

An Analysis of Progress of Rural Development Scheme (RDS) by IBBL: A Study on Kushtia Branch

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Abstract

The main purpose of this paper is to assess the impact of micro credit program under Rural Development Scheme (RDS) of Islamic Bank Bangladesh Limited (IBBL) on the basis of using data collected from 25 respondents of each of group of investors, (i.e. agriculture group and business group) of the five selected villages in Sadar Upazila of Kushtia district. The findings of the present study is that recovery rate of the current credit was 100 percent. But the clients suggest that the monitoring mechanism should be improved so that clients do not utilize their invested money to any unproductive activities. Islami Bank Bangladesh Limited was founded with the major objective of establishing Islamic economy for balanced economic growth by ensuring reduction of rural-urban disparity and equitable distribution of income. In view of the above, Branches of the Bank have been encouraged to invest their deposits in their respective areas and in particular for the economic upliftment of the rural people. Accordingly, a scheme in the name and style of 'Rural Development Scheme' has been introduced to cater to the investment needs of the agriculture and rural sector to create opportunity for generation of employment and raising income of the rural people with a view to alleviate poverty.

Introduction

The success of a bank largely depends upon its efficient lending, earning more profitability, productivity, financial solvency, investing and RDS operations. Conventional bank charges fixed rate of interest on their credit and the Islamic Bank supplies commodity which are permissible in Islamic Shariah and local law adding a specific mark-up or shares with any business or projects and take profit and / or bears losses proportionate to the capital

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supplied. Interest taking is sinful act in Islamic Shariah. Here the problem leading to a long debate is that whether and effective banking system can run with or without interest? In this connection it is seen that Islamic banks are operating successfully not only in Muslims countries but also in non-Muslims countries like Argentina, Australia, Denmark, Djibouti, Germany, Gambia, India, Luxembourg, Philippines, South Africa, Switzerland, Thailand, U.K, and U.S.A. Based on profit and loss sharing concept with disregard to interest based activities the fundament concept on which traditional banks being run. So acceptability of Islamic Banking is grounding day by day all over the world.

Rationale of the study

Economic development can be measured through how much a person is self sufficient financially and how much he can meet up his all demands with financial worth. Besides, social development is related to age, experience, education, rural-urban background, sex, marital status, religion, previous occupation, social consciousness, occupation of parents and husband/wife, social status and social awareness etc. IBBL is playing an important role in the economic development of the country through micro credit programs. That is, here just try to reflect the present conditions of those credit programs and investing activities and also to recognize the problems of micro credit system for socio economic development. So, the present study has been designed to conduct a massive search in identifying the prospects and problems of micro credit in socio economic development and if their find any problem then find out glorious prospects by suggesting a remedial suggestion.

Review of the related literature

A good number of researchers were conducted on the field of conventional banking as well as Islamic banking. But unfortunately, comparative study on conventional and Islamic banking reveled to be inadequate. A brief summary of the researcher relevant to prospects of RDS. Ahmed (1990)³ has showed in his Ph.D thesis entitled the contribution of Islamic Banking to economic Development. A case of the Sudan that the Islamic banks investment and in short term and (trade) finance and have done little to promote long-term (equity) finance. Ahsan (1988) stated in his articles Islamic and Modern Banking System “some principle and objectives of the Islamic and conventional economic system. Chachi (1989) expressed in PhD thesis entitled “Islamic Banking” that Islam may lead to a more just and more beneficial way of development, through the western and pro-western economists believe that interest is a must for financial and economic development. Shallah (1989) made a study on Islamic Banking in an interest based economy; A case study of Jordan “The dissertation examined the viability of Islamic Banks and financial institutions in an interest based economy which contradicts their ideals.

Objectives of the study

The main objective of the study is to explain the existing investment under “Rural Development Scheme (RDS)” of Islami Bank Bangladesh Ltd. The specific objectives of the study are as follows: -

- a) To find out the impact of Rural Development Scheme (RDS) of IBBL on the socio-economic development of the rural borrowers.
- b) To examine the role of RDS in alleviating poverty of the rural people.

