangladesh country profile. Retrieved October 30, 2015, from <http://data.worldbank.org/country/bangladesh>
- UNDP. (2015). Human development report 2015. Retrieved September 30, 2015, from [http://hdr.undp.org/sites/default/files/2015\\_human\\_development\\_report.pdf](http://hdr.undp.org/sites/default/files/2015_human_development_report.pdf)
- Wood, G. D., & Sharif, A. (1997). Who needs credit: Poverty and finance in Bangladesh. The University Press Limited.
- World Bank. (2012). Bangladesh: Accelerating poverty reduction in the face of global economic challenges. Retrieved August 11, 2015, from <http://documents.worldbank.org/curated/en/918931468141690693/pdf/723330BRI0P1080h0210B0Report00PUBLIC0.pdf>