

**RURAL DEVELOPMENT AND POVERTY ALLEVIATION IN PENINSULAR  
MALAYSIA - THE EMERGENCE OF AN ALTERNATIVE APPROACH :  
THE AMANAH IKHTIAR PROGRAMME**

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## ABSTRACT

It is against a background of failure of the conventional development strategies in reaching poor rural households that the alternative development models of alleviating rural poverty were born. Most of these efforts were initiated mainly by concerned social scientists, academics and non-government organizations and have put into practise the concept of "Another Development". One of the most successful examples is the Grameen Bank of Bangladesh, which is a distinct target-group approach and exclusively designed for very poor rural households through the provision of credit as an entry point towards combating poverty. Such credit (or loans), it is argued can develop the productive capacities of the poor and are provided on reasonable terms and conditions to be used exclusively for financing income generating activities. The GB model is very successful and has spread farther afield and has been seized upon as a potential model for transfer and replication not only in developing countries, including Malaysia, but in the developed world.

Since the Malaysian New Economic Policy in the early 1970s, enormous resources (physical, institutional and financial) have been committed towards the eradication of poverty. Despite these efforts, poverty, especially hard-core poverty, remains an inherent problem, notably in rural areas. In view of this, the Ikhtiar Programme, implemented by a private organization modeled after the Grameen Bank's approach, stepped in and offered a viable alternative which complements the Government's poverty alleviation programme.

Basically, the Ikhtiar Programme seeks to provide small loans on reasonable terms to very poor rural households to finance income generating activities. It is a targeted, specialized delivery system, focussing exclusively on the poor, taking loans to the poor through an approach based on self-realization and collective responsibility among the participants. The purpose of this study is to examine to what extent the Ikhtiar Programme has been effective in raising the incomes after the utilization of Ikhtiar loans among its participants. The study is based on a case study in the district of Baling, in the state of Kedah. This study is based on household surveys of selected respondents, including 254 programme participants and 265 non-participants (control group). It aims to provide some suggestions which might be helpful in future planning and implementation of broad-based poverty alleviation programmes.

The findings of this study suggest that the Ikhtiar Programme has succeeded in reaching its target group in the study area, which consists overwhelmingly of members who had a low housing index and low household income. It has also succeeded in improving the economic conditions of its participants. This has resulted in a further positive impact on the quality of life of its participants, shown through changes in housing conditions, household items owned, household expenditures and savings. The findings of this study also provide valuable lessons that can be incorporated into the planning and implementation of more conventional rural development programmes. The implementation of the programme has some very important implications for national development policy, which include policies relating to poverty eradication, promotion of rural industry, national agricultural policy and others.

The experience of the Ikhtiar Programme shows that a well-designed poverty alleviation programme can play a major role in reaching the poor directly and in a preferential manner. The birth of the Ikhtiar Programme has therefore provided some rays of hope for very poor households in their battle against chronic poverty and also has the merit of showing the concrete form that an alternative approach to rural development could take and how it could be made to work.

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## ABBREVIATIONS

<b>ASB</b>	<b>Amanah Saham Bumiputra (Bumiputra Unit Trust Scheme)</b>
<b>ASN</b>	<b>National Unit Trust Scheme</b>
<b>BCIC</b>	<b>Bumiputra Commercial and Industrial Community</b>
<b>CPI</b>	<b>Consumer Price Index</b>
<b>DARA</b>	<b>Pahang Tenggara Development Authority</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>GNP</b>	<b>Gross National Product</b>
<b>IADP</b>	<b>Integrated Area Development Programme</b>
<b>IFAD</b>	<b>International Fund for Agricultural Development</b>
<b>IFDA</b>	<b>International Foundation for Development Alternative</b>
<b>ILO</b>	<b>International Labour Organization</b>
<b>IMP</b>	<b>Industrial Master Plan</b>
<b>INTAN</b>	<b>Institute Tadbiran Awam Negara (National Institute of Public Administration Malaysia)</b>
<b>JENGKA</b>	<b>Jengka Regional Development Authority</b>
<b>JKKK</b>	<b>Village Development and Security Committee</b>
<b>KADA</b>	<b>Kemubu Agricultural Development Authority</b>
<b>KEDA</b>	<b>Kedah Regional Development Authority</b>
<b>KEJORA</b>	<b>Johor Tenggara Development Authority</b>
<b>KESEDAR</b>	<b>South Kelantan Development Authority</b>
<b>KETENGAH</b>	<b>Terengganu Tengah Regional Development Authority</b>
<b>MARA</b>	<b>Majlis Amanah Rakyat (Council of Trust for Indigenous People)</b>
<b>NAP</b>	<b>National Agricultural Policy</b>
<b>NEP</b>	<b>New Economic Policy</b>
<b>NDP</b>	<b>New Development Policy</b>
<b>OPP1</b>	<b>First Outline Perspective Plan</b>
<b>OPP2</b>	<b>Second Outline Perspective Plan</b>
<b>PNB</b>	<b>Permodalan Nasional Berhad (National Equity Corporation)</b>
<b>RDA</b>	<b>Regional Development Authority</b>
<b>RISDA</b>	<b>Rubber Industry Smallholders Development Authority</b>
<b>SEDC</b>	<b>State Economic Development Corporation</b>
<b>SERU</b>	<b>Socio-Economic Research Unit</b>
<b>UNDP</b>	<b>United Nation Development Programme</b>
<b>UNEP</b>	<b>United Nations Environment Programme.</b>
<b>UNRISD</b>	<b>United Nations Research Institute for Social Development</b>
<b>UNCTAD</b>	<b>United Nation Conference on Trade and Development</b>
<b>UPP</b>	<b>Unit Penyelarasan dan Pelaksanaan (Implementation and Coordination Unit)</b>
<b>USAID</b>	<b>United States Agency for International Development</b>

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## **CHAPTER ONE : INTRODUCTION**

---

### **1.1 INTRODUCTION**

The purpose of this chapter is to provide the direction of the research. It begins by highlighting a problem that has arisen out of the conventional rural development and poverty alleviation strategies in developing countries in general and Malaysia in particular, pursued in the post-war period. This will then be followed by highlighting the emergence of the alternative approach to rural development and poverty alleviation. This chapter also defines the objectives, scope, hypotheses and organization of research. These will provide the overall framework of the research.

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### **1.2 THE CONTEXT OF THE RESEARCH - INTRODUCING THE PROBLEM**

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#### **1.2.1 THE CONVENTIONAL APPROACH TO RURAL DEVELOPMENT AND POVERTY ALLEVIATION IN DEVELOPING COUNTRIES**

The issue of poverty has long been a subject of debate and interest among planners, development economists, academics and policy-makers, not only in developing countries but also in developed countries. The subject of poverty is nothing really new, but what is new is that the poor in developing countries not only remain with us, but their numbers have been increasing rapidly. The World Bank's 1978 World Development Report estimated that in 1975, around 770 million people in developing countries lived in poverty (for the definitions of poverty and the extreme poor, see discussion in Chapter 2). The World Bank's 1992 World Development Report reported that the number of poor had increased from slightly more than 1,051 billion in 1985 to 1,133 in 1990. World Economic Survey's 1992 Report added that over 600 million are the extreme poor. Thus it is evident that a significant portion of the world's population still lives in conditions of abject deprivation, especially in developing countries.

Since gaining independence after World War Two, almost every developing country irrespective of differences in political ideology or commitment to economic development planning, has been aiming to achieve economic growth, which as noted by Bhagwati (1985) is the necessary condition for alleviating poverty. This is especially so in the rural areas where the majority of the population lives. As a result numerous measures have been deployed to combat this persistent problem.

During the 1950s and 1960s development tended to be viewed in economic terms and was generally equated with economic growth and was measured only in terms of aggregate GNP (Aziz, 1978; Hollier, 1988; Astle, 1989; Hulme and Turner, 1990; Chakravathy, 1990). The most popular thinking during those decades was dominated by Rostow's doctrine of stages of growth (Conyer and Hill, 1984; Larrain, 1989; Hunt, 1989). In the drive towards economic modernization, most developing countries considered industrialization as the main route to impressive economic growth (Melkotes, 1991) and pursued an import-substitution strategy to some degree. In the rural sector, the emphasis has been on a programme which increases farm productivity (Jha, 1987) and the centerpiece is the "Green Revolution", being the dominant rural development model in the 1960s (Ruttan and Biswanger, 1978). All the above effort, it is believed, will then 'trickle down' to the poor (George, 1988), resulting in more equitable distribution of incomes, and thus alleviating poverty.

The record of growth in developing countries in the first two decades was quite impressive, with annual growth rate accelerating almost 2 percent in 1950s to 3.4 percent in the 1960s and early 1970s (Morawetz, 1977). However despite an impressive record of overall growth, several major studies in the 1970s concluded that the dominant trend in the first two development decades is for inequality and poverty to increase as growth occurs (Adelman and Morris, 1973; Chenery, 1974; Ahluwalia, 1974) [1].

Clearly then the early development decades have not managed to make significant inroads into the alleviation of poverty (Mabogunje, 1980; Islam, 1990). This rather bleak situation was summed up by Mahbub ul Haq (1976: 24) as follows:

"In country after country, economic growth is being accompanied by rising disparities, in personal as well as in regional incomes. In country after country, the masses are complaining that development has not touched their ordinary lives. Very often, economic growth has meant very little social justice. It has been accompanied by rising unemployment, worsening social services and increasing absolute and relative poverty".



All the above served as a background which led to the rethinking of the whole conception of development beginning in the early 1970s. While it is true that economic growth is fundamental to development, it is not enough on its own. Of equal importance is the distribution of the benefits of growth (Haque and Tusneem, 1992). Thus development should not only be viewed as the question of 'economic growth', but to look into other indicators as well. This concern was voiced by Dudley Seers, who noted that the real indicators of development were decreases in rates of poverty, income inequality and unemployment (Seers, 1969).

By the mid-1970s, a new approach emerged which shifted from a concern for "growth" to "growth with equity". Thus, during this period, such terms as "redistribution with growth" or "growth with justice" appeared (Haffner, 1987; Hettne, 1990; Dixon, 1991). The pervasive poverty in rural areas has been a continuing concern of national governments and development assistance agencies. This concern gave rise to two new programme approaches - integrated rural development (IRDP) and basic needs programme (Hayami and Ruttan, 1985). The "Intégrated Rural Development Programme" for example became a very prominent poverty alleviation programme (Clement, 1993) and also became an increasingly important focus of efforts of bilateral and multilateral development assistance programmes.

The World Bank, the single largest lending agency in rural development, adopted this "new style" rural development project based on a 'target group approach" (Brara, 1983; Donaldson, 1985). The element of "basic needs approach" was adopted with a focus on the provision of low-cost essential services integrated into this new programme (Abdullah, 1986). The IRDP is also referred to as the "Poverty Focussed Programme" (PFP).

However, within a few years after they were launched, allegations started pouring in that IRDP approach had failed to reach the poor (Gibbons, 1988a). A study by the International Labour Organization (ILO) in seven Asian countries, found that in most regions, the rural income distribution had been worsening (ILO, 1977). None of this had been the intention behind the rural development programme, but it had been the result achieved by sustaining, reinforcing and encouraging existing social and political structures that exploited the poor (Holloway, 1989).

It has been argued that for many governmental agencies in developing countries, Malaysia included, poverty alleviation is perceived merely as a by-product of development. It is supposed to happen (through the much publicized trickle-down effect) as resources are funneled through its delivery system (mainly through its

various agencies). For example, all farmers are supposed to benefit as rural credit, technology transfer, fertilizer schemes or rural development programmes are set in place (Morato, 1990).

Unfortunately, some of these programmes actually created greater disparities in rural incomes, not to mention greater impoverishment for some. This has been demonstrated in the above study by the ILO. Sham (1991) noted the failure of the poverty focussed programme for the lack of an exclusive delivery system that caters to the needs of the poor. Thus, as argued by Getubig and Sham (1991: 16):

"The existing poverty programmes supported by the government's delivery system, while injecting large amounts of resources, have proved to be inadequate, inefficient and in many cases quite wasteful...many programmes have been characterized by the development of the bureaucracy rather than their clientele. Delivery systems have apparently benefited the deliverers instead of those who were intended to receive the deliveries".

### **1.2.2 THE EMERGENCE OF AN ALTERNATIVE APPROACH TO RURAL DEVELOPMENT AND POVERTY ALLEVIATION**

Meanwhile against the background of failure of the conventional development strategies in reaching the poor rural households, the search for more meaningful and viable alternatives in alleviating rural poverty has been begun by some concerned social scientists and academics, peoples' movements, religious movements and some non-government organizations, especially in South Asia in the decade of early 1970s. These non-government sectors have devised alternative development strategies to support the hitherto largely neglected efforts and potential of the poor to help themselves largely on self-help basis (Holloway, 1990).

There are some similarities in their approach (from whatever movements or organizations they originated) where the prime focus is almost the same (Alam, 1988). Their main concern is to combat the causes of rural poverty with a specially designed delivery system in organizing the poor with strong emphasis on the participation of programme beneficiaries in ways which will build commitment, exploit community skills and experience and encourage local definition (Haffner, 1987). Most of the programmes implemented provided low income households with small loans for productive activities. Such a loan, it is argued can alleviate poverty, develop the

productive capacities of the 'poor' without making them dependent on handouts or external help and contribute to national economic growth (Hulme, 1990).

There are many examples of models as shown in Table 1 that have emerged in the developing countries and all these programmes include a significant component of small-scale revolving credit as a means to help the poor to help themselves and more importantly as a device to alleviate poverty. In addition, these programmes also relate to community development and growth in the micro-sector (Remenyi, 1991). Out of so many examples, one that has been a model *for rural development-oriented community development as well as poverty-focussed programme, is the Grameen Bank (GB) of Bangladesh* [2].

The Grameen Bank is so successful that it has developed from the status of non-governmental-organization to that of unique bank serving exclusively the landless poor (Hossain, 1988; Clark, 1990; Remenyi, 1991) [3]. GB is not merely operating a credit programme. Its ultimate aim is the alleviation of rural poverty, where credit is seen as a means to an end of the development of rural poor. *But what has actually "sparked off" the emergence of the GB in Bangladesh?*

The general rural scenario of Bangladesh shows that the poverty situation is very serious and is highly correlated with the landless. It is estimated that around 46 percent of the rural population is landless (Hossain, 1986) [4]. They do not live on agriculture alone. So any programme directed for the development of agriculture is not necessarily directed towards them.

Agricultural credit is for the clients having some land. Considering this "possession of land" criteria, landless and other poor rural households are kept outside the credit facilities. The requirement of collateral security by commercial banks has prevented them from obtaining formal sector credit. With only physical labour as their economic base, the rural poor, it is believed can have a great transformation in the economic base if they are supplied with some financial resources (Yunus, 1982).

Generally the quickest route to poverty alleviation would be through land reforms, but this is not very promising (Haque and Tusneem, 1992). Past experiences have shown that the implementation of land reform (via redistribution of land) in many developing countries has not been successful, being a very sensitive political issue (Islam and Lee, 1985; Hulme and Turner, 1990) [5]. Thus it has been argued that it is possible to introduce a programme of providing credit for the poor, because this will not threaten the elite by arousing their fear of losing control over land (Getubig and Sham, 1991).

**Table 1 : Poverty Alleviation Model (Based on the Provision of Credit) in the Developing Countries.**

Name of the Organization	Location
1. Grameen Bank (GB).	Bangladesh
2. Bangladesh Rural Advancement Committee (BRAC)	Bangladesh
3. Caritas and the Credit Union League of Bangladesh (CULB)	Bangladesh
4. Swanirvar Credit Programme (SCP).	Bangladesh
5. Cooperative for American Relief Everywhere (CARE)	Bangladesh
6. Christian Commission For Development in Bangladesh (CCDB)	Bangladesh
7. Save The Children Fund.	Bangladesh
8. Amanah Ikhtiar Malaysia (AIM) (Peninsular)	Malaysia
9. Projek Usahamaju (Sabah).	Malaysia
10. Maha Bhoga Marga (MBM) Way of Prosperity (Bali)	Indonesia
11. Yayasan Indonesia Sejahtera (YSI).	Indonesia
12. Philippines Business for Social Progress (PBSP).	Philippines
13. World Vision Sri Lanka (WVSL).	Sri Lanka
14. Savecred Scheme.	Sri Lanka
15. Jeeva Sanwardhanaya Ayathanaya (JSA).	Sri Lanka
16. Small Farmers' Development Project (SFDP).	Nepal
17. Production Credit For Rural Women (PCRW).	Nepal
18. Accion Commutono Del Peru (ACP).	Peru
19. El Instituto De Dessaralo De Sector Informal.	Peru
20. Malawi Mudzi Fund (MMF).	Malawi
21. Kenya Rural Enterprise Project (KREP).	Kenya
22. Daraja Trust Company Limited, Kenya.	Kenya
23. National Council of Churches of Kenya (NCKK)	Kenya
24. Voluntary Organizations in Community Enterprise (VOICE)	Zimbabwe
25. Zimbabwe Project Trust (ZPT).	Zimbabwe
26. Zimbabwe Women Bureau (ZWB).	Zimbabwe
27. Zimbabwe Women Banking Project (ZWBP).	Zimbabwe
28. The Bridge Foundation, Bangalore.	India
29. Divya Shanti Trust, Bangalore.	India
30. Oxfam.	India

Sources : Remenyi, 1991, Where Credit is Due : Income-Generating Programme for the Poor in Developing Countries.  
 Hulme, 1990, Credit For the Low Income Group: Some Lesson of Experience.  
 Grameen Dialogue, 1990.  
 Banking with the Poor, 1992.

The above situation has spurred one man to come up with a solution. In the words of Jazairy et al, (1992: 206) "What started as an innovative local initiative, a small bubble of hope, has thus grown to the point where it has made an impact on poverty alleviation at the national level" and eventually at international level.

The GB began initially as an experiment in rural development under the leadership of a Professor of Economics at Chittagong University, Professor Muhammad Yunus. Through his initiatives, the Grameen (rural) Bank was launched as an action-research project, mainly for the purpose of providing loans on reasonable terms and conditions to rural poor households, so that they could finance income generating activities.

The GB has devised a specially designed delivery system [6] in mobilizing and the organization of the poor households. The guiding principles of the GB have been to bring the bank to the people in the villages, to replace collateral by group liability and to give borrowers a free hand in the use of loans based on their survival skills and knowledge, though group supervision is exercised over processing and repayment of loans (IFAD, 1984; Egger, 1986; Ghai, 1989; Todaro, 1994).