Limitation of the study

The poor client did not maintain proper accounts and as such they had to provide information from their memories.

Moreover, the respondents were reluctant in providing information, about investment, dues, income, expenditure, savings and their relationship with the bank employees.

In fact, no survey of male members of RDS has been carried out.

Therefore, a comparative study of the female numbers performance with their male counterparts could not be highlighted.

This study does not focus on the management related aspects of RDS and its impact on the members.

Analysis of the study

Level of Education

The education level was determined in terms of the highest class passed by him/her.

Table: Level of education of the RDS members

<i>Level of education</i>	No. of respondents	In Percentage
Illiterate	0	0%
Can sign only	9	18%
Primary level	31	62%
Junior high	7	14%
Secondary & Above	3	6%
Total	50	100

Source: Field Survey 2011

From the table it is clear that there was no illiterate person. Table also shows that 62 percent members completed primary level of education, 14 percent-completed junior high level and 6 percent responding member's attained secondary school and above. It is important to note that the percentage of primary education was high and 100% members know to put signature.

Marital Condition of the members:

Marital status is an important variable to form a group interaction. It has been classified in connection with married, unmarried and widow.

Table: Marital condition of the members

Categories	No. of respondents	In percentage
Married	48	96%
Unmarried	0	0%
Widow	2	4%
Total	50	100

Source: Field Survey 2011

Table demonstrates the marital condition of the members. No unmarried person was found to have joined the RDS. In respect of marital condition, the table expose that 96% of the members are married and 4% are widow. It is also clear that unmarried women are restricted by social customs to go outside and undertaken public activities freely.

Number of family members:

The family size has diversified effects on the socio economic circumstances of the members. The results in table 04 indicate the number of the family members.

Table: Number of the family members

Family size	No. of Respondents	%
1-3	26	52
4-6	20	40
More than 6	4	8
Total	50	100

Source: Field Survey 2011

Before joining the project 52% of the respondents had family members ranging from 1 to 3. 40% of the respondents had family size ranging from 4 to 6 and 8% of the respondents have family size 7 and above.

Occupation of the Member:

For the successful utilization of investment, the members need to engage in some economic activities. IBBL claims that progress are empowering poor members through creation of diversified self-employment opportunities for them. The table indicates the own occupation of the members before and after joining RDS.

Table: Members' occupation before and after joining RDS

Occupation	Before Joining RDS		After Joining RDS	
	No. of Respondents	%	No. of Respondents	%
Housewife	35	70	30	60
Self employed	3	6	7	14
Employed	4	8	1	2
Housewife and self employed	8	16	12	24
Total	50	100	50	100

Source: Field Survey 2011

The above table reveals that 70% of the respondents were employed as housewives before joining RDS. The next comes self-employed which accounts for 6% followed by employed 8% and housewife and self employed also 16%. However, after RDS financing the occupational structure has undergone significant changes. Now housewife and self employed which account for 60%. Followed by self-employed 14%, employed 2% of the total members and 60% are exclusively engaged in household affairs. They are not contributors to their family income. From the statistics shown in the above table, it can be said that impact of RDS investment are significantly positive for self-employment.

Spouse Occupation:

As my entire sample members were female and married that's why here spouse means their husbands.

Table: Spouse's occupation before and after joining RDS

Occupations	Before Joining RDS	After Joining RDS		
	No. of Respondents	%	No. of Respon dents	%
Day Labor	5	10	3	6
Small Business/Grocery	25	50	33	66
Agriculture	7	14	4	8
Transportation	8	16	7	14
Service	5	10	3	6
Housewife	0	0	0	0
Total	50	100	50	100

From the table it is shown that 10% of the respondents' husbands were day labors, 50% engaged in small businesses 14% in agriculture, 16% were Van, Rickshaw pullers, 10% were service holders. This position was before Joining RDS. However, after in involvement in RDS, it is focused from the data showed in the table that the investment of the day labor has been declined from 10% to 6%, agriculture has been declined from 14% to 8% transportation services decreased from 16% to 14% .On the other hand, small business has been increased from 50% to 66%. The above information provides an indication that the investment is creating a positive on occupations of the member's spouse. It is seen from the field survey that they took investment for helping their husband's business.

