

Relative Efficiency of Alternative Microfinance-driven Poverty Alleviation Programs in Bangladesh

By:

Tamgid Ahmed Chowdhury

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Certificate and declaration by the author

I hereby certify that this thesis is of my original work, and contains no material previously published or written by another person except where due reference has been made in the text.

I also declare that the work of this thesis has not been submitted for a degree at this or any other University or Institution.

A paper based on a significant portion of Chapter-5 of this thesis has been accepted for publication in Oxford Development Studies (Vol. 39, No. 4, December 2011).

Tamgid Ahmed Chowdhury

Abstract

In general, the efficiency of microfinance-driven poverty-alleviation programs run by Government (GO) and Non-Government Organizations (NGOs) in developing countries such as Bangladesh is assessed by repayment rate, number of beneficiaries, area coverage, amount of loans disbursed, cost of operation, profitability and the financial sustainability of the projects. This thesis argues that these methods are quite restrictive since none of them reflect the perceptions of poor people concerning the efficiency of the projects. The development agencies (such as GOs and NGOs) have never been compared on the basis of service delivery efficiency [a *processed based* comparison], nor on their relative contribution to raising the living standards of the poor [an *outcome based* comparison]; both of which are crucial for poverty reduction. The main reason behind the absence of such comparisons is the unavailability of the appropriate parameters that could be used for such a comparison.

For the process-based comparison this thesis develops and validates a two-dimensional multi-item scale through construct, convergent, discriminant and nomological validity. The scale captures different aspects of efficiency in the delivery of services. These aspects are termed the ‘credibility dimension’ and the ‘focus towards beneficiaries dimension’ of the service delivery in poverty-alleviation programs. For the output-based comparison, this thesis also develops and validates a ‘multidimensional poverty model’ to compare the efficiency of GOs and NGOs in contributing to the economic, social, political and cultural elements in the lives of the poor. The methodology is based on 930 samples collected from 12 districts and 107 randomly chosen villages in Bangladesh during September–December 2009.

The results from utilizing the scale items for comparative study show that in many important dimensions of service delivery, the performance of GOs is more efficient than that of NGOs. Gender discrimination also is evident in poverty-alleviation programs in Bangladesh. This study reveals that female beneficiaries are disadvantaged not only due to cultural or religious customs, but also because they receive less attention from the managers and field staff of both GOs and NGOs.

The poverty model shows that as a whole GO agencies are more efficient in improving the welfare of poor beneficiaries compared to NGOs. While the comparative study shows that government agencies are more efficient in improving the economic wellbeing of the poor, NGOs are better at improving the social aspects of their lives.

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List of abbreviations

ADB	Asian Development Bank
APRSP	Accelerated Poverty Reduction Strategy Paper
BBS	Bangladesh Bureau of Statistics
BRAC	Bangladesh Rural Advancement Committee
CBN	Cost of Basic Needs
DCI	Direct Calorie Intake
DFID	Department for International Development
EWB	Economic Wellbeing
FEI	Food Energy Intake
FFW	Food For Work
GoB	Government of Bangladesh
GO	Government
HCR	Head Count Ratio
HDI	Human Development Index
HDR	Human Development Report
HIES	Household Income and Expenditure Survey
HPI	Human Poverty Index
i-PRSP	Interim Poverty Reduction Strategy Paper
MDGs	Millennium Development Goals
MFI	Microfinance Institutions
MRA	Microcredit Regulatory Authority
NGO	Non-government Organizations
NGOAB	NGO Affair Bureau Bangladesh
OMS	Open Market Sale
PPA	Participatory Poverty Assessment
PRSP	Poverty Reduction Strategy Paper
SWB	Social Wellbeing
UNDP	United Nations Development Program
VGD	Vulnerable Group Development
VGf	Vulnerable Group Feeding
WB	World Bank
WHO	World Health Organization

Note:

- *Upazilla* is the lowest level of administrative government in Bangladesh.
- *Monga* is seasonal food insecurity in ecologically vulnerable and economically weak parts of north-western Bangladesh, primarily caused by an employment and income deficit before Aman (Rice grown in monsoon) is harvested.
- *Bazar* means small market in the rural areas of Bangladesh.