The GB was very successful and has grown from a micro-project into country's fourth largest bank by providing poverty alleviation loans to a clientele conventionally regarded as 'unbankable' and such experiences are rare (Hulme, 1991). The GB thus stands out as a unique financial institution not only in Bangladesh but perhaps the whole world (Siddiqui, 1984).

The impact of GB initiatives has spread farther afield and has been seized upon as a potential model for transfer and replication not only in developing countries but also in the developed world (Grameen Dialogue, 1990; Miltin and Satterthwaithe, 1992; Gibbons, 1990; Hulme, 1990; Ekin, 1992) [7].

Credit has thus become an attractive weapon in dealing with poverty because it did not involve any prior socio-political structural change and is being pursued in many developing countries (Hulme and Turner, 1991). On this, Getubig and Sham (1991: 20) argued:

"increasing the productive capacity of the poor through the acquisition of productive assets via credit has the advantage of being quick as well as efficient and avoids the kind of problem encountered in asset redistribution via land reform".

Nowadays, credit has also been widely recognized as an entry point towards the poverty alleviation efforts (Remenyi, 1991). Improved access to credit on a sustainable basis allows the poor to utilize existing productive opportunities (Haque and Tusneem, 1992) and with appropriate credit institutions and credit policies one can lead a society towards a desired shape. Credit creates entitlement to resources and the more credit one can receive the more resources he can command (Kasim, 1992).

### 1.2.3 THE PROBLEM IN MALAYSIA

*How did the Amanah Ikhtiar Malaysia, the new poverty alleviation strategy come about?* Malaysia is not Bangladesh, and in general rural poverty here is not as severe or widespread as in that unfortunate country. The per capita GNP of Bangladesh in 1985 and 1988 stood at US\$150 and US\$179 respectively (World Development Report, 1987; The Economist, 1990). Unlike Bangladesh, Malaysia is not really a desperately poor country. According to the World Bank, it is a middle income developing country. Some writers have even labelled Malaysia as a "Newly Industrialized Country". It is also a resource-rich country, being the world's leading producer of rubber, palm oil and tin and possesses adequate reserves of oil and gas. In 1983, the per capita GNP stood at around US\$2000 (Mehmet, 1988). It went up to US\$2045 in 1988), US\$2298 in 1990, US\$2444 in 1991 and US\$3033 in 1992 (The Economist, 1990; Malaysian Economic Report, 1993).

In the early 1970s, the Malaysia's government introduced the New Economic Policy (NEP) - a 20 year programme (until 1990) which gave special emphasis to the eradication of poverty and restructuring of society. During this period the government spent about M\$32.9 billion on infrastructure development and on direct economic aid such as agricultural inputs, credit and also on improving social services in rural areas, especially education and health services (SERU, 1991; Banking With The Poor, 1992).

Notwithstanding the above efforts the incidence of rural poverty decline from 58.7 percent in 1970 to 22.4 percent in 1987 and further declined to 19.3 percent in 1990. Nevertheless rural poverty still remains a problem (Gibbons, 1986; Mustapha, 1988a; Siwar and Mustapha, 1989; Yahya, 1991; Kasim, 1991; Siwar, 1992; Ministry of Agriculture, 1992; Barret, 1993), especially the "hard-core" poverty group of smallholders and peasant farmers (Kasim, 1991b; Siwar, 1992; Ministry of Agriculture, 1992). Based on the Household Income Survey (HIS) throughout Malaysia in 1987, it was found that from 649,000 households that received income below the poverty line (M\$350 in 1987), a total of 173,471 households (26.7 percent) received only half of

(M\$350 in 1987), a total of 173,471 households (26.7 percent) received only half of the PLI and were classified as the "hard-core" poverty group or "poorest of the poor" (Hassan, 1991). It was estimated that more than 90 percent of the "poorest of the poor" are to be found in the rural areas (NADA KPLB, 1992). As noted by Mustapha (1988a: 69) "the incidence of poverty was observed to have remained at a level high enough to cause a serious concern".

It is quite obvious that there have been some shortcomings in the government's rural development programmes for the past two decades [8]. For many government agencies in Peninsular Malaysia, poverty alleviation has generally been regarded as a normal by-product of rural development programmes. As resources are funneled through the delivery system, it is supposed to reach poor, through the much publicized "trickle down theory". However as noted by Ali and Shari (1991) and Siwar (1991a, 1992) that the "trickle down" mechanism has not been very effective. On this the Ministry of Agriculture (1992: 18) argued:

"The trickle-down effect approach employed in the development programmes did not deliver the backwash of development benefits ...to the rural sector as was desired".

It has been argued that in the Malaysian context, programmes like the "Green Revolution" and the "IRDP" also brought about adverse socioeconomic effects, where disproportionate development benefits continued to be gained by the large landowners rather than by the small producers, tenant farmers and landless peasants (Bhati, 1973; Lai, 1977; Shari and Mat Zain, 1990; Salleh, 1992) and income distribution seems to be worsened (The World Bank, 1975b). On this Jomo and Shari (1986, cited in Siwar, 1989: 46) argued "rural development programmes have exacerbated rural income inequality, with rural landed interests and agrarian capitalists siphoning off most of the benefits of such programmes". Siwar and Mustapha also noted that (1989: 152) the IRDP "had limited impact on poverty reduction and restructuring of society" and Shari and Mat Zain added (1990: 115) "their effectiveness in reducing income inequality could be expected to be rather diluted, or even to worsen the situation".

Similarly the government owned Bank Pertanian Malaysia (Agricultural Bank of Malaysia or BPM) was established to serve the rural areas with the agricultural related credit schemes. In reality as argued by Baharudin (1979) and Ali (1983), the credit facilities had actually excluded the majority of the landless tenants, very small farmers or those from the lower strata among the poor from access because of collateral requirement [9]. Furthermore, there is no other government programme for supplying

credit on reasonable terms to the poor rural households for investment in income-generating activities (Gibbons, 1986).

The examples above clearly show that the government's rural development programme did not adequately or never really reached the poor rural households. On this Siwar and Mustapha argued (1989: 148) "The persistence of rural poverty reflects...the inability of various rural development programmes to effectively deliver the benefits of development to the rural poor".

Despite a huge allocation towards the rural development programmes and poverty alleviation efforts, there are still some major weaknesses and unresolved issues in the government's machinery, which among others include (Mustapha, 1981; UPP, 1988a; INTAN, 1991; Ministry of Rural Development, 1991; Ministry of Agriculture, 1991a, 1991b; SERU, 1991):

1. "Possession of land" criteria in giving aid and subsidy by government agencies such as FELCRA, RISDA, Farmer Organization Authority and Department of a Agriculture which has excluded the landless and other poorest of the rural poor.
2. Effective expenditure directly to poverty eradication programmes is small compared to overall total expenditure.
3. Most programmes are "poverty related" and not "poverty targeted" or "poverty focussed", with emphasis on general agricultural development without focussing specifically on the poor.
4. The target group is not clearly identified.
5. There are too many agencies with overlapping functions and the execution of policy is not effectively carried out. This is the "over government" syndrome. This can adversely affect the delivery of inputs and services to the farming population.
6. The poverty programme is "evolutionary" in nature and focuses on sectors. This tends to affect the poor and non-poor alike (like the farmer in the rice sector). Because of their broad and blanket approach and effects, poverty problems cannot generally be solved.



7. Planning and implementation of policy, strategy and programme on poverty eradication are mostly "top-down". The target group is not affected and therefore does not provide full support [10].

In view of the problems described above, the Amanah Ikhtiar Malaysia (the Ikhtiar Trust of Malaysia) or AIM, a non-governmental organization, modelled along the Grameen Bank approach towards poverty alleviation, stepped in and offered a viable alternative which could complement the government's poverty alleviation programmes.

#### **1.2.4 A NEW APPROACH TOWARDS RURAL POVERTY ALLEVIATION - THE AMANAH IKHTIAR RURAL CREDIT-CUM POVERTY FOCUSED PROGRAMME**

The Ikhtiar Programme [11] is a totally new concept and innovative approach in eradicating poverty amongst the rural poor in Peninsular Malaysia. It is modelled after the Grameen Bank of Bangladesh and adjusted to suit the local context. After about 2 1/2 years of trying out the approach as a pilot project known as *Projek Ikhtiar* (Ikhtiar Project), in Northwest Selangor starting in January 1986, it was found to be suitable for implementation and expansion to other poor areas in Peninsular Malaysia. The Ikhtiar Programme was established in September 1987 to institutionalize and expand the initial pilot project - *Projek Ikhtiar*, to other poor districts throughout the country.

Basically the Ikhtiar Programme seeks to provide small loans on reasonable terms to the very poor rural households to finance income generating activities. It is a targeted specialized delivery system focussed exclusively on the poor [12], taking credit to their homes and villages through an approach based on self-realization and collective responsibility among the borrowers.

After only 3 years of Ikhtiar's operation, many signs indicate that the programme is achieving its objective of helping the poor in increasing their incomes. The social-thinkers, coupled with planners and policy makers, are beginning to realize the potential role of the Ikhtiar Programme. From a very modest beginning of only 1 branch in 1986, it began to expand very rapidly. By December 1992, there were 34 AIM branches in most states in the country.

The Ikhtiar Programme appears to have made headway in this country. AIM's internal impact evaluation studies [13] have shown that the poor have experienced an increase in their incomes after the utilization of Ikhtiar loans and are benefitting substantially from Ikhtiar loans.

Government publications and official documents, such as the Mid-Term Review of the Fifth Malaysia Plan (1986-1990), The Sixth Malaysia Plan (1991- 1995), Outline Perspective Plan 2 (OPP2 - 1991-2000), The Mid-Term Review of the Sixth Malaysia Plan and SERU's (Socioeconomic Research Unit - in the Malaysian Prime Minister's department) report (1991), have acknowledged AIM as a force to be reckoned with [14].

The Ikhtiar Programme has caught the attention of the government and in the publication of the Government's Sixth Malaysia Plan, covering the period of 1991 - 95, an allocation of M\$20 million was made available to AIM in pursuing its programme (Malaysia, 1991). At the same time, local newspapers (New Straits Times, Berita Harian and Utusan Malaysia) give very wide coverage to Ikhtiar's success stories. Below is one of the many examples of the newspaper reports:

*BERITA HARIAN* (the daily Malay National Newspaper), *12th March 1991*, reported the case of Mrs. Kasmah (aged 24), who was successful in carrying out income-generating activities with the M\$500 loan. She sells biscuits in the local market and managed to earn about M\$7.00 a day. The remaining loan was used to buy 94 chickens, from which more money will come by selling the eggs.

The above example demonstrated how the Ikhtiar Programme can and is giving loans to those who, despite their survival skills had never had access to credit from other sources to develop their skills for income-generation. The birth of the Ikhtiar Programme with its innovative rural credit cum-poverty alleviation programme as a new concept in Malaysia, offers a ray of hope for the poorest of the poor households in rural areas.

Thus the above development, that is the emergence of the Ikhtiar Programme as new concept towards poverty alleviation, has provided an exciting avenue for the examination of a new approach and also an alternative strategy upon which the search for a means of alleviating rural poverty in Peninsular Malaysia might be based.

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### 1.3 OBJECTIVES OF THE STUDY

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The Ikhtiar Programme appears to have made headway in this country and it will be interesting to explore this new phenomenon. As a result this study seeks to explore the intricacies of the operations of the Amanah Ikhtiar Malaysia's "much acclaimed" programme. In relation to that, the main purpose of this study is also to examine, namely to explore to what extent the Ikhtiar rural credit-cum poverty alleviation programme has been effective in raising the incomes and reducing the incidence of poverty among its beneficiaries, based on a case study in the district of Baling, in the state of Kedah [15].

The objectives of this study are:

1. The Amanah Ikhtiar rural credit-cum poverty focussed programme is a totally new concept in Peninsular Malaysia modelled after the Grameen Bank of Bangladesh. The central focus of this programme is the provision of credit to very poor rural household for financing income generating activities, through its targeted "specially designed delivery system". In relation to this, it is the intention of this study to explore the working mechanism of the Amanah Ikhtiar delivery system.
2. The Amanah Ikhtiar rural credit-cum poverty focussed programme was established with the sole purpose of assisting the very poor rural households to lift themselves out of poverty, primarily by means of its benevolent loans to be used for financing income-generating activities. Therefore it is the intention of this study to examine, to what extent the Ikhtiar Programme has been effective in increasing the incomes and reducing the incidence of poverty among the participants after the utilization of loans in the study area.
3. Generally, the immediate benefit that arises out of an economic intervention is an increase in incomes and is therefore an indication of an improved economic status. However, an improvement in the quality of life also provides a good indication of the benefits that stem from an economic intervention (Robinson, 1992). Therefore in relation to the second objective, it is equally important to explore the quality of life among the participants as a result of their credit utilization in the study area.

4. As stated in the second objective above, the sole purpose of the Ikhtiar Programme is the provision of credit to the very poor. Thus the Ikhtiar Programme is a programme targeted to the very poor rural households for the improvement of their economic conditions. It is a general assumption based on experiences in developing countries, Malaysia included that under the existing socio-economic conditions, it is very difficult to reach the poor with resources for development. In relation to this, it is equally important to examine, whether and to what extent the Ikhtiar Programme has been effective in reaching the target group in the study area.
5. To explore the perceptions and attitudes of the programme participants towards the Ikhtiar Programme.
6. To explore the lessons that can be learned from the experience of the Ikhtiar Programme for the planning and the implementation of broad-based and poverty focussed rural development effort.

This study has pioneering and exploratory qualities. It is hoped that this study, among the pioneers will be able to shed some light on AIM's new approach towards combating poverty. It is also the belief that this experience will yield some fresh and exciting perspectives on dealing with poverty, especially through the emerging roles of credit. This experience may therefore offer a rich field from which to draw lessons with a view of strengthening the quality of rural development efforts in Malaysia.

Lastly, the findings of this study, it is hoped, will be useful not only to policy-makers but also to those involved in the rural development in Malaysia. This is especially important in the light of the New Development Plan (NDP) (covering the period 1991-2000), replacing the NEP, but still putting heavy emphasis on poverty, especially hard-core poverty.

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#### 1.4 SCOPE OF THE STUDY

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**The Conventional Approach:** In order to achieve the purpose of this study, the scope therefore covers mainly the examination and review of approaches, theories and concepts relating to the rural development and poverty alleviation strategies in

developing countries as well as in the Malaysian context pursued by the state or federal governments under the conventional approach.

**The Alternative Approach:** In relation to the above, the emerging roles of the non-governmental sectors in putting forward the concept of "Another Development" i.e. the alternative approach to rural development and poverty alleviation strategy, are also examined and reviewed. This alternative approach has witnessed the emerging role of credit as a new weapon towards the alleviation of poverty in many developing countries.

**Main Focus:** Within the context of the alternative approach, the main focuses of this study are on:

1. The Grameen Bank of Bangladesh with its credit based poverty alleviation programme, that has been widely replicated throughout the developing countries.
2. The Malaysian's version of GB, i.e. the Ikhtiar Programme at the macro level (nation wide) and its overall operational framework.
3. At the micro level, i.e. BALING, the case study area, the main focus is specifically on the Ikhtiar Programme's economic effects on the programme participants. No attempt has been made to investigate the social effects.
4. Lastly, this study will also analyze the implications of the findings on the alleviation of rural poverty through the Ikhtiar Programme's new concept in Baling and make recommendations to improve the existing situation for an improved future in connection with AIM's new concept.

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## 1.5 RESEARCH HYPOTHESES

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### 1.5.1 HYPOTHESES TO BE TESTED

There are 3 main hypotheses that will be tested in this study.

#### **HYPOTHESIS ONE**

It is hypothesized that:

1. Credit to the poor rural households can be effective in increasing incomes as well as reducing the incidence of poverty. From this, a hypothesis related to this study can be generated as follows:
  - a) Credit granted to the Ikhtiar Programme participants in the study area has been effective in increasing *participants' incomes* as well as reducing the *incidence of poverty* among them. The programme participants are generally better off than they were before and compared with the control group, they are also generally better off. However, by comparing between the programme participants themselves, there is a significant difference in the level of household income based on *(i) cycles of Ikhtiar loans* and *(ii) types of activities* they pursued with Ikhtiar loans.

The above hypothesis, which consists of six sub-hypotheses (as listed in i to vi below), will be tested in two stages:

Stage 1 includes the testing of four sub-hypotheses, i.e. sub-hypotheses (i), (ii), (iii) and (iv) which compares changes in the household incomes and the incidence of poverty between the programme participants and the control group.

Stage 2 includes the testing of two further sub-hypotheses, i.e. sub-hypotheses (v) and (vi), which is solely between the programme participants themselves based on the *cycles of loans* and *types of activities* pursued with Ikhtiar loans.

The six sub-hypotheses to be tested are as follows:

- (i) The household income of the programme participants has increased as a result of utilization of credit (loans).
- (ii) The household income of the programme participants is relatively higher than that of the local population (control group) who has not participated.
- (iii) The incidence of poverty of the programme participants has also been substantially reduced (as a result of the increase in the household income).
- (iv) The reduction in the incidence of poverty among the non-participants (control group), on the other hand, has only been marginal.

- (v) There are significant differences in the household incomes between the programme participants themselves whereby:
  - (a) the level of income is higher among the participants in the second cycle of loans than those in the first cycle of loans.
  - (b) the level of income is higher among the participants who have utilized loans in non-agricultural activities than in agricultural activities.
- (vi) The contribution of income from Ikhtiar-financed project activity (Ikhtiar sources) towards the participants' total household income (i.e. earnings from Ikhtiar and non-Ikhtiar sources) is significant.

## **HYPOTHESIS TWO**

**Hypothesis Two is directly related to Hypothesis One.** It has been argued that the immediate benefits arising out of economic intervention are not restricted to increases in incomes, even though these are central to improved status. Other indicators that can provide a good indication of range of benefits that stem from economic interventions include increases in expenditure on education, health and non-food items, housing and amenities (sanitation, lighting, etc) and savings (Robinson, 1992) and also household items such as beds and other material possessions such as radios, bicycles, etc (KEDA, 1985; Bhatt, 1991). Formally, it can be hypothesized that:

2. An increase in income among the poor rural households is also likely to bring about positive impacts on their quality of life and also their saving. From this, a hypothesis related to this study can be generated as follows:
  - b) An increase in income resulting from the economic ventures (through the utilization of Ikhtiar loans) undertaken by the programme participants in the study area has had a positive impact on their quality of life and also their savings. They are therefore better off than the control group (non-participants). This hypothesis will be tested by the following four sub-hypotheses.