Utilization of investment:

Invested money must be utilized in any legal income generating activities. RDS provides financial assistance for various works. It is known that investment was sanctioned for more than eight different sectors. These sectors are grouped under two broad categories, which are farm and off farm activities. The following table states that share of different sectors of investment are used by the members in the sample area.

Table: Utilization of investment money by the members

<u>Activities</u>	<u>No. of respondents</u>	<u>In percentage</u>
Farming	2	4%
Manufacturing and processing	2	4%
Service	12	24%
Trading	8	16%
Shops	16	32%
Padding	1	2%
Plantation	3	6%
Livestock	6	12%
Total	50	100

Source: Field Survey 2011

Food

People living in Bangladesh on one or more cereals such as rice, white and maize often suffer from neutron on in sufficient calorie intake. It is usually claimed that RDS has been working in Bangladesh to improve the living standard of the rural poor people. In view of this assertion an attempt was made to know the fooding profile of RDSs members.

Table: Fooding standard before and after using investment of RDS investment

Fooding	Before Joining RDS		After Joining RDS	
	No. of Respondents	%	No. of Respondents	%
Normal Food	22	44	19	38
Medium Food	24	48	25	50
Rich Food	4	8	6	12
Total	50	100	50	100

Source: Field Survey 201

Table shows that 44% respondents would eat normal food three times daily. 48% of the respondent would eat medium food three times daily and 8 percent respondents consumed rich food. In the contrary after taking investment of RDS it has benefited change i.e. only 38% respondents consumed normal food and changes the figure from 44% to 38%. 50% respondents consumed medium food. It has changed from 48% to 50.5% and from 8 percent to 12% respondents changed their food menu into rich food after taking investment of RDS. It is remarked that RDS has brought tremendous change of rural economic of the village poor people of the country.

Clothing

The second most basic need of human being is clothing, inadequacy of it reflects poverty.

Table: Clothing standard before and after joining RDS

Yearly Expenditure(Tk.)	Before Joining RDS		After Joining RDS	
	No. of Respondents	%	No. of Respondents	%
0-2000	17	34	5	10
2001-4000	28	56	38	76
More than 4000	5	10	7	14
Total	50	100	50	100

Source: Field Survey 2011

The above table show that before joining RDS, 34%,56%,10% members' expenditure for clothing were within Tk 0-2000,tk2001-4000,more than 4000 respectively whereas after joining RDS 75% members' expenditures for clothing was within 2001-4000. It indicates that members' expenditure for clothing is gradually increasing over time after joining RDS.

Health and medical facilities:

Health is one of the basic needs, which reflects the quality of life. Health for all is vital for making basic needs universal.

Table: Health and medical facilities before and after joining RDS

Nature	Before Joining RDS		After Joining RDS	
	No. of Respondents	%	No. of Respondents	%
Fakir/Kabiraj	11	22	2	4
Quack doctor/Homeopathic	29	58	33	66
MBBS	10	20	15	30
Total	50	100	50	100

Source: Field Survey 2011

In the study area, the table shows that before joining RDS only 20% house holds has access to modern health care services but the percentage was increased to 30% after joining RDS. The large number of members58% has access Quack doctor/homeopathic before joining RDS which has been increased to 66% after joining RDS.From the above data it can be said that RDS has been trying to improve to take health care services.