- (i) The quality of life among the programme participants has improved and this can be seen in their:
  - (a) housing conditions;
  - (b) household items; and
  - (c) household expenditures.
- (ii) The changes in the quality of life among the control group, on the other hand, has been marginal with respect to their:
  - (a) housing conditions;
  - (b) household items; and
  - (c) household expenditures.
- (iii) A higher level of savings has also been encouraged among the programme participants.
- (iv) The level of savings among the control group, on the other hand, has undergone only marginal change.

### **HYPOTHESIS THREE**

It is hypothesized that:

3. The poor are effectively reached if the programme for the alleviation of poverty is designed exclusively for them and implemented through a specially designed delivery system. From this, a hypothesis related to this study can be generated as follows:
  - c) The Ikhtiar Programme, or the Amanah Ikhtiar rural credit-cum poverty alleviation programme, has been effective in reaching very poor rural households (its target group) because the programme is designed exclusively for the very poor and implemented through a specially designed delivery system. This hypothesis will be tested by the following two sub-hypotheses.
    - (i) The Ikhtiar Programme has reached its target group, consisting of the eligible poor rural households in the study area.



- (ii) The non-eligible rural households have been effectively excluded from the Ikhtiar Programme in the study area.

### **1.5.2 THE RELATIONSHIPS BETWEEN THE OBJECTIVES AND HYPOTHESES OF THE STUDY**

This study consists of 6 main objectives related to the effectiveness of the Ikhtiar Programme's new approach in increasing the income and the reduction of rural poverty in the case study area of BALING. In the process of justifying these objectives, three main hypotheses with twelve sub-hypotheses have been constructed. It is necessary to mention here that:

1. **HYPOTHESIS 1** is related to **OBJECTIVE 2**.
2. **HYPOTHESIS 2** is related to **OBJECTIVE 3**.
3. **HYPOTHESIS 3** is related to **OBJECTIVE 4**.

The rest of the research objectives are related indirectly to all the mentioned hypotheses. It needs to be stressed here that, as mentioned, it is in the spirit of discovering the Ikhtiar Programme, new approach towards the alleviation of rural poverty that has emerged in Malaysia, that this study is being undertaken. However since the Ikhtiar Programme is relatively new, an exploration of the overall operational framework of the Ikhtiar Programme is therefore needed to put the Ikhtiar Programme into perspective. This is the purpose of **OBJECTIVE 1**, i.e. to examine and explore the Ikhtiar Programme at macro level, which is to serve as the background for the analysis of Baling, the micro level case study from chapters 7 to 11.

Thus **OBJECTIVE 1** is therefore indirectly related to all the other hypotheses mentioned above and will form the backbone of the whole analysis of the Ikhtiar Programme both at the macro level in general and micro level in particular. In relation to the above mentioned objectives and hypotheses, it is also necessary to mention here that:

1. **OBJECTIVE 1** is discussed in Chapter 5.
2. **OBJECTIVE 2** and **HYPOTHESIS 1** are discussed in Chapter 9.
3. **OBJECTIVE 3** and **HYPOTHESIS 2** are discussed in Chapter 9.
4. **OBJECTIVE 4** and **HYPOTHESIS 3** are discussed in Chapter 10.
5. **OBJECTIVE 5** is discussed in Chapter 10.
6. **OBJECTIVE 6** is discussed in Chapter 11.

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## 1.6 THE STRUCTURE OF THE THESIS

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The work is organized in a further twelve chapters (see figure 1). Chapter 1 outlines the background information pertaining to the overall study, namely, the introduction of the problem, objectives, scope, hypotheses and structure of the thesis.

Chapter 2 reviews the rural development and poverty alleviation strategies in developing countries, pursued under the conventional approach, initiated by the government since the post-war period. It also points to the inadequacies of the conventional development approach in making significant inroads into the alleviation of rural poverty.

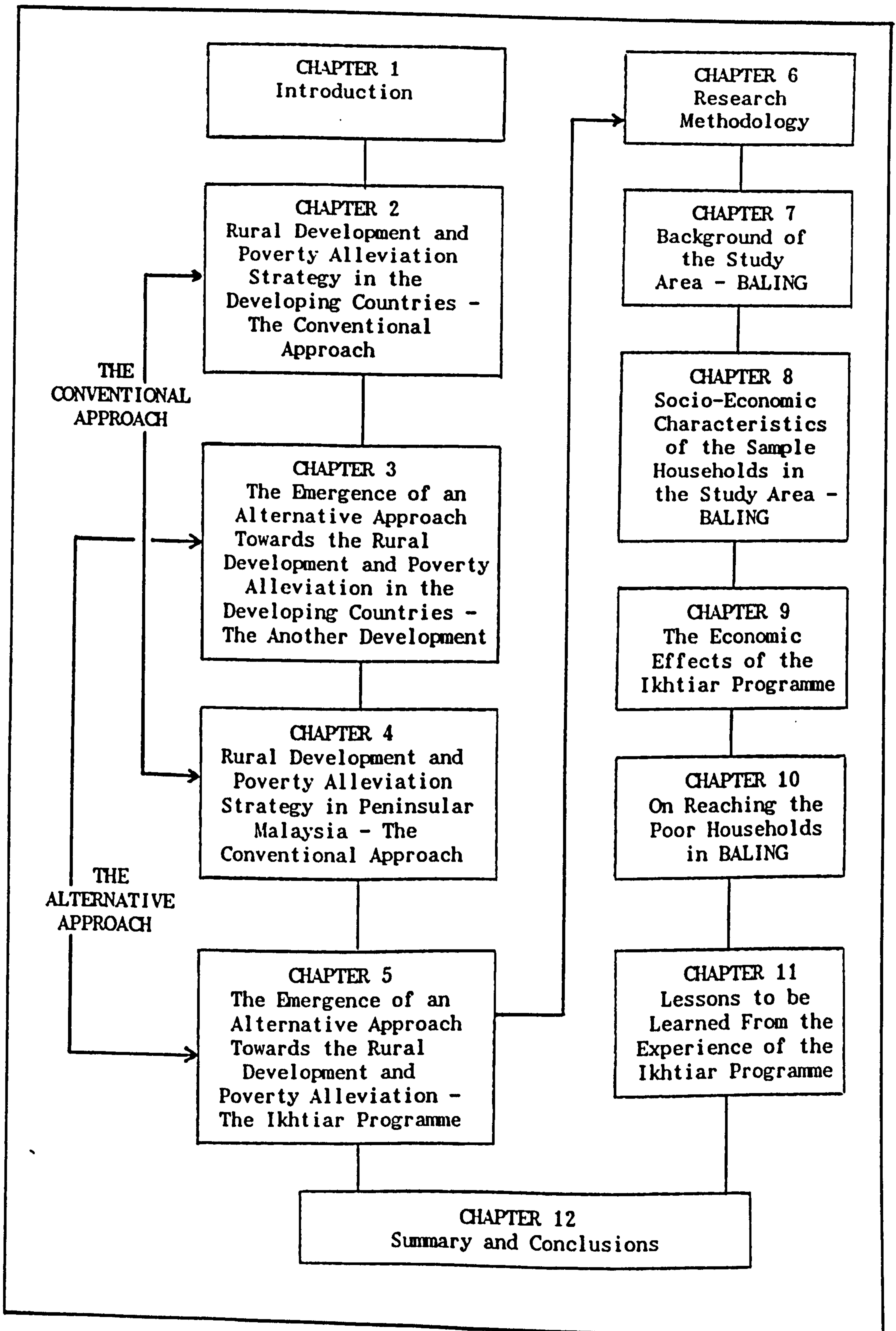
Chapter 3 attempts an overview of the alternative development paradigm, which unlike the conventional approach, is actively promoted by the Non-Government Organizations (NGOs). They are instrumental in putting the concept of "Another Development" into practise. These NGOs are making headway in the alleviation of rural poverty through their credit-based programmes. The main model of this new initiative is the Grameen Bank of Bangladesh, a subject of Chapter 3, that has been widely replicated in many countries, including Malaysia.

Chapter 4, which is very much in line with chapter 2, attempts an overview of Malaysian version of the conventional development approach pursued by the government before and during the New Economic Policy. It also points to the inadequacies and unresolved issues in connection with the government's machinery to effectively address the problem of rural poverty.

Similarly chapter 5, is also very much in line with chapter 3 in exploring the awakening waves of "Another Development" models which are making the development scene throughout the developing countries. This chapter thus explores the Malaysian version of the Grameen Bank model, i.e. the Amanah Ikhtiar Malaysia rural credit-cum poverty alleviation programme.

Chapter 6 to 11 form the main body of the empirical research. Chapter 6 describes the selection of the survey area and the survey method. Chapter 7 describes the physical, demographic and the socio-economic background of the study area of BALING.

Figure 1 : The Structure of the Thesis



Chapter 8 describes the main features of the socio-economic characteristics of the households in BALING. Chapters 9 and 10 form the main thrust of the analysis where the individual hypotheses are tested. Chapter 11 highlights the achievements and limitations of the Ikhtiar Programme. This chapter also discuss the lessons that can be learned from the experience of the Ikhtiar Programme for the planning and implementation of broad-based poverty focussed rural development efforts.

Chapter 12 highlights the important findings of the study, considers some policy implications of the Ikhtiar Programme towards the national development policy, recommends proposals for the overall improvement of the Ikhtiar Programme in dealing with rural poverty in Peninsular Malaysia, suggests areas for future research, and provides concluding remarks.

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## 1.7 CONCLUSIONS

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In this chapter, a research problem has been introduced by first discussing the problem of rural poverty. In relation to this the focuses were on the approaches, theories and concepts relating to rural development and poverty alleviation strategies in developing countries as well as in the Malaysian context pursued by the state or federal government under the conventional approach.

Then the emerging roles of the non-governmental sectors that have been making waves in putting forward the concept of "Another Development", i.e. the alternative approach to rural development and poverty alleviation strategy has been examined and reviewed. This alternative approach has witnessed the emerging role of credit as a new weapon towards the alleviation of poverty in many developing countries.

The most notable model has been the Grameen Bank of Bangladesh, with its credit based poverty alleviation programme, which has been widely replicated throughout many developing countries. The Malaysian version of GB, through the Ikhtiar Programme, is the focus of this study, attempting an alternative approach towards addressing the problem of rural poverty. The main purpose of this study is to examine and to explore to what extent the Ikhtiar Programme has been effective in increasing the income of the programme participants through a case study of the District of BALING, in the state Kedah.

Finally, the chapter outlines the organisation of the study in order to show the relationship between chapters and assist the reader to follow the arguments in the study systematically.

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## FOOTNOTES

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1. The conclusions of the three major studies are as follows: (1) Adelman and Morris work in 1971 which uses data from 74 developing countries during the period 1957 to 1962, came to the conclusion that economic growth was not only associated with increasing inequality but with a worsening of absolute poverty (Adelman and Morris, 1973). (2) Hollis Chenery in the Institute of Development Studies and World Bank sponsored study "Redistribution with Growth" argued that after more than a decade of rapid growth in developing countries, there has been little or no benefit to perhaps a third of their population (Chenery et al, 1974) and (3) Ahluwalia, using 1969 data, estimated the incidence of poverty at the end of the first two 'development decades'. His study has shown that 48 percent of the 578 million total population, fell below an arbitrary line of US\$75 annual per capita income (Ahluwalia, 1974).
2. GB is the main focus of this study, to be discussed in chapter 3, as this is the model which has been replicated in Malaysia since 1986, known as the IKHTIAR PROGRAMME (see also footnote 11 below). Malaysia is also the first country in the world to replicate the GB model and it represents the very first serious attempt outside Bangladesh.
3. Although in a strict sense, Grammen Bank can no longer be considered as an NGO, the lessons it puts forward will continue to inspire non-governmental sectors or private initiatives in the reduction of poverty. Furthermore it still has the NGO style of organization with clients formed into small groups and with strong emphasis on social aspects in addition to its banking activities.
4. Available evidence suggests that the poverty situation in Bangladesh is very serious. In 1973/74 there were 42.6 million poor (44 percent of rural population). In 1988/89 as much as 51.3 percent of the population (rural 40.5 percent and urban 10.8 percent) were below the poverty line. Poverty is also highly correlated with the landlessness. In 1983/84 period 46 percent of all rural households had land of less than 0.5 acres and are classified as near-landless or functionally landless, since the amount they own cannot be a significant source of income. In the same period 27 percent was totally landless. The Bangladesh Institute of Development Studies (BIDS) survey (for 1989/90 period) also sustained these trends where 28 percent were landless and 52 percent were near-landless. The above statistics actually portray, that the problem of poverty and unemployment are very serious among the landless and near-landless (Rahman, 1986; Banking With the Poor, 1992).
5. The success stories of land reform are found in Japan, Republic of Korea, China and Taiwan. These examples have not been replicated successfully elsewhere. As examples, evidence from the experiences of India, Bangladesh, Nepal, Pakistan, Indonesia, Sri Lanka and The Philippines have led to very little redistribution of land among the landless and the poor (Islam and Lee, 1985). Land Reform

measures have taken a number of configurations ranging from the seizure of estates, breaking them up for small farmers and the 'liquidation' of estate owners; to the setting of and ceilings on how much an individual may hold; through the milder measures such as permitting existing ownership patterns to continue but introducing tenancy reforms that limit the rents, or shares, that landlords can levy. Other measures include the large resettlement schemes in an 'expanded' land "frontier", as in Malaysia, Indonesia and The Philippines. Detailed accounts of land reform in different countries can be found in the specialist literature (see Atkins, 1988, for a recent bibliography).

6. Detailed analysis of the Grameen Bank's "specially designed delivery system" is discussed in Chapter 3.
7. Perhaps the most dramatic of the GB initiatives is the role played by Professor Yunus in establishing small-scale credit schemes for the urban poor in Arkansas in the U.S.A. That the leader of a credit programme for the impoverished masses of one of the poorest countries in the world should be advising on establishing similar programme in the metropolis of one of the richest in the world is indeed a paradox of extraordinary proportion (Ghai, 1989). The establishment of the South Shore Bank of Chicago in Arkansas, U.S.A. represents a conceptual breakthrough in its fight against poverty and being the first development vehicle ever created in the country, which truly serves the needs of the poor communities (Ekin, 1992).
8. A detailed discussion of the various poverty alleviation programme in Peninsular Malaysia is presented in Chapter 4.
9. The requirement of collateral by the Bank Pertanian is taken up in Chapter 4.
10. A detailed discussion of all the issues highlighted above is presented in Chapter 4, merely in expanding the points highlighted here.
11. AIM Organization is known as the **AMANAH IKHTIAR MALAYSIA (IKHTIAR TRUST OF MALAYSIA)** or in short AIM. In relation to this, the **AMANAH IKHTIAR MALAYSIA** as an organization has launched a programme known as the **AMANAH IKHTIAR RURAL CREDIT CUM-POVERTY FOCUSED PROGRAMME** or in short the **IKHTIAR PROGRAMME**.
12. The Ikhtiar Programme's "specially designed delivery system" tailored exclusively for the very poor is discussed in detail in Chapter 5.
13. AIM's internal evaluation impact studies are highlighted further in Chapter 5.
14. The statements of acknowledgment by the government's official documents are highlighted in Chapter 5.
15. Details of **BALING** as a study area and why it has been chosen as a case study are given in Chapters 6 and 7.

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## **CHAPTER TWO : RURAL DEVELOPMENT AND POVERTY ALLEVIATION STRATEGY IN THE DEVELOPING COUNTRIES - THE CONVENTIONAL APPROACH**

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### **2.1 INTRODUCTION**

This chapter examines the conventional approaches to rural development and poverty alleviation strategy pursued in the developing countries since world war II under the conventional approach, initiated by the government (or the state). It includes among others the Community Development Programme, Green Revolution, Integrated Rural Development Programme and Credit Programme. However, since the central issue of this study is the problem of poverty, therefore it is necessary first to review briefly the following:

- (i) Concept and measurement of poverty.
- (ii) Causes of poverty.
- (iii) Poverty situations in the developing countries.

These will serve as the background for the understanding of the poverty within the overall operational framework of the various rural development and poverty alleviation strategies, namely the Community Development Programme, Green Revolution, Integrated Rural Development Programme and the Rural Credit in the developing countries.

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### **2.2 CONCEPT AND EXPLANATION OF POVERTY**

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Two issues will be discussed below:

- i. Concept of poverty.
- ii. Measurement of poverty.



### 2.2.1 CONCEPT OF POVERTY

A number of different meanings have been given to the term 'poverty' and there has been considerable controversy about which is the most acceptable way to define it. Townsend (1979: 31) for example defines poverty:

'Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or are at least widely encouraged or approved, in the societies to which they belong. Their resources are so seriously below those command by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities'.

Other views on poverty (sometime overlapping) are briefly summarized as follows: Harrington (1962) defines poverty in terms of denial of some minimal level of health, housing, food and education. Sen (1981) sees poverty as the failure to achieve certain minimum capabilities and suggests that poverty also relates to the question of entitlements. Rein (1974) associates poverty with subsistence, inequality and externality, while Lafitte (1970) and Nordhaus and Samuelson (1992) define poverty as low level or inadequate income. Thernstorm (1968) sees the poor as those who occupy the lowest level of the social pyramid, while Griffin and Khan (1982) see poverty as a product of the social system and suggests that it reflects differences in access of various groups to sources of economic power. It is thus clear that poverty is a very difficult concept to define. However there appear to be two essentially and widely used concepts of viewing poverty: the "absolute" and "relative" (Anand, 1983).

**1. Relative Poverty:** The notion of relative poverty is based on the idea that the measure of poverty, and consequently the numbers of people deemed to be living in poverty, can only be determined in relation to the standard of living of all members of any particular society (Alcock, 1989). The best definition of relative poverty is summed up by Runciman who develops the concept, relative deprivation, as follows:

"if A, who does not have something but wants it, compares himself to B, who does have it, then A is 'relatively deprived' with reference to B" (Runciman, 1966: 10).

**2. Absolute Poverty:** On the other hand absolute poverty, sometimes called subsistence poverty, describes sufficient or minimal levels of satisfaction of a person's

biological needs (like food, shelter, clothing, health and sanitation). Therefore persons who are found to be below those levels are considered 'absolutely' poor and those above them are defined as not poor (Drewnoski, 1977; Alcock, 1989; Oppenheim, 1990).

### **2.2.2 MEASUREMENT OF POVERTY : THE POVERTY LINE**

The most common and most widely used poverty measurement is to establish a poverty line, which would serve as a boundary between that which is poverty and that which is not (Sen, 1981; World Development Report, 1990; Yusof, 1991). There are two approaches to the definition of poverty line, a relative and absolute one. In its very crude form, a relative poverty line is sometimes defined as the level of income beneath which 40 percent of the national population fall (Ahmad, 1983) [1]. An absolute poverty line is the level of income required to support a certain minimal living standard in terms of basic biological needs such as food, clothing, housing, etc. Lipton (1988) has identified low income as a broad-brush measure of poverty.

Generally, once the poverty line has been defined, it is possible to measure the extent of poverty. Two types of indices (World Development Report, 1990) are used:

**Head-count Index:** Once the poor have been distinguished from the non-poor, the way to measure poverty is to express the number of poor as a proportion of the population. It is also referred to as the 'incidence of poverty'. This is the most widely used poverty measurement.

**Poverty Gap:** also known as income shortfall, it is the total income needed to bring all the poor up to the poverty line.

The great merit of using the poverty line is that it allows us to see immediately what has been happening to the overall incidence of poverty (Griffin, 1981). However, it is also worth noting that the limitation of using a poverty line has been widely recognized. Consequently poverty points are bound to be different in various places and at various times. Furthermore, the view that "poverty is a value judgment" has been presented forcefully by many authors (Sen, 1981). Drewnowski (1977) for example argues that as the character of the poverty standard is unavoidably value-loaded, what is needed to make measuring methodology correct is the classification of the substance of the various value judgments involved.

**Physical Quality of Life Index:** There is also another attempt of measuring poverty in terms of social indicators. Thus the physical quality of life index (PQLI) has been developed (Nafzinger, 1990; Hulme and Turner, 1990; Foskett and Foskett, 1991) [2]. Recently in 1990, The United Nations Development Programme (UNDP) developed a unified Human Development Index (HDI), as a measure of human welfare (Haque and Tusneem, 1992) [3].

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### 2.3 CAUSES OF POVERTY

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Different views have been expounded on the causes of poverty. In most developing countries, efforts to overcome poverty are varied and to some extent influenced by the analysis of the government on the nature and causes of poverty, before embarking on their anti-poverty programmes.

It has been argued that in the analysis of poverty, there are certain habits of thought which seem to obscure its true nature and prevent identification of proper means for its eradication (Salih, 1977). What is important to note is that in devising an effective anti-poverty programme, there must first be a clear understanding of the causes of poverty. Failing to do so results in a wasted effort and the poor will remain poor.

Dixon (1991) states that the explanations of rural poverty are extremely varied. The list that he puts forward is by no mean exhaustive (See Table 2). Different researchers have given different views on the causes of poverty and in most of their analyses will somehow include some of the above list of variables whether singly or in combinations. It is not the intention here to review every single variable that causes poverty as listed in Table 2. Thus a general review will be attempted.

There are several views which place the causes of rural poverty firmly on the nature of developing countries' societies. This is being associated with certain characteristics or traits found in individuals and their cultures, which are considered to be negative and are the main obstacles to the achievement of either personal wealth or social progress.

**Table 2: Explanation of Rural Poverty**

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Part of underdevelopment/poverty of the Third World are:

1. Due to the extraction of surplus production under:
    - i. Colonialism.
    - ii. Neo-colonialism.
    - iii. International capitalism.
  2. Due to uneven exchange between:
    - i. Third World and Developed World.
    - ii. Rural and Urban Sectors.
  3. Pre-modern social structures and attitudes.
  4. Ill-health and poor nutrition.
  5. Poor environments.
  6. Natural disasters.
  7. Shortages of resources.
  8. Distribution of resources.
  9. War and disruption.
  10. Rapid population growth/over-population.
  11. Degradation of the environments
  12. Inappropriate development policies.
  13. Bias in policies against the rural sector.
  14. Inefficient governments.
  15. Lack of education.
- 

Source: Chris Dixon, 1990 "Rural Development in The Third World"

Therefore the poor are being blamed for being poor. They lack initiatives, motivation, innovation, or they are lazy and slow in responding to challenges.

Most of the accusations have long been heaped on the poor by writers such as Lewis (1961), McClelland (1961), Hagen (1962), Swift (1965), Wilson, (1966), Parkinson (1967) and Rogers (1969) who portrayed peasants' images as lack of innovation, fatalism, low aspirational values, low empathy, limited world views, feudal and traditional, divine lots, having low level of achievements especially in innovation and entrepreneurship and accepting the poverty situation as given.

In contrast, the modern man's images featured by Inkeles and Smith (1974) are: readiness for social changes, future orientation, long term planning, calculability and having faith in science and technology. Therefore the basic argument that emerges from the above discussions is that all the negative aspects must be changed if poverty is to be overcome. This implies the needs to absorb the values of modern man's images.

Most of the above views are now generally discredited (Dixon, 1991). However, the negative views towards the poor still persist and in some cases, it is being perpetuated by any influential or ruling group who want to say that 'poverty is the poor's own fault' (Golbert and Gulger, 1982; Ali, 1986). It is still common to experience the poverty cringe, notably among decision makers, when one suggests working with the poor. The instant reaction is to label the poor as illiterate, itinerant, unaccountable and dishonest (Bhatt, 1991; Remenyi, 1991). As observed by Schneider (1988: 140):

"The idea that the poor are themselves responsible for the backwardness and lack of progress in rural areas of the Third World is not only fairly widely accepted in Western nations but also reflects a prevalent trend of thinking among the ruling elite".

However, most the above accusations are the way adopted by ruling groups to divert attention away from policies and the social and economic systems which are indeed the more serious cause of poverty among rural people (Ali, 1986). Studies in developing countries have shown that the poor do not lack empathy nor do they possess ineffectiveness or need achievements (Melkotes, 1991), but have consistently showed that the poor are hard working (Peil, 1984; Sada, 1987; Schneider, 1988; George, 1988) and also knowledgeable (Chambers, 1983) [4].

Yunus argues that poverty is not caused by personal unwillingness to work hard (they are not lazy). As a matter of fact, a poor person works very hard. He remains in

poverty because he does not receive the full worth of his work (Gibbons, 1988a). Furthermore the existing economic institutions are not designed to accommodate the poor. This has resulted in the process of grabbing to prolong and went unchecked so that the earnings of the others, notably the poor can make a handful of people richer everyday and turn a large number into paupers. The reality in this view is that the poor are victims of an unfair or one-sided socio-economic system that allows poverty to persist. As observed by Korten (1987: 123):

"In the name of helping the poor, the bureaucracies through which most development assistance is dispensed serve first their own members and then the local elites"

Lipton (1984: 155) added:

"This is reminiscent of the pseudo-egalitarian school, where at mealtimes, class B get priority, while class A children get food".

Yunus further adds that a poor person normally will not be able to arrange a larger share of return from his work because his economic base is paper thin and that's why he/she remains trapped in the vicious cycle of poverty; lack of capital -> low productivity -> low saving -> lack of capital which is indeed very hard to overcome. However if he/she can gradually build up an asset base he can command a better share for his/her work, the above cycle can be overcome eventually. Land to the landless will help build his base. Similarly with financial resources at his disposal, an individual is free to build his own fate with his own labour and thus improve his economic situation.

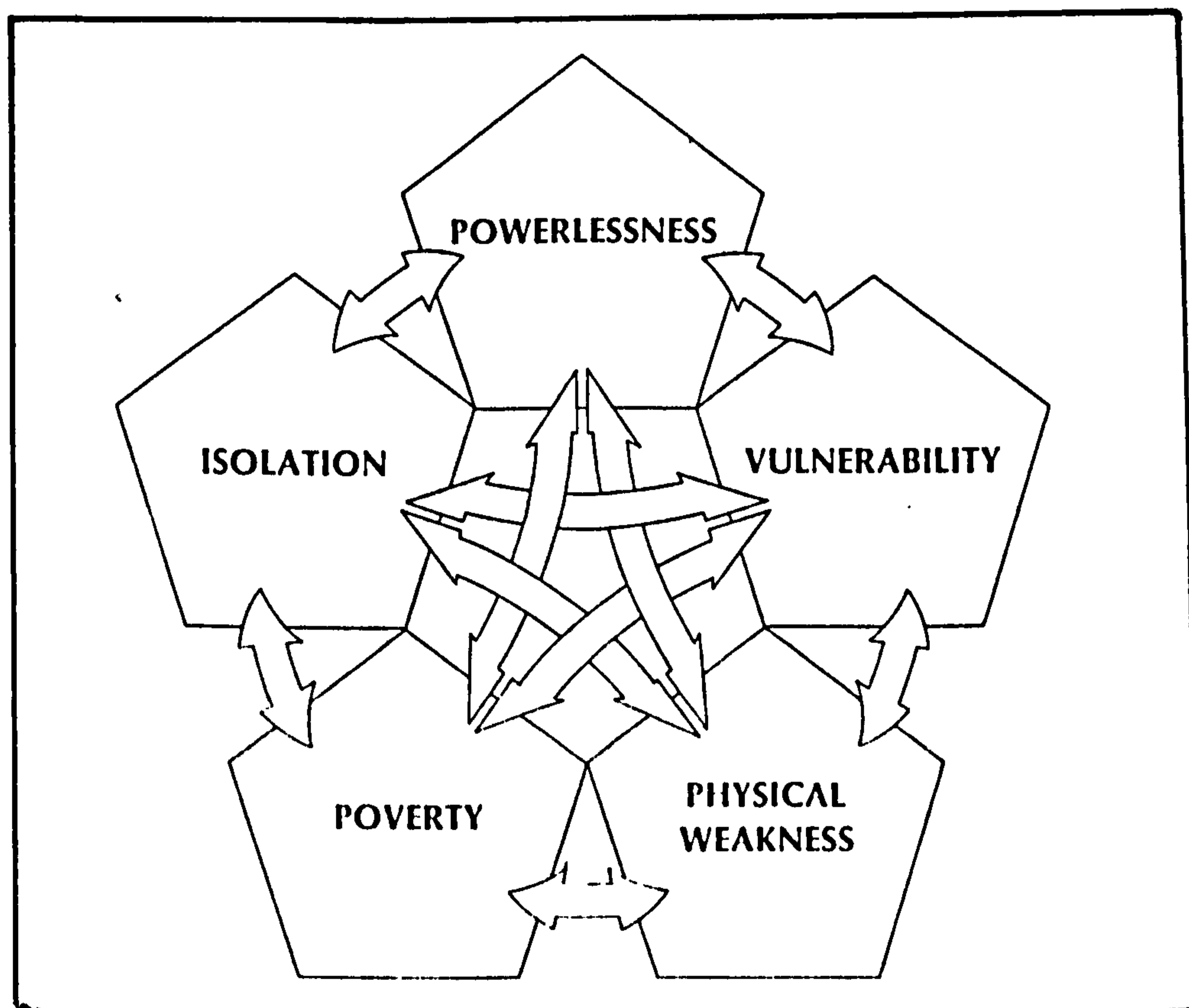
It is true that lack of capital exists in peasant societies and this causes low production but this is not the cause of poverty. Remenyi (1991) thus argued that one most neglected "basic need" is access to financial resources that the poor need to invest to their own betterment (Remenyi, 1991). Only with credit will the poor be able to invest in fixed capital or obtain larger working capital (Ahluwalia, 1990).

As mentioned earlier many developing countries during the post-war period emphasized the strategy of "industrialization-first" in an attempt to foster rapid economic growth. This policy of the government is also an explanation of the cause of rural poverty. This is evident in the urban bias thesis of Michael Lipton (1977). According to Lipton, even though the proponents of 'industrial first' strategies perceived that there are problems in the rural-agricultural sector, the agricultural

policies tend to concentrate on increasing productivity and output of large-scale production units. These have benefited mostly the richer farmers.

An analysis of the causes of poverty that has aroused some interest is that by Robert Chambers. Chambers (1983) describes poverty as an interlocking of five factors: the poverty itself, physical weakness, isolation, vulnerability and powerlessness (see **Figure 2 below**). In his analysis he argues that the rural poor experience worsening deprivation rapidly after the initial onset of poverty, which eventually creates increasing vulnerability which in turn produces powerlessness and so on. These have made the life of the poor increasingly very difficult. For example, being powerless has made it easier for the rural elite not only to secure all or most of the benefits of development advance, but also makes the poor an easy prey of exploitation by powerful local elites (Burkey, 1993; Barke and O'Hare 1991).

Figure 2 : The Poverty Trap



Source : Chambers, R. (1992). **Rural Development : Putting the Last First,**

The above discussion seems to suggest that the socio-economic system operating in rural areas is often hostile to the objective of rural development, serving to reinforce

rural poverty and to frustrate the effort of the poor to move up. Thus a critical step will have to be taken to destroy the condition that can and does make a poverty trap.

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## 2.4 POVERTY SITUATION IN THE DEVELOPING COUNTRIES - A GENERAL OVERVIEW

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As mentioned briefly in Chapter 1, the World Bank's 1978 World Development Report estimated that in 1975 around 770 million people in developing countries lived in absolute poverty. The World Bank's 1990 World Development Report, which has 'poverty' (defines as the inability to attain minimal standard of living) for its theme, has adopted two measures of poverty for international measurement and comparison:

1. The general measure, using the 'poverty line' of per capita annual income of US\$370.
2. The 'extremely poor' [5] at US\$275. (both measures are in 1985 purchasing power parity-PPP-dollars). These two are a universal poverty lines used by World bank to permit cross-cross country comparison and aggregation. These global poverty lines are somewhat arbitrary [see footnote 6 for elaboration].

Based on the first measure, it was estimated that in the mid-1980s 1116 billion people, i.e. roughly one-third of the total population, were poor. According to the World Bank's 1992 World Development Report, the poverty situation in developing countries from 1985 to 1990 period is in the region of 1.1 billion [7]. Table 3 shows the distribution of poverty in developing countries.

The results for the higher poverty line of US\$370 show that poverty incidence is at its worst in South Asia and Sub-Saharan Africa, at about one half of the total population, compared with about 20 per cent in East Asia and Latin America. In terms of numbers, South and East Asia account for two thirds of the total poor in developing countries. The second measure of using the US\$275 a year, yielded 633 million people or 18 percent of the population, who were below this 'extreme' poverty line. Out of 633 million, 300 million were in South Asia and 120 million in East Asia. Social indicators are strongly associated with poverty incidence (see Table 3) [8].



The rural poor often account for approximately 80 percent of all the poor in Africa and Asia, though somewhat less in the more urbanized countries of Latin America (Walton, 1990). Thus poverty is primarily a rural phenomenon and is especially very acute among the landless and near-landless, which constitute the largest single poverty group (Griffin, 1974, 1989; Esman, 1978; FAO, 1988; Jazairy et al, 1992) [9]. A 1978 survey in 20 Latin American and Asian countries, has shown that the landless and near-landless comprise 50 to 90 percent of the rural population (Lappe et al, 1980) [10].

We have seen above that poverty has been a problem of developing countries since world war II. It is especially prominent in the rural areas and will continue to be a major problem throughout the 1990s. With this general scenario, we now turn to examine the rural development strategies and approaches in combating poverty in the developing countries since world war II.

Table 3 : Poverty Situation in Developing Countries, 1985

Region	Extremely poor			Poor (including extremely poor)			Social indicators		
	Number (millions)	Headcount index (%)	Poverty gap	Number (millions)	Headcount index (%)	Poverty gap	Under-5 mortality (per thousand)	Life expectancy (years)	Net primary enrolment rate (%)
Sub-Saharan Africa	120	30	4	180	47	11	196	50	56
East Asia	120	9	0.4	280	20	1	96	67	96
China	80	8	1	210	20	3	58	69	93
South Asia	300	29	3	520	51	10	172	56	74
India	250	33	4	420	55	12	199	57	81
Eastern Europe	3	4	0.2	6	8	0.5	23	71	90
Middle East and North Africa	40	21	1	60	31	2	148	61	75
Latin America and the Caribbean	50	12	1	70	19	1	75	66	92
All developing countries	633	18	1	1116	33	3	121	62	83

The poverty line in 1985 dollars is US\$275 per capita a year for the extremely poor and US\$370 per capita a year for the poor.

The headcount index is defined as the percentage of the population below the poverty line.

The poverty gap is defined as the aggregate income shortfall of the poor as a percentage of aggregate consumption (see text).

Under-5 mortality rates are for 1980-85, except for China and South Asia, where the period is 1975-80.

Source: World Bank (1990) *World Development Report 1990*, Oxford University Press, New York, p.29.

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## **2.5 RURAL DEVELOPMENT AND POVERTY ALLEVIATION STRATEGIES IN THE DEVELOPING COUNTRIES**

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### **2.5.1 DEFINITION**

The World Bank (1975c: 3) defines Rural Development as:

"a strategy designed to improve the economic and social life of a group of people - the rural poor. It involves extending the benefits of development to the poorest among those seeking a livelihood in the rural areas. The group includes small-scale farmers, tenants and the landless".

This definition reflects the way in which views of development have changed since the early 1970s. The focus of development has shifted from a concern of 'growth maximization' to 'redistribution with growth' or 'growth with justice', where focus is more on the issues of poverty, inequality and unemployment within the context of growing economy (Todaro, 1985; Dixon, 1991).

The above definition by the World Bank may sound very promising (i.e. helping the poorest among the poor), but they frequently bear little resemblance to the perception of those in making decisions and to the practice of development. It is also worth noting that there is no universally acceptable definition of rural development and the term is used in different ways by many authors or institutions [11].

### **2.5.2 MAJOR APPROACHES AND STRATEGIES TOWARDS POVERTY ALLEVIATION IN THE DEVELOPING COUNTRIES**

After gaining independence, most of the developing countries have adopted various social and economic development programmes aimed at raising the living standards of their populations.

In general, rural development strategies may be grouped under three broad headings, namely the technocratic, reformist and radical approaches (Griffin, 1974; Haque et al, 1977; Cheema, 1984) [12]. Development officials of the technocratic approach tends equate rural poverty with low productivity, arising from imperfection in the economic organization and reinforced by traditional values (Mehmet, 1988). Therefore, the

vicious cycle that has trapped the rural poor could be broken by government intervention. As a result, the government's administrative machinery is utilized as the main instrument in the development activities.

It has been argued that most poverty alleviation programmes are interlinked with agricultural and rural development programmes (Haque and Tusneem, 1992). The three strategies that have dominated the rural development poverty alleviation effort of developing countries in the 1950s, 1960s and since the 1970s (Abdullah, 1986) are:

1. The Community Development Programme (CDP).
2. The Green Revolution (GR).
3. The Integrated Rural Development Programme (IRDP).