Sources of drinking water:

Safe water is considered as component of basic human need, because they have positive implication. Beside the investment activities, successful members, so far, have been provided with 5525 tube-wells at a cost of Tk 10.66 million on Quard-e-Hasana(profit free investment) basis as a part of health program of the scheme. So, attempt was made to know the sources of drinking water of the members before and after the use of RDS investment.

Table: Sources of Drinking Water Before and After Joining RDS

Sources of drinking water	Before Joining RDS		After Joining RDS	
	No. of Respondents	%	No. of Respondents	%
Public tube-well	8	16	4	8
Personal tube-well	39	78	45	90
Pond Water/ Other Sources	3	6	1	2
Total	50	100	50	100

This bears the imprint of qualitative sign development in the living standard of respondents. From the analysis it is clear that RDS investment and IBF provide proper financial assistance to improve the source of drinking water.

Nature of latrine:

Persons having awareness and sense for health and diseases consider that sanitary latrine were essential part to ensure hygienic environment. Sanitary latrine means scientific latrine. Up to 31.12.2010, IBBL, beside the investment activities, successful members, so far, have been provided with 3235sanitary latrines at a cost of Tk 2.99 million on Quard-e-Hasana (profit free investment) basis as a part of sanitation program of the scheme.

Table: Nature of latrine used by the members

Nature of latrine used	Before Joining RDS		After Joining RDS	
	No. of Respondents	%	No. of Respondents	%
Sanitary latrine	42	84	47	94
Unsanitary latrine	8	16	3	6
Total	50	100	50	100

Homestead:**Table: Homestead before and after using RDS**

Land (Decimals)	Before		After	
	No. of Respondents	%	No. of Respondents	%
Nil	7	14	3	6
Up to 5	21	42	17	34
5-8	12	24	16	32
9-15	7	14	9	18
16 - Above	3	6	5	10
Total	50	100	50	100
Average	4.8 decimals		5.2 decimals	

Table shows that before using RDS 42 percent members had up to 5 decimals homestead, 24 percent had between 5 to 8 decimals, 14 percent 9 to 15 decimals, 14 percent respondents were completely landless i.e. they had no any homestead and only 6 percent respondents possessed more than 16 decimals homestead. It has been found that this position has changed after joining RDS. It was observed that the percentage of respondents holding homestead up to 15 decimals declined 70% to 52%. The percentage of respondents holding homestead from 5 to 8 decimals increased from 24 to 32%, from 9 to 15 decimals increased from 14 to 18 percent and from 16 decimals and above increased from 6% to 10%. It is also revealed that while 14% of the respondents had no homestead before joining RDS, after joining RDS and using investments this percentage declined from 14 to 6 percent only. It can be remarked that the financial conditions of the respondents showed a marked improvement due to increment of income of the entrepreneurs using RDS investments.

Cultivable Land:

Land ownership is the more useful factor as a discriminator of a rural poor economic status than any other socio-economic factors.

Table: Land-wise distribution of the respondents

Land (Decimals)	Before joining RDS		After joining RDS	
	No. of Respondents	%	No. of Respondents	%
No. Land (Decimals)	16	32	11	22
Up to 15	21	42	13	26
16-33	5	10	10	20

Source: Field Survey 2011

It can be seen from the table that 32 percent of the respondents had no cultivable land, 42 percent possessed land up to 15 decimals, 10 percent had 16 to 33 decimals, 12 percent possessed 34 to 50 decimals and 4 percent respondents had more than 50 decimals of cultivable land. This was the position of the respondents before using investments from RDS. It has been found that this position has changed after using investment by the respondents. The analysis of data reveals that 22 percent respondents have up to 15 decimals cultivable land and 10 percent respondents were able to possess more than 50 decimals cultivable land. On the other hand, the number of cultivable landless respondents has decreased from 33 to 22 percent. It is true that some of the surveyed entrepreneurs were able to purchase cultivable land from the financial gain derived by using RDS investments.