To these 3 can be added one other strategy:

4. Rural credit, either as a specialized programme or as a component or part and parcel of a broader rural development strategy.

### **2.5.3 THE COMMUNITY DEVELOPMENT PROGRAMME (CDP)**

#### **2.5.3.1 ORIGIN AND RISE OF THE CDP**

The community development approach is usually seen as emanating from a Ford-funded pilot project in the Etawah District of Uttar Pradesh, India in October 1948 and was adopted nationwide in 1952 (Korten, 1980; Hulme and Turner, 1990). The Indian CDP served as a prototype for national development programmes in other developing countries and spread nearly worldwide. By 1960 over 60 developing countries in Asia, Africa and Latin America had CDP programme (Dunham, 1967; Holdcroft, 1984; Hogendorn, 1987) [13].

#### **2.5.3.2 DEFINITION OF COMMUNITY DEVELOPMENT**

Holdcroft (1984: 48) defines Community Development as follows:

"...a process, method, programme, institution, and/or movement which (a) involves people on a community basis in the solution of their common problems (b) teaches and insists upon the use of democratic processes in the joint solution of community problems, and (c) activates and/or facilitates, the transfer of technology to the people of a community for more effective solution of their common problems. Joint efforts to solve common problems democratically and scientifically on a community basis were seen as essential elements of Community Development."

### **2.5.3.3 CDP AS THE COMPREHENSIVE DEVELOPMENT OF RURAL AREA**

Generally in the CDP approach government is the main provider of social service, physical infrastructure and institution building. In general the Community Development programmes were designed as a comprehensive self-help movement covering all aspects, such as development of agriculture, village industries, health, sanitation, education and drinking water. It also includes the establishment of farmers' associations and co-operatives, community centres and others (Kartar Singh, 1986; Haque et al, 1977; Abdullah, 1986; Wallis, 1993). All these were meant to improve their standards of living as well as to create stable and self-reliant communities (Hayami and Ruttan, 1985) and also act towards the alleviation of poverty (Holdcroft, 1984).

Community development was customarily initiated by specially trained civil servants, commonly known as "multi purpose village workers", acting as catalysts to stimulate the activities among the villagers (Hulme and Turner, 1990; Holdcroft, 1984). However there was little involvement or participation from the rural peasants (Remenyi, 1991).

### **2.5.3.4 THE DECLINE OF THE COMMUNITY DEVELOPMENT PROGRAMME (CDP)**

As early as 1960, some CD programmes were already faltering and by 1965 most had been terminated or drastically reduced and were no longer considered to be major national rural development efforts and were seen to have had typically limited accomplishment or were outright failures (Ruttan, 1975; Johnston and Clark, 1982) [14]. CDPs were criticized for failing to improve the economic and social well-being of

the rural people, especially the lower strata. Many observations have shown that the main beneficiaries were the more affluent farmers. However, the rural poor - the artisans and the landless agricultural labourers, were largely bypassed (Dube, 1958; Myrdal, 1968; Long, 1977; Mathur, 1978; Korten, 1980). The CDPs therefore, as noted by Hulme and Turner (1990), failed to alleviate the problem of poverty, but instead promoted the disparities between the rich and poor farmers.

It was rather unfortunate that the CDP was launched in an era of the "trickle-down" mechanism. Thus CDP was not intended, nor did they affect, the basic structural barriers to equity and growth in rural communities. The existing power structures were accepted as given (Holdcroft; 1984).

It was also argued that the failure of the CDP in general was also because of the marginal significance attached to rural development in preference for industrialization, the image of modernization during the decade of the 1950s and early 1960s (Oman and Wiganaraja, 1990). Development for the people has thus lost out in favour of growth of average GNP per head, increased domestic savings rates to finance the pursuit of modernity (Remenyi, 1991). The implementation of the CDP was done through conventional bureaucratic structures, formulated centrally [15] with little regard to the capability of the people (Korten, 1980). It was generally assumed that local communities could only be developed by central development strategies (Melkotes, 1991). As a result, the poor people did not respond to the CDP approach (Myrdal, 1968; Korten, 1980).

Finally the decline of CDP was also fuelled by global food crises, triggered by crop failures in South Asia in the mid 1960s. This forced both the national government and development assistance agencies to shift focus on a programme designed to enhance agricultural production (Hayami and Ruttan, 1985). The shift was further reinforced with the emergence of the "green revolution" in the early 1960s.

## **2.5.4 THE GREEN REVOLUTION (GR)**

### **2.5.4.1 DEFINITION OF THE GREEN REVOLUTION**

In general, the Green Revolution can be defined as the application of modern western-based agricultural technology to traditional farming systems in developing countries, which includes new high yielding variety (HYV) seed, fertilizers, insecticide, implements and water control and others (Barke and O'Hare, 1984; Dixon, 1991) The "Green Revolution" as a production led strategy, being technocratic in nature

(Corbridge, 1986), was adopted in many developing countries and became the dominant agricultural development model in the 1960's (Ruttan and Biswanger, 1978).

In principle, the Green Revolution approach has many attractions and the main ones are (i) increases food production (ii) "scale neutral", a technology that could raise the yield and income of all farmers regardless of their scale of operation and (iii) a good provider of employment opportunities (Griffin, 1989; Bernstein, 1992; Staatz and Ericker, 1984; Blackwood, 1988). The GR strategy is therefore regarded by its advocates as fostering faster overall growth, a reduction in the incidence of poverty and a more equitable distribution of income.

#### **2.5.4.2 THE EXPANSION OF HYV IN THE DEVELOPING COUNTRIES**

The introduction of the HYV has indeed resulted in much higher production based on evidence in several Asian countries. **India:** The production of rice and wheat during the 1966 to 1977 period had increased substantially, by 62 percent in the case of rice and by an extraordinary 179 percent in the case of wheat. **Philippines:** By 1968, hybrid rice accounted for 21 percent of the total rice area. The percentage doubled by 1970 to 43 percent and rose to 78 percent by 1980 (Griffin, 1989). **Malaysia:** The HYV rice has spread rapidly from an estimated 10 per cent of the planted area in 1966 to 36 percent in 1971-1972 (Dixon, 1991). **Pakistan, Indonesia, Bangladesh, South Korea, Taiwan and Japan:** All these countries also experienced growth in their agricultural productivity (Ruttan and Biswanger, 1978; Mahfooz, 1979; Herdt and Capule, 1983).

#### **2.5.4.3 THE IMPACT OF GREEN REVOLUTION IN GENERAL**

Under the GR strategy, it is the HYV new seeds which form the thrust of its foundation. The higher yields have typically been obtained under certain optimum conditions (Glaeser, 1987) [16] and have generally been associated with intensified mechanization and agricultural equipment (Ruttan and Biswanger, 1978; Todaro, 1991). In order to adopt the HYV, local farmers had to purchase all required inputs (Abraham, 1991).

It was thus argued that those farmers with the advantages of land and capital were the first to adapt to the new seeds and benefited the most. Basically they are the richer and larger scale farmers (Barke and O'Hare, 1984; Oman and Wiganaraja, 1991). With new

found enthusiasm and potential profitability of the HYV by large landowners, the tenants are being pushed off their lands in order for the landowners to farm it themselves (Bardhan and Bardhan, 1973; Ghatak and Ingersent, 1984; Barke and O'Hare, 1984, Lappe and Collin, 1982).

The other way that the large scale farmer gained from this new technology was by increasing the rents (Bharadwaj and Dass, 1975; Lappe and Collin, 1982; Ghatak and Ingersent, 1984). Rapid mechanization has also contributed to unemployment and poverty (Byres, 1981). The inevitable result is the rise in the number of the landless (Lappe and Collin, 1982; Griffin, 1989) [17]. One of the consequences of the dislocation of the landless is the increase in number of migrants to urban areas, with many joining the ranks of the unemployed (Glaeser, 1987; Hayami and Ruttan, 1985; McWilliams and Piotrowski, 1990; Dixon, 1991).

Thus, it appears that the GR has brought about, according to many observations, a further widening of the gap between the rich and the poor and also the increased consolidation of agricultural land in the hands of the very few, so-called progressive farmers - large scale farmers and rich land-owners. GR is therefore a landlord-biased form of agriculture (Pearse, 1980; Singh, 1980; Byres and Crow, 1983; Baylis-Smith, 1984; Chambers and Ghildyal, 1985; King and Schneider, 1991; Webster, 1991; Bernstein, 1992; Rondinelli, 1993). Similarly, The United Nations Research Institute for Social Development, in its world wide study of the socio-economic impact of the GR, also concluded that while the increase in yields had been substantial, at the same time it has aggravated the social and economic inequalities in the rural sector (UNRISD, 1979).

Even though the new technology promised to be scale neutral, public policies and social institutions (e.g. land tenure and credit arrangements) that accompany its introduction into the rural economy often are not scale-neutral as they tend to serve only the rural elites (Todaro, 1981) [18]. Sadly, the GR which was originally designed as a "developmental" innovation with great potential for alleviating poverty, has become an instrument for the impoverishment of the rural peasant class.

The general conclusions of the GR have shown that access to land and other productive resources stood as a common platform in influencing the flow of benefits. Hettne (1990: 57) thus sums up the GR experience as follows:

**"The Green Revolution...of the 1960s...confirmed the universal observation that what was taking place in many countries during the development decade was "growth without development - but with poverty".**

The shortcomings of the Community Development Programme and Green Revolution served as a background to the emergence of the new approach towards poverty alleviation in the early 1970s, i.e. the "Integrated Rural Development Programme" - a poverty focussed strategy.

## **2.5.5 THE INTEGRATED RURAL DEVELOPMENT PROGRAMME (IRDP) : THE POVERTY FOCUSED PROGRAMME**

### **2.5.5.1 INTRODUCTION**

As mentioned in Chapter 1, it was Seer's widely publicized lecture that signaled the shift from development being related mainly to economic growth to a broader concept encompassing reductions in poverty, unemployment and inequality. Thus the early 1970s saw the emergence of a movement known as reformist which through its literature has contributed to the process of rethinking of development from merely economic growth to a broader concept as mentioned above. However the reformist approach tended to place emphasis on the role of state.

### **2.5.5.2 THE REFORMIST AND THE WORLD BANK RESPONSE TO POVERTY**

The reformist responses to increasing concern with poverty in the 1970s essentially comprised three planks:

- 1. *Employment-oriented strategies,***
- 2. *Redistribution with growth and***
- 3. *Basic human needs strategies.***

The overall reformist responses during the 1970s should be viewed as a major period of international co-operation [19] directed at one central issue: attacking poverty. This increasing concern with poverty issues was visible in the 1970s in the policy of World Bank, especially under its President, McNamara, who pledged that his organization would put greater emphasis on problems of absolute poverty [20] and would direct its



resources towards the small farmers/small rural producers as the "target group" (Ayres, 1983; Hayami and Ruttan, 1985; Oman and Wiganaraja, 1991) [21].

Although a strategy for a particular rural development approach evolved and was shaped by the internal dynamics of the socio-economic forces in particular developing countries, it is important to note that in many instances the donor/lending agencies were instrumental in pushing, for example, 'Integrated Rural Development' as a strategy of rural development (Siwar and Mustapha, 1989). The World Bank, therefore is the largest lending agency in rural development and has tremendous influence on the development of many developing countries (World Bank, 1975) [22].

### **2.5.5.3 IRDP AS A COMPREHENSIVE APPROACH TOWARDS RURAL DEVELOPMENT**

As the benefits of development did not trickle-down fast enough to the lower income rural groups, development experts and theorists alike have come up with a consensus in favour of a much more comprehensive approach to agricultural development. Integration was, therefore necessary and it was also generally perceived that the poverty of rural small farmers emanated from a host of problems from literacy to health, to access, to credit, land, marketing, education and technology. Hence the main idea was to attempt to solve all problems all at once (Bothomoni, 1991).

The centerpiece of this new emphasis by the World Bank was the emergence of what McNamara termed **Integrated Rural Development** or the "IRDP" (Melkotes, 1991). The IRDP as it is popularly known is also being referred to as the '**poverty-focussed rural development programme**', and contains the basic reformist ingredients in combating poverty, namely **employment-oriented strategies, redistribution with growth and the basic needs strategies.**

This poverty-focussed programme is also labelled "new style" as it tries to move away from the traditional focus on growth, to the inclusion of socio-economic factors in the analyses and formulation of strategies (Brara, 1983) and also being more comprehensive (Hayami and Ruttan, 1985), with multiple objectives (Lea and Chaudhri, 1983; Bothomoni, 1991; Drakakis-Smith, 1992) [23]. Being a 'target group' approach, the rural poor are defined and identified, their principal characteristics are determined. It also incorporates the elements of the "Community Development", "Green Revolution" and also the "Basic Needs Approach", except with a specific focus on a certain pre-determined target population (Abdullah, 1986). In relation to that, it takes place at many different locations and scales varying from local communities,

administrative districts or geographically defined areas or regions such as river basins (Ayres, 1983; Lea and Chaudhri, 1983; Friedmann, 1992).

The IRDP programmes have taken a variety of approaches in reaching the target group which include area development schemes, irrigation and land settlement schemes. The World Bank in its 1975 publication "Assault on World Poverty" (p. 41-56) has conveniently or generally categorized 3 main approaches of attacking rural poverty, namely (i) Minimum Package Approach, (ii) The Comprehensive Approach and (iii) The Specific and Sectoral Programme [24].

Thus, since the 1970s, the IDRPs have become the dominant concept in the contemporary development literature and is a very prominent model. It has been introduced in many developing countries and started to gain credence in the early 1980s (Momin, 1987; Siwar and Mustapha, 1989) and has become an increasingly important focus among other aid agencies as well [25].

As compared to the previous programme, IRDPs are also administratively complex. Generally this 'new' integrated approach requires the coordination of effort of many agencies or ministries operating in the target area (Friedmann, 1992; Jane and Wiggle, 1987). (This will be shown in the Malaysian's IADP complex - see Figure 4 in Chapter 4).

#### **2.5.5.4 EVALUATION OF THE IDRPs**

Studies on rural development in 7 Asian countries (ILO, 1977) and 9 African countries have shown that there were increasing inequalities in incomes and assets among the rural households (Ghai and Radhwan, 1983). Similar conclusions were reached by Bothomoni (1991), whose critical review of the IRDP in Zambia and Malawi in Southern Africa, have shown that the programmes have ignored the vast majority of the poorest sections of the rural population.

The IDRPs were also been criticized on its concept of the 'target group' which was defined by World Bank and other proponents of the IDRPs as being the "small farmer". In this connection some general observation on the conceptual vagueness of 'small farmer' will be reviewed briefly.

Conceptual vagueness has done great damage in the formulation of these poverty-focussed programmes. Yunus (Gibbons, 1988a) argues that when a basic concept lacks

sharpness in its definition, it can lead to a strange situation. It is common to talk about 'small' or 'marginal' farmers with the firm belief that small-marginal farmers are a synonym for the poor. Poor may not include the small farmer as it includes much larger collections of people than small-marginal farmers alone. In Bangladesh, for example, half of the total population are poorer than the "small" farmer, they are the landless.

In relation to the above argument, therefore, by focussing on the "small farmer" per se as the main target group, the IRDP is bound even from the start to leave out a substantial portion of the rural population who require the most attention (Abdullah, 1986). In reality, as argued by Ayres (1983), in most of the World Bank's development projects, the principal beneficiaries were the "small-scale" farmers who owned and operated their own properties. However, none of the projects were designed with the rural landless, sharecroppers, squatters and the poorest of the poor in mind. The owner-operators while still poor were still comparatively better off.

A good example of this can be illustrated by a study of the Indian IDRP, where 20 percent of the actual beneficiaries had incomes above the poverty line and hence, in principle, were not eligible for participation in the scheme (Griffin and Knight, 1989). Furthermore, Dreze (1990) noted that the vulnerable groups, i.e. the landless, have practically no involvement.

Another weakness is the way the World Bank identified its target group under the IRDP. The identification was conducted basically in spatial terms. Where an area consists of a majority of the poor who are being identify for the development programme, it was assumed that the majority of the poor would benefit, i.e. still couched in the magic of the "trickle down" mechanism. On this Lappe, Collin and Kinley (1980: 56) argued:

"How do agencies produce so many poor beneficiaries when touting their projects before the public? It is quite simple. They often counted everyone living in the project area. The rationale is that both large and small farmers can profit from modern farming inputs in proportion to their land ownership. And the landless? The theory goes that they will have more work since the farming inputs generate greater productivity".

The limitation of the World Bank's rural development programme stems from the fact that the IDRP is essentially and merely an extension of the "Green Revolution", still preoccupied with raising productivity but the inequitable distribution of power and

resources (mainly land) have not been given a consideration (Dixon, 1990; Momin, 1987). The Bank thus as McNamara said, "will put primary emphasis not on redistribution of income and wealth... but rather on the increasing productivity", which obviously is not meant for the poor (Lappe et al, 1980). Equity is not the Bank's direct policy goal (Frederick, 1978). This is naturally a very common feature of the non-socialist developing countries that are "technocratic" in their nature.

#### **2.5.5.5 IRDP - WEAKNESSES IN THE DELIVERY MECHANISM**

Yunus argues that the so-called poverty focussed programmes (as discussed above) are in fact "omnibus programmes" (Gibbons, 1988a) offering a ride to both poor and non-poor, in which the poor are elbowed out. "Mixed" programmes are only a misnomer for the poverty focussed programmes. In the name of the poor, the non-poor reap the benefits and therefore it is rather strange even from the start to label the "IRDP" as a poverty focussed programme.

It has been argued that in a highly unequal rural structure, it is necessary to separate the poor and it is also necessary to have a poverty alleviation programme which is separate and exclusively tailored for the poor as a target group, supported by exclusive programmes if the poverty alleviation programme is to have some encouraging result (Bhatt, 1991; Sham, 1991). On this Yunus, has stressed strongly at some length (Gibbons, 1988a: 63):

"Exclusiveness should not limit itself only at the clientele level. It should extend up to the implementation machinery level too. A delivery mechanism which is entrusted with the responsibility of delivering all kinds of goods to all kinds of people will always cater to the richest and powerful among the clienteles. This is another inexorable law of Nature. If one has to deliver anything to the poor, the delivery mechanism has to be designed and operated exclusively for the poor - there is no two ways about it... specialized delivery mechanism for the PFPs (Poverty Focussed Programmes) will require specialized people from the planning and designing level down to the person-to-person contact level in the field. If one accepts the proposition that the PFP's (Poverty Focussed Programmes) are a new breed of programmes, one has to agree that they need a new breed of people to put them together and manage them".

[26]

The experience of the IRDPs in many developing countries has shown that it has no specific or single agency or implementing machinery to specifically or exclusively cater only for the poor. As a result it is not surprising for the IRDP did not reach its expectation.

A general observation also shows that the IRDP suffered from a weak organization and management structure and tended to be large, multi-sectoral and administratively complex (Cassen, 1986; Cohen, 1987; Blackwood, 1988; Rondinelli, 1993) [27]. Thus we can sum up that the general conclusions from the IRDP experience suggest that it has failed to effectively tackle the problem of poverty, inequality and unemployment of the poor.

## **2.5.6 PREVIOUS EXPERIENCE OF RURAL CREDIT IN THE DEVELOPING COUNTRIES**

### **2.5.6.1 GENERAL BACKGROUND**

Government policies on rural credit have been pursued in most developing countries as a tool for supporting one or a combination of the following goals: poverty alleviation, increasing production, and other socio-economic and political ends (Agabin, 1988).

In many developing countries, Malaysia included, rural credit has long been regarded as a key element in agricultural/rural development strategies (Egger, 1986). Agricultural credit is an element that has been included in all the agricultural development strategies, either as a specialized programme or as a component of a broader rural development strategy (Tinnermeier, 1983). As an example, most of the IRD programmes are linked with institutional credit and this clearly shows that rural credit is a major plank of rural development (Ramesh, 1990).

The success of the agricultural sector is heavily dependent on the adoption of new technologies plus the use of better seeds, fertilizers, pesticides, and farm machinery. Therefore without effective financial facilities, growth is thus retarded (Egger, 1986). Rural credit has been engaged as an important and powerful policy instrument to deal with the problem of rural development in developing countries (Padmanabhan, 1988). It was generally accepted that credit provides the only means perhaps, of acquiring all other productive inputs available in the market. As such, economic development of rural population engaged in agriculture and living in rural areas could be accelerated by a rapid increase in the supply of institutional credit to such a sector.

For quite a long time, an attempt has been made to increase the supply of formal agricultural credit in general, and to the rural poor in particular, in many developing countries (Adams and Ladman, 1979). In fact, since the decades of the 1950s to the 1970s, financial resources have expanded substantially in the rural areas of the developing countries and the international donors (such as the World Bank and USAID) have granted or lent in excess of 15 billion U.S. dollars for agricultural credit (Adam, 1982). Padmanabhan (1988) further noted that formal institutions in developing countries themselves have provided approximately US\$40 - 50 billion annually as rural credit. Not less than 5 percent of this comes from international agencies. If one reckons the credit extended by the informal sector, the figure would go up by several times.

During the 1970s, in line with the new approach known as "poverty focussed programmes" (as discussed earlier) rural credit has gained a wider currency as there was an increased emphasis on the "small farmer" as a target group. This was evident in the speech of World Bank President Robert McNamara. In his 1973 address to the Board of Governors of World Bank in Nairobi, he said:

"For the small holder operating with virtually no capital, access to credit is crucial. No matter how knowledgeable or well motivated he may be, without such credit he cannot buy improved seed, apply the necessary fertilizers and pesticides, rent equipment or develop his water resources." (McNamara, 1973, cited in Bathrick, 1981: 13).

Thus, since the 1970s, the Bank has allocated cumulatively about 13 per cent of its "agricultural and rural development fund" to agricultural credits. In 1975, the Bank also stated that almost half of such funds over the next 5 years would go to "small farmers" (Lappe et al, 1980) [28].

#### **2.5.6.2 INSTITUTIONAL CREDIT**

In an effort to increase the supply of formal agricultural credit to rural sectors, several types of credit institutions were established - some nationwide and others regionally based [29]. However, the two main types of formal credit institutions that operate in the rural economy of developing countries are (Von Pischke, 1983; Tinnermier, 1983; Deveraux, 1987; Padmanabhan, 1988; Remenyi, 1991):

**1. Commercial Banks:** These banks are established in rural areas firstly to obtain deposits by encouraging the opening of some accounts and secondly to make loans where they can find sufficiently creditworthy borrowers. Their existence in the rural areas are partly an account of government compulsion and mandate and thus do not take to rural lending whole-heartedly and the financing of farmers, particularly small farmers, received only a left - handed treatment because they believe it would be bad for their profitability.

And:

**2. Specialized Agricultural Credit Institutions (SACI's):** Most of these banks were established in the past 20 to 25 years for dealing exclusively with farmers and other rural communities. There has been an increasing concern towards promoting the welfare of the rural poor. They are set up in response to the perceived failure of commercial banks to serve farmers adequately [30].

The establishment of the above mentioned institutions is to overcome the problem of borrowing from the non-institutional sources, which usually charged astronomical interest rates (Schneider, 1988; Siwar, 1988a; Dixon, 1991; Jazairy et al, 1992) [31].

### **2.5.6.3 ON REACHING THE POOR**

Many evaluations of the rural credit programme threw up some disturbing conclusions and the findings show that credit has not reached the small rural producer. The study and review done by the United State Agency for International Development concluded that most evaluations have shown rural credit programmes in many developing countries did not reach the small rural producer (USAID, 1973). In most developing countries, formal credit has not reached more than 20 percent of all farmers. Roughly 5 percent of borrowers have received 80 percent of institutional loans (Padmanabhan, 1988). It has therefore been argued that small farmers are not favoured by the rural credit system (Lipton, 1976; Berry, 1989).

Studies in certain selected developing countries have shown that most of the institutional credit went mainly to large landowners. This was evident in Morocco. In Bolivia, 70 percent of loans went to eastern regions where large farmers dominate, but the small farmers who live on the high plains and mountain valley regions were untouched (FAO, 1986). In India, only 27 percent of institutional credit went to

farmers cultivating land areas below two hectares or less in 1970 (Lele, 1974). In Indonesia large scale farmers are the main beneficiaries (World Bank, 1988).

As mentioned earlier, the World Bank has stressed the need to concentrate on small rural producers. In "Assault on World Poverty" (1975), the Bank states that it was allocating "almost half" of its rural credits to small farmers. However, in reality, as noted by Lappe and Collins (1982), more than half of the World Bank's rural credit went to medium and large landowners who at most constitute only 20 per cent of all landholders in developing countries. Rural credit did not reach the poor and the small producers because of the conceptual vagueness in the definition of "small farmer" [32].

Padmanabhan (1988) also argues that one of the factors of why institutional credit does not reach the poor is because information relating to various credit schemes, formalities and obligations do not reach them, particularly when they are illiterate and if they are literate and do have access to information, they find it hard to comply with the several loan formalities, like filling in applications or obtaining the required guarantor. Furthermore, as noted by Deveraux et al (1990), the flexibilities needed by small rural producers for repaying loans have also not been instituted by formal institutions.

As a result, it is not surprising that in most developing countries, the share of the non-institutional credit in total agricultural finance is still very high as shown in Table 4 (Hayami and Ruttan, 1985; Padmanabhan, 1988).

Table 4 : Sources of Rural Credit by Mid-1970s

	US\$ (Billions)
1. Funds Provided by Aid Agencies	
- World Bank.	5
- Inter-American Development Bank	
- USAID.	
2. Funds Provided by the National Government.	10
3. Funds Provided from Informal Lenders	75
<b>TOTAL</b>	<b>90</b>

Source: Padmanabhan, K.P. (1988). Rural Credit Lessons For Rural Bankers and Policy Makers, Intermediate Technology Publications Ltd, London.



#### 2.5.6.4 LOAN RECOVERY PROBLEMS

Loan recovery problems are widespread everywhere. High rates of default (50 to 95 percent) have been reported in small farmers' credit programmes in Africa, the Middle East and Latin America. Most South and South-East Asian countries also have had similar experiences with loan recovery rates (Sanderatne, 1983).

Several studies have failed to find any conclusive evidence that repayment records of small farmers are worse than those with larger holdings (Sanderatne, 1983). In fact, some studies concluded that a higher default rate occurred among the affluent farmers (Tinnermeier, 1983, Cassen, 1986). Poor repayment records amongst large landowning farmers are observed in Colombia, Costa Rica, Ethiopia and also in the United States of America (Lappe and Collins, 1982), Bangladesh and Sri Lanka (Lipton, 1976) and Ghana (Fiona, 1992).

Experience in several African countries also indicates that small farmers have a much better record of repayment as compared to their richer counterparts. In Ethiopia, as much as 97 percent of small farmers have repaid credit (Lele, 1974). Similarly, in India a larger proportion of farmers that repaid loans are among the marginal, small and medium farmers rather than the large scale farmers, both in 1961 to 1962 and 1971 to 1972 (Avhadani, 1979). Fiona (1992) also notes that poor peasants, rural women and workers are rarely mentioned, if at all, among the list of loan defaulters.

Some of the wealthier and larger scale farmers, the main defaulters, often view their overdue loans as a grant or sometimes assume the welfare role of a loan or see it as a mark of social and political power (Lipton, 1976; Tinnermeier, 1983; Adam and Vogel, 1988; Ramesh, 1990). Furthermore, the richer farmers greater control of village organizations may also account for their ability to avoid repayment (Sanderatne, 1983) [33]. Experiences also show that rural credit programmes did not reach the poor because credit is generally delivered through the traditional delivery system. As noted by Webster (1990), so long as aid capital is given initially to local bureaucrats, it is very likely that the more affluent farmers will be its prime beneficiaries.

General conclusions from rural credit experiences in developing countries have again concluded along the similar line to that of the Green Revolution and the IRDP, with the very familiar cliché: the rich are getting richer and the poor are getting poorer.

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## 2.6 CONCLUSIONS

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The Community Development Programme, Green Revolution, Integrated Rural Development Programme and Credit Programme, as discussed above have failed to make a significant inroads into the alleviation of rural poverty. The benefits of development, however, have generally been siphoned off by the richer farmers or rural elites.

In general most of these programmes are basically land-based agricultural programmes. As the poor people lack the productive assets, particularly land, they cannot derive any benefit from them. Under the conventional approach, a specially designed delivery system that exclusively focuses on the poor has not been instituted. In general, "mixed" or general programmes have been resorted to. This is done in the belief that as long as resources are funneled through the government's delivery system, it will trickle down to the whole spectrum of the rural population, the poor and the very poor. Unfortunately, this has never materialized effectively.

In view of the extent and growth of rural poverty, a distinct target-group approach and exclusive design for the poor is therefore necessary. Several innovative programmes, initiated mostly by the non-government sectors in putting alternative strategies of rural development and poverty alleviation by means of credit as an entry point towards combating poverty have emerged in different countries, thus promoting the rural poor's access to institutional sources of finance, which we are now turning to in the next chapter.

<b>FOOTNOTES</b>
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1. The figure 40 per cent was actually adopted from the pledge made by Robert McNamara - the ex-President of the World Bank, that special policies must be initiated to increase the incomes of the lowest forty per cent of the people in developing countries (McNamara, 1972).
2. The standard indicators of the PQLI are life expectancy, child mortality and adult literacy. The two latter variables represent the effects of nutrition, public health, income and the general environment. For example, infant mortality reflects the availability of clean water, the condition of the home environment, and the mother's health. Literacy is a measure of well-being as well as a requirement for a country's economic development (Nafziger, 1990). However, the PQLI has been criticized in relation to the narrowness of the indicators that are used to compute the index. It has also been questioned on the rationale for treating each indicator as being of equal importance (Hulme and Turner, 1990).
3. The Human Development Index incorporates indices of life expectancy, educational attainment and income per capita to give a composite measure of human development. *However, it has some weaknesses.* The UNDP in its 1992 Human Development Report reminds us that the HDI does not measure absolute level of human development. Haque and Tusneem (1992) stated that the HDI is an ordinal measure which ranks countries in terms of the human development of their people, which does not necessarily correlate with their rankings in terms of per capita income. But nevertheless on an overall basis the HDI provides better perspectives as a measure of human welfare than per capita income. The HDI will have served its purpose if it helps expose where poverty is cruelest.
4. One of the writers, Schneider (1988: 140), for instance, argued that there are growing numbers of people who rejected the contention of "being lazy" and vigorously refuted it. He cited an example of a Filipino peasant as follows:

"They say we're poor because we're lazy, but have they ever seen us sitting down to our breakfast? If they see what we have for breakfast and were obliged to eat the same thing every morning, they would go crazy if someone said they were lazy. Think of the long and backbreaking hours we spend in the field from dawn till dusk under the burning sun or pouring rain, just to stay alive. This is life we lead in the sugar cane, where even our pregnant women work ten to twelve hours a day cutting and carrying for a daily wage of less than 55 cents. Enough of this nonsense about laziness"

5. Other popular terms for the 'extremely poor' that are also being widely used include the 'hard-core poverty', 'poorest of the poor' and 'disadvantages of the disadvantaged'.
6. When discussing poverty within country, the World Bank 1990 report uses country specific poverty lines. This range of poverty line was chosen to span poverty lines estimates in recent studies for a number of countries with low average incomes - Bangladesh, the Arab Republic of Egypt, India, Indonesia, Kenya, Morocco and Tanzania. The lower limit of the range coincides with poverty line commonly used in India. See World Development Report 1990 for detail.
7. The World Bank's 1992 World Bank Development Report, unlike its 1990 report, did not have details on the poverty situation. However, on pages 29 and 30, the report mentioned briefly that the number of poor have increased from 1015 billion in 1985 to 1133 billion in 1990. Thus, the estimate for 1985 has been updated from its 1990 report to incorporate new data.
8. As mentioned, the World Development Report 1990 defines the Poverty Line according to consumption expenditure of US\$275 - US\$370 per capita per annum. This range is based on the poverty lines estimated in recent studies for a number of countries with low average incomes, viz. Bangladesh, Egypt, India, Indonesia, Kenya, Morocco and Tanzania. In recognition of the limitations of internationally-calculated poverty lines analysis of the condition of the poor in any one country, generally an individual country will have its own domestically-determined poverty line.
9. In general there are two major groups of the rural poor in developing countries within the context of the "landless" and "near landless" (Abdullah, 1986: 50 -52):

1. **Marginal Farmers and Marginal Tenants:** There are two sub-groups (i) Marginal farmers: are cultivators with customary tenure of holdings, that are of inadequate size to provide a subsistence livelihood and (ii) Marginal Tenants: are cultivators operating uneconomic plots of land obtained through a variety of tenurial arrangements.

In both of the above cases, the household members have to engage in some form of labouring activity to supplement their otherwise meagre incomes. In most cases, marginal farmers also rent in additional small plots of land to augment their income. Thus, with an equivalent farm size owned and operated by the farmers and rented by the tenants, the tenant tends to be worse off for the burden of rent they have to pay. While the marginal farmers may also be poor, they are better off than the tenants.

2. **Landless Rural Labourers:** There are generally two sub-groups: (i) Landless Agricultural Workers: they survive primarily by selling their labour on farms. (ii) Landless Non-Farm Workers: these groups of rural poor stay in rural areas deriving incomes from a variety of odd and temporary vocations. They do not have a permanent job and are constantly changing jobs.

Unlike the marginal farmers and tenants, as in the first group, the landless rural labourers, as in the second group, are worst off.

10. A recent study by IFAD (based on 1988 data) shows that the rural poor in developing countries (Africa, Asia and Latin America) comprises the following (Jazairy et al, 1992):
1. Smallholder farmers (52.0%).
  2. Landless (24.5%).
  3. Nomadic/pastoralists (6.3%).
  4. Ethnic indigenous (7.3%).
  5. Small and artisanal fishermen (3.7%).
  6. Internally displaced/refugees (5.6%).
  7. Households headed by women as percentage of rural households (12.0%).

Smallholder farmers (as mentioned above) are being defined as those operating less than 3 hectares of crop land in the above study (Jazairy et al, 1992). Griffin (1974) also noted that the majority of small farmers who possess land have less than 1 hectare, a size which is just too small. IFAD also noted that as in the case of the landless, the incidence of households headed by women and the growth in their number has emerged as an important indicator of poverty. It has been estimated by the IFAD that there are (in the mid-1980s) an estimated figure of 76 million households headed by women in 114 developing countries, of which 16 million is estimated to be landless. World Economic Survey (1992) also noted that landless labourers are generally the largest rural category of the "extremely" or "hard-core" poor.

11. In connection with the emerging initiatives of the NGOs in putting the concept of "Another Development" into practice in the 1970s, which is the subject of Chapter 3, two definitions of 'Rural Development' that seem to be rather closely connected with the NGOs initiatives are as follows:

Definition 1, by The United Nation Development Programme (cited in Silitshena, 1982: 105):

"a process of socio-economic change involving the transformation of agrarian society in order to reach a common set of developmental goals based on the capacities and needs of the people. These goals includes a nationally determined growth process that gives priority to the reduction of poverty, unemployment and inequality, and the satisfaction of minimum human needs, and stresses self-reliance and the participation of all people, particularly those with the lowest standard of living".

Definition 2, by Robert Chambers (1983: 147):

"a strategy to enable a specific group of people, poor rural women and men, to gain for themselves and their children more of what they want and need. It involves helping the poorest among the those who seek livelihood in the rural areas to demand and control more of the benefits of rural development. The group includes small scale farmers, tenants and the landless".

12. The three approaches are described as follow (Griffin, 1974: 204; Cheema, 1984: 2):

1. **Technocratic approach:** In this approach rural development is designed to accelerate agricultural activities. The provision of required services such as infrastructure and agricultural inputs necessitate active state intervention. Private sector participation is strongly encouraged. The government's administrative machinery is utilized as the main instruments in development activities. However, big and medium sized farmers were the main beneficiaries. Representative countries are: Brazil, Ivory Coast and Philippines.

2. **Reformist approach:** Its main objective is to increase productivity and community solidarity. Bureaucracy, rural local government and cooperatives are the main instrument in the implementation of development activities. Land reform is the main policy instrument. However, the main beneficiaries are the middle peasantry and other urban residents. Representative countries are Egypt and Mexico.

3. **Radical Approach:** This approach aims at rapid social changes and introduces radical land reform. Only then can a redistribution of wealth and income can be obtained. The rural poor and disadvantaged groups are the main beneficiaries. Representative countries are Algeria, China, Cuba and Vietnam.

However, Abdullah (1986) reminds us that the above approaches are merely analytical distinctions and do not constitute a taxonomy upon which operational strategies could be conveniently classified, mutually exclusive of one another.