Annual expenditure:**Table:** Annual expenditure of the members

Yearly expenditure (Tk.)	Before joining RDS		After joining RDS	
	No. of Respondents	%	No. of Respondents	%
Up to 20000	3	6	2	4
20001-40000	29	58	21	42
40001-60000	11	22	15	30
60001-80000	6	12	9	18
80001 and above	1	2	3	6
Total	50	100	50	100

Problems of RDS:

At the time of our Internship program we have found some Problems which are faced by IBBL incase of RDS are discussed bellow:

- (A) IBBL cannot settle RDS in Shariah prohibited sector, so its RDS scope is narrow in Bangladesh.
- (B) Entrepreneurs have no clear concept about Shariah and RDS mode. As a result they not want to take investment easily.
- (C) IBBL lead their RDS operation within limited number of investment mode.
- (D) Lack of Islamic Banking Rule in our country, the authority of IBBL faces various problem in their RDS operation as a result it cannot run smoothly.

Recommendations of RDS:

IBBL should encourage potential customer, so that they be engaged in bring forth Halal Products by dint of Halal device, thus they can inspire their RDS investment scope.

By arranging various seminar & symposium, it can possible to understand the people about Halal, Haram & Shariah and influence them to increase RDS investment.

IBBL can create new investment mode to increase their RDS investment mode by huge research & study.

To remove the negative concept about RDS, IBBL can arrange varieties kinds of occasion like "islamic jalsa", "oaaz mahfil", "and seminer".

As welfare oriented bank, ibbl should increase their operation to remove poverty alleviation specially Rural Area in establishing their Branches in every Upozilla.

By increasing RDS investment scope, IBBL can proper utilize their idle money through Shariah.

IBBL can develop the skillness of the manpower by increasing their varieties kinds of training facility such as computer courses, english & arabic language courses, and business ethics, morality, organizational behavior, etc.

Conclusion

In this study there was a positive and significant linear relationship among total annual investment, total annual expenditure, total annual income and total annual savings. Six explanatory variables such as education, farm size, family size, investment provided, expenditure and income were considered for empirical study. Investment, expenditure and income variables in this study had significant impact on savings of investors under RDS activities. One of the main problems of utilizing investment credit under RDS was lack of training facilities required to be arranged under RDS. Analysis indicates that the RDS loan operation has been helping potential women empowerment in the society in which the GOB at present has given priority as a part of global importance in the matter. Equal participation of male and female in family decisions has already been globally recognized for peaceful family life. However, from the study it may be concluded that the micro finance investment system of RDS has been establishing an important impact in the form of increasing the income as well as alleviating poverty style of the beneficiaries living at Sadar Upazila of Kushtia district in Bangladesh.

At present, micro-credit programs are being run in the more than seventy countries of the world for the eradication of massive poverty from the countries. Islam treats poverty as a social as well as ideological evil. It is a social evil because it degrades societal status of the vicegerents of Allah, gives birth to many social problem and out the poor nations as a disadvantaged position in the world society of human race. Islam dislike poverty and hence it is the obligation of the rich to help the needy for its eradication so much, so that the neglect of this obligation resembles denial of Islam itself.

In such a situation Islami Bank Bangladesh limited (IBBL) started a program named “Rural Development Scheme (RDS)” to scene as group based micro credit in 1995 with very high promise to eliminate rural poverty. Although some of the commercial and specialized banks and a few NGO’s had been providing small amount of credit to the rural poor before the establishment of the RDS. The micro credit programs have tremendously expanded in Bangladesh in rural development. Up to September 2010, IBBL has disbursed a total Tk.12840.02 million among 4,93,110 households covering 9388 villages of the country. But in spite of the huge coverage of Rural Development Scheme in the last one and quarter decades, the socio-economic and socio political progress of the rural poor including women empowerment have not been significantly achieved. So, there might have been some problems either in the operational system of IBBL or in the investment utilization process of the clients, which should be examined critically. In this study an attempt has been made to analyze the socio economic impact of the RDS investment to change the life style of its members.



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