13. After the programme in India was initiated in 1952 with massive support from the Ford Foundation and the U.S foreign assistance agency, the United States assisted in launching major programmes in Iran and Pakistan in 1953, the Philippines in 1955, Jordan in 1956, Indonesia in 1957 and Korea in 1958. Smaller programmes were also launched with U.S assistance in Iraq in 1952, Afghanistan and Egypt in 1953, Lebanon in 1954, and Ceylon (Sri Lanka) and Nepal in 1956. At its zenith in 1959, the American foreign assistance programme assisted 25 nations in the implementation of the Community Development Programme (CDP) (Holdcroft, 1984).

14. CDP did not disappear totally as it is still encountered almost everywhere under other names. It was either being oriented almost towards social work in urban areas or merged with other ministries (Hogendorn, 1987; Hulme and Turner, 1991). In India, for example, the CDP was absorbed by the Ministry of Food and Agriculture, mirroring the shift to the Green Revolution approach to rural development. Similarly in Africa, CDP struggled on but always played "second fiddle" to high status ministries, and its role was neglected on tasks which those ministries would not handle, i.e. improving the status of women (Jane and Wiggles, 1987).
15. In general it was very common for a nation in Africa, Asia and Latin America during the 1950s and 1960s to set up national development and planning commissions which are central in nature and comprised mainly of prominent economists and bankers (Melkotes, 1991).
16. Optimum conditions refer to:
1. optimal irrigation;
  2. intensive use of fertilizer; and
  3. the usage of chemical pesticides for pest control.
17. The number of landless, as noted by Lappe and Collins (1982: 113), has actually increased based on a number of countries. In all non-socialist developing countries 30 to 60 percent of rural adult males are landless. In Mexico between 1950 and 1960 the number of landless labourers increased much faster than the general population, from 2.3 to 3.3 million. Between 1964 and 1970 the number of landless families in Colombia more than doubled. During the fifteen years beginning in 1951, the number of landless labourers in Bangladesh had increased by two and a quarter times. In India, between 1961 and 1971, the number of agricultural labourers increased by over 20 million (by 75 percent). In the same period the number of cultivators decreased by 15 million (by 16 percent). However none of these figures include the millions of landless refugees who, finding no farm work, join an often hopeless search for work in the urban areas.
18. The promise that Green Revolution is "scale neutral" has thus been questioned. As argued by Bernstein (1992: 57):

"Scale neutrality promised equal access to the benefits of the new technology to compensate for persisting inequities in land distribution: a "dream scenario" for policy-makers seeking rapid agricultural growth without increasing rural inequity and its potential for social unrest".

Similarly Ruttan and Biswanger (1978: 397) argued:

"A technology that is essentially neutral with respect to scale has been introduced into an environment in which the economic, social and political institutions have varied widely with respect to neutrality".

19. In 1969, the International Labour Organization (ILO) set up the World Employment Programme as a means of dealing with the employment side of poverty. In 1974, the World Bank unveiled its policies of 'Redistribution with Growth' (RWG), developed with the Institute of Development Studies, University of Sussex. The focus of the RWG was on reducing inequality through the raising the income share of the poorest 40 percent. (Oman and Wignaraja, 1991; Hunt, 1989). The concept of basic needs approach to development (which is a further refinement of the idea of RWG) came to the scene next. It was developed by the ILO and was formally adopted at the 1976 World Employment Conference, as a strategy for tackling the fundamental problem of underdevelopment (Harrison, 1980). 'Basic needs' according to ILO include two elements (i) certain minimum requirements of a family for private consumption: adequate food, shelter and clothing. (ii) essential service such as drinking water, sanitation, public transport and health and education facilities (Oman and Wignaraja, 1991).
20. Having discovered the seriousness of rural poverty, the World Bank has made pronounced changes in lending within the agriculture sector itself. Lending for irrigation and other projects in the early 1970s for agriculture infrastructure declined in relative importance, while lending for poverty oriented rural development increased. Between fiscal year 1974 and 1978, approximately 75 percent of the 363 agriculture and rural development projects approved by the Bank contained what is called a '*small farmer element or component*'. Over 50 per cent of the Bank's lending for agriculture and rural development in 1974 and 1978 was accounted for by 210 rural development projects defined by the bank as 'those projects in which more than half of the direct benefits are expected to accrue to the rural poor' (Ayres, 1983). McNamara (1975) in his 'Address to the Board of Governors' had asserted that over the next five years US\$7 billion would be invested in rural development and approximately 100 million people were expected to benefit.
21. The increased emphasis on small farmers/small rural producers was based on evidence that they are capable of producing more per acre than the large farmer. Studies from all over the world seems to support this recognition. For example, the World Bank reports on analysis of the differences in the value of output on large and small farms in Argentina, Brazil, Chile, Columbia, Ecuador and Guatemala, concluding that the small farms were 3 to 14 times more productive per acre than the large farms. Similar results were also evident in the case of India, Taiwan and Thailand (Lappe and Collin, 1982). The "target group" according to World Bank are: small farmers, landless labourers and sub-marginal farmer; and the urban: unemployed and under-employed. Generally they are referred to as "Small Farmers"
22. The World Bank was the most influential organization and largest single external source of funds for direct investment in agriculture and rural development in



developing countries. However, there were also other organizations in the field of development, that had undergone a sea of change during the Second Development Decade. The organizations include the United Nations Conference on Trade and Development, UNICEF, the World Health Organization, the United Nations Environment Programme and UNESCO. Each came out with their own brand new blueprints for the millennium. The multiplication of models and the plethora of new slogans was bewildering : the New International Economic Order (NIEO), growth with distribution, basic needs, basic services, participation, eco-development, endogenous development. Each had a slightly different emphasis, but all had common values based on the idea that growth pursued regardless of who benefited from it, was making little impact on the poverty of nations and of people. Other organizations that also focussed on the need to shift the priorities towards poverty-oriented rural development projects included the FAO, ADB, ESCAP, APDI and APDAC (Harrison, 1980; World Bank, 1975a; Brara, 1983).

23. The multiple objectives of the IRDP are as follows (Lea and Chaudhri, 1983: 12 - 13):

- 1) To improve the living standard and ensuring access to basic needs among the rural people.
- 2) To make rural areas more productive and less vulnerable to natural hazards, poverty and exploitation.
- 3) To ensure that development is self-sustaining.
- 4) To ensure local autonomy and promoting administrative and political decentralization.

24. The World Bank in its 'Assault of World Poverty' (1975: 41-46) categorized 3 main approaches of attacking rural poverty. They were:

**1. The Minimum Package Approach:** The aim of this programme is to provide a general improvement in the level of living through an increased in production in agriculture of a targeted communities. The great advantages of this approach are 'the promised of low-cost, extensive coverage with comparatively simple objectives and operating procedure' (p. 41). One example of this approach is the Chilalo Agricultural Development Unit (ADU) in Ethiopia. However, this approach may not be viable in a situation when there are a basic obstacles to increasing productivity, as for example, access to land in a highly concentrated land ownership situation. It is against this background that this approach is least attractive and not as widespread in South Asian countries, despite its advantages for the situation of limited resources and massive rural poverty.

**2. The Comprehensive Approach:** It is directly opposite to the first approach above in that the target group is defined by region and accompanied by a maximum delivery of development inputs. In the comprehensive approach there are two types:

a) *The Coordinated National Programme:* It is national in scope and generally addressed to a wide spectrum of rural people. This programme is characterized 'by careful definition of needs and resources of the target population, detailed planning or preparation and implementation; phasing of multisectoral components; and extensive adjustments on complete restructuring of related institutions' (p.

42). The success of this programme is also highly dependent on the role of farmer associations. Some of the notable examples of such programmes includes those in Japan, Republic of China and Korea.

b) *The Area Development Scheme*: This strategy refers only to areas with complex target groups or unique physical conditions. Such programmes can be a single product or it can concentrate on area development as a whole. The single product project include the development of a certain crop in an area and it also include the settlement schemes (such as the promotion of groundnuts or tobacco in Tanzania and the Gezira Scheme in Sudan). The main advantages of a comprehensive area development scheme is 'the opportunity to focus directly on the needs of the rural poor through diversified crop and integrated farming system' (p. 44). This scheme is also very attractive to recipients and donor governments alike, as the rural people in most cases are not involved directly with such a programme. However 3 main limitations of this scheme include (i) it may provide benefit to a limited number of people (or settlers) (ii) programme designs that are too ambitious and complex and (iii) the scheme may distort allocation of resources among sectors.

3. **Sectoral or Special Programme**: It is specially designed to meet the needs of the poorest in a specific areas or specific groups by a specialized agencies. They might include rural public works, education, health and training programmes for rural communities and also the establishment of small industries. However, sectoral programmes do not constitute a total programme aimed at income or productivity increases, since by their very nature they are more complementary to a total rural development programmes.

The 3 main approaches as reviewed above, according to the World Bank, confirms that no single package or formula is likely to be either necessary or sufficient for effective rural development.

25. Besides the World Bank, other lending agencies include the USAID, Canadian International Development Agency, UNDP, German Aid Agency the GTZ and NORAD - the Norwegian Assistance Organization (Rondinelli, 1993)
26. The statement by Yunus obviously calls for radical measures and can be regarded as not likely to be implemented and is merely to borrow Bernstein's phrase, a "dream scenario". In actual fact it is not. The word put forward by Yunus has become a reality with the establishment of Grameen Bank's approach to poverty alleviation in Bangladesh which is the subject of Chapter 3.
27. While the IRDP itself is noted for not having an exclusive or separate programme for the poor. It also suffered from weak organization and management structure since it relies on many participating government agencies to provide agricultural, social and productive services. Co-ordination between diverse participating agencies is limited, most of which give higher priority to projects for which they were fully responsible or "preferring their own project" over others. Difficulties in managing and supervising teams of multidisciplinary technical and administrative staff needed to carry out the "IRDP" projects are its main shortcoming.

28. The credit component which constitutes 20 per cent of the total lending to agriculture rose to 56 per cent up to 1973 (from 1968) In the most recent period, agricultural lending to the poorest countries exceeded US\$1000 millions of which more than half was for farm credit. Approximately one-fourth of all credit financed by the World Bank was intended for small-scale producers (World Bank, 1975a). Lappe (1980: 53) also noted that the World Bank has allocated cumulatively about 13 percent of its "agriculture and rural development fund" to agriculture credit.
29. Several types of credit institutions include: National Development Bank, Commercial Bank, Credit Union, Credit Co-operative, Postal Saving Bank, Saving and Loan Bank and various Government's Supported Project Authorities.
30. The Specialized Agricultural Credit Institution goes under a variety of names such as Agricultural Development Bank, Agricultural Finance Corporation and Rural Development Bank.
31. The range of interest rates based on some examples are (Jazairy et al, 1992):
- (a) 24 - 60 percent in Honduras.
  - (b) 36 - 240 percent in Dominican Republic.
  - (c) Over 100 percent in Nigeria, Sudan and Bangladesh.
  - (d) Over 50 percent in Bolivia, Chile, Ethiopia, Ghana, Malaysia, Mexico and Sierra Leone
32. Whether or not "almost half" of the rural credit went to small farmers still depended on how the bank's defines "small". What might sound like a small farmer to North American, may well include much of the landed elite in many developing countries. Two examples to illustrate this issue are provided by Lappe and Collin (1982):
- 1) In Philippines, in 1977, the World Bank emphasized that there has been an increasing share of credit for small rural producers with 30.6 per cent of the Bank's fund being loaned to owners of less than 17 acres. 17 acres may sound small to Bank officials in Washington, but for those who are familiar with the rural Philippines, it is not small. A Cornell University study suggests that the vast majority of rural Filipinos are landless or near-landless and can only survive by selling their labour and that of their families to large landholders.
  - 2) In Guatemala, a joint FAO/World Bank rural credit programme allocated one-half to the top 3 percent of landholders: those owning 112 acres or more. The other half would go to what the Bank calls farmers owning less than 112 acres of land. But in reality, a full 97 percent of all farmers have less than even an acre and many are without land at all. Thus, even though the stated purpose is for the "small farmer" or smallholders, it actually ended up in the hands of large landholders.
33. Ramesh (1990: 347) has provided a good account of the way the wealthier farmers or higher status villagers avoid repayment of loans. He argued :

"...major defaulters are the wealthier and higher status villagers, who often view their overdue loans as grants, or as a mark of social and political power. In some cases, village influential have been known simply to dare local cooperative society to take action to collect a loan, relying on local political and social influence to get the society to back down. In other cases, local records have been blatantly altered and rules bent beyond recognition to accommodate the errant lending habit of a village potentate".

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## **CHAPTER THREE : THE EMERGENCE OF AN ALTERNATIVE APPROACH TOWARDS THE RURAL DEVELOPMENT AND POVERTY ALLEVIATION IN THE DEVELOPING COUNTRIES - THE "ANOTHER DEVELOPMENT"**

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### **3.1 INTRODUCTION**

This chapter examines the alternative approach to rural development and poverty alleviation strategy in developing countries, which unlike the conventional approach is initiated by the non-governmental sectors. The alternative approach represents reaction to the unsatisfactory efforts associated with the centrally planned, top-down strategies for rural development under the conventional approaches.

This chapter will also focus specifically on the Grameen Bank (GB) of Bangladesh, being the model of such an approach which will be examined in detail to serve as the background to the Malaysian's version of the GB model - known as the **IKHTIAR PROGRAMME** or Amanah Ikhtiar Malaysia Rural Credit-Cum Poverty Focussed Programme (in Chapter 5). However, Chapter 3 begins by examining the concept of "Another Development" which forms the conceptual framework of the Alternative Approach.

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### **3.2 THE EMERGENCE OF AN ALTERNATIVE APPROACH - THE "ANOTHER DEVELOPMENT"**

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#### **3.2.1 NORMATIVE VERSUS POSITIVIST APPROACH**

As mentioned in Chapter 3, the early 1970s was marked by the emergence of concerted efforts in dealing with the growing problems of poverty, inequality and unemployment, especially in the developing countries. However, this does not mean that there was a single consensus in relation to the approaches and strategies in combating the above problems.

In fact there were theoretical debates among some concerned development specialists with the question of *how development should take place* rather than limiting

discussion about *how development actually takes place*. This is termed a *normative* approach in contrast to the *positivist* approach exemplified in the modernization-growth paradigm. Thus, there was a distinction between what '*is taking place*' and what '*ought to take place*' (Burkey, 1993; Hettne, 1990) [1].

In relation to the 'conflict' between the "*normative*" and "*positivist*", the period beginning around the mid-1970s was marked by the emergence of numerous self-proclaimed '*alternative*' development concepts and strategies in putting forward the idea of '*how development should take place*' [2].

The call for 'alternative life styles' was first mooted by the "green movement" of Western Europe, in response to a variety of problems, especially pollution of the environment (Abdullah, 1988). It was Schumacher's thesis "*Small is Beautiful*" (1973), which, as noted by Webster (1991), became the virtual bible for the alternative movement [3].

While the above writings were instrumental in promoting the ideas of an 'alternative concept', they generally remained highly idealistic and were labeled utopian. Ekin (1992), however, noted that nowadays the ideas put forward from those writings are universally acknowledged to play an important role. Generally the major initiators to bring this 'alternative' trend in the development approach to the centre stage were scholars and development professionals through their writings and international conferences (Friedmann, 1991).

Among the most influential were *The Limits to Growth* (Club of Rome), *Reshaping International Order* (Tinbergen and 20 distinguished scholars from all over the world, 1974) and *Catastrophe or New Society? A Latin America World Model* (Bariloche Institute, Argentina, 1976) (Abdullah, 1988).

Apart from these, there were various meetings in the international arena. Two landmark meetings were the Stockholm Conference on the Human Environment (1972), which led to the establishment of the United Nations Environment Program (UNEP), and the Cocoyoc (Mexico) seminar on "Patterns of Resource Use, Environment and Development Strategies" in October 1974 held under the auspices of UNCTAD and UNEP (Friedmann, 1991).

The Cocoyoc meeting brought two major strands to the alternative movement (i) that priority should be given to satisfying the 'basic needs' of people rather than to simple growth maximization and (ii) the need for the rich to reconsider over-consumptive

modes of living. The declaration thus placed emphasis on development as a state of human well-being or 'people-centered' rather than merely the state of the national economy (Conyer and Hill, 1984; Hettne, 1990; Friedmann, 1992; Burkey, 1993).

### 3.2.2 THE ALTERNATIVE TRENDS IN THE DEVELOPMENT THINKING

Alternative trends in development thinking have been actively promoted. In 1975 the Swedish Dag Hammarskjold Foundation published a pamphlet with the provocative title "*What Now? Another Development*" (Dag Hammarskjold Report, 1975). In 1976 the International Foundation for Development Alternatives (IFDA) was established in Switzerland to push the alternative concept further (Friedmann, 1991). Mainstream models of development and policies were challenged for failing to address the question of mass poverty and sustainability.

The 'alternativists', for the lack of a better term, were convinced that 'Another Development' could be initiated. The concept of "*Another Development*" was popularised by the Dag Hammarskjold Foundation and its major vehicles for the elaboration of alternatives has been the periodical 'Development Dialogue' (Oakley and Marsden, 1984). Meanwhile the IFDA popularised the concept of "*Alternative Development*". The journal "*Alternatives*" published by the Institutes for World Order is one such example of promoting the alternatives views and ideas (Hettne, 1991).

Oakley (1991) stated that the concept of "*alternative Development*" or "*another development*" is also variously referred to in literature as "*people-centered development*" "*counter development*" and "*participatory development*" and "*development from within*" as suggested by Fiona (1992). One single idea that emerged from the concept of "Another Development" is the need for a greater participation of rural people in the development process.

"Another Development" theorists believe that development should be (Hettne, 1991; Burkey, 1993):

1. *need-oriented*, geared to meeting both material and non-material human needs.
2. *endogenous*, stemming from the heart of each society.
3. *self-reliant*, implying that society relies primarily on its own strengths and resources.
4. *ecologically sound*, utilizing rationally the resources of the biosphere.
5. based on the *structural transformation* as an integrated whole [4].

The search for "Another Development" made further inroads, in 1983 when the United Nations General Assembly appointed the World Commission on Environment and Development to 'propose long-term environmental strategies for achieving sustainable development by the year 2000 and beyond'. The fruit of the World Commission was the publication of "*Our Common Future*", which was hailed as a landmark and stimulated renewed discussion of *alternativeness*, this time with a focus on *sustainability*. Environmental issues have become a global concern (Friedmann, 1991; Abraham, 1991).

Thus the spirit and concept of "Another Development" is very much alive. It has placed stress on the issues of *participation*, [5] *self-reliance*, [6] *sustainability* [7] *and basic-needs* [8].

### 3.2.3 NON GOVERNMENTAL ORGANIZATIONS (NGO) AS THE PROMOTER OF THE "ANOTHER DEVELOPMENT" CONCEPT

In all developing countries, the definition of 'development' is made by governments. The government states the aims, makes the policy and sets the pace. In many countries, however, it has been recognized that development as defined by the government is not exclusive - that there are bodies other than governments which have a useful contribution to make to the development of that country and that government does not have a monopoly on ideas, policy or practice. So long as these bodies supplement or complement the government's programmes and do not actively oppose them, they will be supported (Holloway, 1990) [9].

In fact, since early 1970's, there has been growing world wide recognition of the vital roles that the non-government development organizations can play in development, attempting alternative approach to rural development, especially in the alleviation of poverty (Ray, 1982; Esteva, 1987; Sen, 1987; Schneider, 1988; Gill, 1991; World Bank, 1990; [10] Singh, 1991; Gill, 1991; IFAD, 1992; AARO, 1992).

But the term NGO has come to signify not only a legal and formal status: their way is generally thought of today as an alternative way, a new approach to rural development (Singh, 1991), being at the forefront of poverty reduction activities (Khondker, 1992). NGOs are believed to work effectively at the grass-root level (van der Heijden, 1987; Williams, 1990) and have good record in rural development (OECD, 1988) [11].



The Non-Government Organizations [12] were instrumental in pushing the 'Another Development' concept further. In 1984 they began to meet annually for what they called "*The Other Economic Summit*", at which issues such as "*the international economic disorder*", "*putting people first*", "*in search of self reliance*", "*working like a woman*" and "*local economic regeneration*" were passionately debated. The impact made by the NGOs in promoting the above mentioned concept are tremendous. The result was seen in 1990 when the World Bank put poverty back on the development agenda [13] and created special offices on the environment and women (Friedmann, 1991). This unexpected shift of position by the Bank is observed by Hewitt (1992: 236) when he argued:

"Even the World Bank has been forced to rethink where it is going. Its steadfast attachment to rigid policies such as market-led structural adjustment programme throughout the 1980s has weakened. Its emphasis on poverty in the 1990 World Development Report was, for the Bank, an unexpected shift of position...An emphasis on relieving poverty and improving education, nutrition and health care is a welcome step from such a powerful international institution'

In 1992, the World Bank, in its 'World Development Report 1992', after reviewing its previous belief in growth as the solution to poverty, had conceded that even though some problems are associated with the lack of economic development, other problems are made worse by the growth of economic activity. The Bank also stated that poverty is increasing and its main overarching objective is therefore *sustainable poverty reduction* (World Development Report, 1992).

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### 3.3 THE CONCEPT OF THE "ANOTHER DEVELOPMENT" AS PUT INTO PRACTISE

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There are many examples of an explosion of popular organizations and activities, especially in developing countries seeking consciously or not to put the concept of "*Another Development*" into practise (Schneider, 1988; Ekin, 1991). Most of these activities are initiated by the non-government sectors. Ghai (1989), has conveniently grouped these activities or organizations into four categories in accordance with their central characteristics:

1. Efforts in organizing poor women working in urban slums as vendors, home-based workers and casual labourers into trade-union type associations. Two of the most prominent examples are (i) *The Self-Employed Women's Association (SEWA)* in India and (ii) *The Working Women's Forum (WWF)* in India.
  
2. Initiatives to promote peasant groups and rural workers' organizations to struggle for their rights and to undertake collective initiatives to appropriate a larger share of the surplus generated by their economic activities. The best examples are that of (i) *Sarikalas* in the Philippines and (ii) *PIDA* (Participatory Institute for Development Alternatives) in Sri Lanka.
  
3. The third category, comprising *Six-S* (Se servir de la saison seche en savane et au Sahel) in Burkina Faso, *ORAP* (The Organization of Rural Associations for Progress) in Zimbabwe and *ADRI* (Action pour le developement rural integre) in Rwanda, represents effort to promote social and economic development through mobilization and pooling of labour and other resources, drawing inspiration from traditional self-help and mutual aid groups.
  
4. The fourth category is the initiative that exclusively and solely extends credit to the rural poor. It is upon this fourth category that this study will be focusing. There are many examples of such programmes throughout the developing countries (see **Table 1 in Chapter 1**). Programmes that have been launched incorporate a revolving credit (loan) fund as the basis for their lending capacity. Out of so many programmes for extending credit to the poor households that have been implemented, the most successful is the Grameen Bank (GB) of Bangladesh, discussed in the next section.

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### 3.4 THE GRAMEEN BANK OF BANGLADESH

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#### 3.4.1 GRAMEEN BANK - THE SUCCESSFUL DEVELOPMENT MODEL

The Grameen Bank (GB) of Bangladesh has been widely acclaimed as the most successful development effort in the 1980s and early 1990s (Hossain, 1984 and 1988; Siddiqui, 1984; Hossain and Rahman, 1988; Fugelsang and Chandler, 1988; Ghai, 1989; Hulme, 1990; Deveraux et al, 1990; Clark, 1991; Remenyi, 1991; Ekin, 1992; Jazairy et al, 1992; Uphoff, 1993; Rondinelli, 1993; Mascarenhas, 1993; Todaro, 1994; Riedinger, 1994). Some observations are as follows:

'The GB in Bangladesh is perhaps the most prominent and successful example" (Ghate, 1992: 169).

"Their statistics are impressive and few can deny that they have helped to channel benefits to large sections of rural poor...have broken new ground in terms of establishing, on a scale, links between existing services and resources and previously excluded rural people" (Oakley, 1991: 32).

Even the World Bank acknowledges the GB positive role:

"Nowadays Grameen Bank...is successfully reaching farmers and other small-scale operators while maintaining financial viability. But such an institution is rare" (World Development Report, 1991: 76).

### **3.4.2 CREDIT AS A NEW WEAPON IN COMBATING POVERTY**

As briefly mentioned in Chapter 1, the importance of credit has now been widely recognized as an entry point towards poverty alleviation efforts. This has been noted by Professor Joe Remenyi who headed the study entitled "Where Credit is Due: Income-Generating Programme For The Poor in Developing Countries" (1991). This study concludes that many of these programmes have shown positive results in terms of generating increased incomes. In his words, Remenyi said "the impact of credit to the poorest of the poor on their livelihood and prospects is dramatic rather than marginal" [14].

IFAD (Jazairy et al, 1992) in its general review of the role of credit argued that credit itself may not be sufficient for alleviating poverty. As such it has to be combined with improved technologies, access to market and improvement of infrastructures. But targeted credit for the poor which has already taken place in many developing countries can be regarded as a key step in opening the door to such improvements.

### **3.4.3 ORIGIN OF THE GRAMEEN BANK**

The GB was started as a small action-research project in Chittagong district, by Professor Muhammad Yunus, whose intention was to explore the possibilities to design a comprehensive framework which would bring the rural poor into viable

financial institutions. So in 1976, the action research project which he called "Grameen Bank Project" (Grameen means Rural) came into being with the following objectives (Yunus, 1982: 11):

1. To extend the banking facilities to poor men and women.
2. To eliminate the exploitation of money lenders.
3. To create opportunities for self-employment for the vast un-utilized and under-utilized manpower resources.
4. To bring the disadvantaged people within the folds of some organizational format which they can understand and operate and can find socio-political and economic strength in it through mutual support.
5. To reverse the age-old vicious circle of 'low income, low savings, low investment' into an expanding system of 'low income, credit, investment, more income, more credit, more investment, more income'.

The project demonstrated its strength in some villages during the 1976 - 79 period . Finally in June 1979, the Grameen Bank Project was launched to replicate the achievement and experience in a wider area. Since 1983, the GB has had the formal status of a 'specialised credit institution' for the rural poor (Hossain, 1988).

In 1980, the GB began to scale up its activities after receiving some funds from the IFAD (Hulme, 1990) [15]. By March 1991, the GB had expanded to include 854 branches operating in 21,114 villages and the membership has increased tremendously from fewer than 15,000 in 1980 to 1,149,435 by March 1992 (Jazairy et al, 1992), taking out average loans of US\$ 5.6 million each month for 400 different economic activities (Ekin, 1992).

#### **3.4.4 ORGANIZATIONAL STRUCTURE OF THE GRAMEEN BANK**

The Chief Executive of GB is the Managing Director. Activities of the bank are run under the direction of the Board of Governors, consisting of 13 members of whom 9 are selected from amongst the borrowers-shareholders [16]. Various activities of the bank are organized and implemented by four tiers of the administrative set-up, viz, branch offices, area offices, zonal offices and head office. The branch offices are the lowest operational unit of GB and are located in the villages. The staff of the bank live in the villages and work with the poverty-stricken members (Mohammad Siddiquir et al, 1991).

GB is not a centralized decision-making organization. It has grown horizontally. Management functions and decision-making powers are continuously being delegated to the lower units of operation - zonal, areas and branch levels (ibid, 1991).

### **3.4.5 GRAMEEN PHILOSOPHY IN DEVELOPMENT**

Yunus in his paper 'Credit For Self-Employment: A Fundamental Human Right' argued that "... poverty creates a condition in the society which negates all human rights. A poor person has no right at all". Yunus's philosophy of development is that, it should be regarded as human right issue and therefore there should be a positive change for the bottom 50 percent of the population, not simply a question of growth. It has been the case where conventionally, growth is equated with the GNP per head. Yunus thus argued (1987: 142):

"In other words if one is looking for the measurement of economic development one would be looking at the per capita real income of the bottom half of the population, not the national per capita income".

The above statement is true as higher GNP does not indicate equity in income distribution of the population. According to Remenyi (1991) income distribution by households is not the same as wealth distribution by households, but it is generally true that the wealthiest households also have the highest incomes [17]. The reverse is also true - the poorest have the lowest income earnings. Similarly per capita GNP is not the same as average household income.

Attempts to secure effective realization of human rights for the poor cannot proceed far because of economic, social and political manipulation. Yunus felt that a great transformation in the economic base would be possible and can be done easily by ensuring their right to credit. To the poor, credit can gradually build up an asset base so as to command a better return to their labour and can contribute to growth in income.

However, the traditional banking system failed to deliver credit because of collateral requirements. It is therefore necessary to have programmes designed exclusively for the poor and undertaken by a specially designed delivery system. On this, Yunus (1987: 143) explains:

"To argue that banking cannot be done with the poor because they do not have collateral to offer is the same as arguing that men cannot fly because they do not have wings...Today not only do men fly, they fly at speed...thus to argue that this innovative animal cannot design a banking system which does not rely on collateral is simply an insult to human dignity".

### **3.4.6 ON REACHING THE POOR**

Prof. Muhammad Yunus noted that social scientists have been trying to identify the factors which are responsible for bypassing the poor by all national and international development efforts. Their findings seem to be varied with different degrees of emphasis but a majority of them seem to have almost a similar conclusion that:

"The existing socio-economic and political power structure in these countries puts such a strong shield around the poor that it is nearly impossible to pierce through it" (Yunus, 1984: 5).

The problem with the conventional poverty-focused programmes according to Yunus is that they are wrongly addressed or their delivery mechanisms are not well designed for the task and generally being intercepted along the delivery line before they reach their destination. Therefore he emphasized that the strength of a poverty-focussed programme comes from its exclusiveness and therefore the delivery mechanism has to be designed and operated exclusively for the poor.

The general principles of the GB in reaching the very poor are as follows:

- i. Exclusive focus on the poor.
- ii. A specially designed delivery system.
- iii. Specially trained and committed staff.
- iv. Supportive national policy framework.

### **3.4.7 EXCLUSIVE FOCUS ON THE POOR**

While the definition of the 'poor' has brought about some conceptual confusion, Yunus, (Gibbons, 1988a: 59) provides some useful definitions:

"It would be analytically useful to have, say, three definitions of the poor, each broader than the other, for example P1 (hard-core/absolute poor in many countries which means the bottom 20 to 25 percent), P2 (the bottom 35 - 40 percent) and P3 (bottom 50 - 55 percent)".

The GB is a bank meant only for the poor. Membership of GB is restricted to persons whose family own less than 0.5 acre of cultivable land, and the value of all the family assets together does not exceed the market value of one acre of medium quality land in a particular area (Alam, 1988). Kropp (1990) sees GB as a an outstanding new type of bank that is being organized specifically for the poor.

### **3.4.8 SPECIALIZED DELIVERY SYSTEM**

A number of requirements must be met if the very poor rural households are to be able to participate and succeed in the credit programme. Therefore loans must be granted under the right and suitable conditions (Kasim, 1990a). In the GB model no collateral is required. The group as a whole stands guarantee for the individual members (Mohammad Siddiquir et al, 1992). Thus group liability is being substituted for collateral [18]. On recognizing that the majority of rural people are illiterate and too shy to come to a bank, GB takes banking services to the villages where the poor live (Ahmad and Hossain, 1985). Some of the basic characteristics of the GB delivery system are discussed as follows:

#### **1. The Five Member Group**

The group of five is the starting point or basic building block around which this programme is organized. Groups are formed of like-minded people of similar economic status. Only one family member can join a group, and group formation among relatives is discouraged. The process of group formation is guided by bank workers (Gibbons and Kasim, 1990; Jiggins, 1985).

On formation of a group by prospective borrowers, they undergo intensive training for familiarization with bank's rules and discipline. Each group elects its own chairperson and secretary and to ensure that groups are not dominated by an individual, leadership must be rotated (yearly basis) so that every member can learn about responsibility (Hulme and Turner, 1990).

Several groups are federated into a 'centre' (5 per group x 6 groups = 30 participants which constitute a centre), elect a 'centre chief' and a 'deputy centre chief' among themselves. Male and female members form separate groups and centres. The chairperson in the group and centre-chief (also on a rotational basis) ensures attendance (which is compulsory) at the weekly meetings, payments of loan installments and overall discipline (Jiggins, 1985; Muzameel Huq, 1988; Mohammad Siddiquir et al, 1991). As of September 1991, there were more than 42,207 centres and 241,242 groups (Yaron, 1993).

## **2. Loan is Disbursed in a Staggered Manner**

Loan disbursement to the group is staggered: the first loan goes to the poorest two among the group. Once these two are doing well, the next two then receive loans. Subject to recovery of loans, the group chairman (chairwoman) is the last to receive the loan (Mohammad Siddiquir et al, 1991; Mascarenhas, 1992). Borrowers who have a perfect payment record of their loans are immediately considered for bigger amounts in any subsequent loan [19].

Borrowers choose their own loan activities, based on their knowledge and skill. However, it is subject to unanimous approval of their group and centre, who will scrutinize the choice of such activity and the potential of repayment (Gibbons and Kasim, 1990). GB members are reported to have taken loans for more than 400 different activities which are grouped into eight broad categories such as (1) processing and manufacturing, (2) agriculture and forestry, (3) livestock and fishery, (4) services, (5) trading, (6) peddling, (7) shop-keeping and (8) collective enterprises (Muzameel Huq, 1988).

## **3. Open Transactions**

All the bank transaction are conducted in public view, during the weekly meeting. Nothing is confidential and no information is kept secret. This is to minimize opportunities for malpractice. The openness of all financial and other transactions raises confidence among the members in the bank (Hulme and Turner, 1990; Mohammad Siddiquir et al, 1991).

## **4. Highly Supervised**

GB does not give any subsidy. It must get its money back. The credit programme is thus closely supervised. The field staff closely monitor the progress of the borrowers



and take corrective measures if necessary (ibid, 1991). On this Yunus (1987: 143) argued:

"Credit without discipline is nothing but charity. Charity in the name of credit will destroy the poor, not help them".

The highly supervised nature, however, does not dictate the decision making process, where borrowers are free in making decisions on the economic ventures to be undertaken through discussions with their peers. A study by the Agency for International Development (AID) on 36 rural development project in eleven African and Latin American countries show that there was a clear connection between projects success and the farmers' decision making process (AID, 1975).

### **5. Discipline of Repayment**

There are 2 main ways in which discipline is enforced. First, the borrowers, even though utilizing loans as individuals and responsible for repayment, are the group that is responsible for ensuring that the loans are repaid. A kind of group pressure is brought to bear upon borrowers by stipulation that default by one member of the group is penalized in denying access to further credit to all members until the problem is rectified or mutually resolved. As Yaron (1994: 55) points out, members "cannot gain access to credit until the debts of the groups are discharged". Second, the repayments are to be made in weekly instalments in the weekly meetings, which are attended by all the borrowers in the respective centre. This again acts as group pressure.

As a result, the borrowers are careful in seeking out the truly viable activities (Osmani, 1989). On this Yunus explains (Gibbons and Kasim, 1990: 63):

"Formation of the small five member group...and federating the group into centres, helps create the right kind of pressure at a time when a member tries willfully to violate GB rules and peer support at times when a member falls into any difficulty" [20]

### **6. Group Fund**

The group fund is a very successful innovation of the Grameen Bank. As per the condition of a loan, every group member deposits one Taka each (for the conversion of Taka to US\$, see Footnote 20) week as personal savings, plus five per cent of the

amount borrowed which is deducted at the time of its disbursement. The savings from the fund can be borrowed at time of emergency (Ahmad Qazi and Hossain, 1985; Streefland et al, 1993). The importance of the group fund, as Fuglesang and Chandler (1988: 121) put it:

"immediately allocates people vital resource only they make use through a collective decision-making process that is entirely independent of the bank".

Ahmad Qazi and Hossain (1985) also stated, in addition to the 'Group Fund', an 'Emergency Fund' is created with contributions from members, which can be used to repay loans of a member if he/she becomes unable to repay due to any unforeseen circumstances. By March 1991, group savings (both funds) had reached 698 million taka (approximately US\$ 23 million), out of which 570 million (approximately US\$ 19 million) are saved by women (Jazairy et al, 1992; Streefland et al, 1993). GB has thus inculcated the habit of saving among the very poor rural households.

From above description of the *specialized delivery system*, it is clear that Grameen Bank has actually created a sort of unique *delivery* and *recovery* mechanism, which are very innovative.

### 3.4.9 SPECIALLY TRAINED AND COMMITTED STAFF

The specialized delivery system developed by GB requires for its effective and efficient operation, staff who understand and agree with it fully. All staff receive basic field training for six months, and remain probationary for another six months (Gibbons and Kasim, 1990). GB currently employs 12,000 people, training 2000 more in 50 - 75 batches each year (Ekins, 1992). Since the training process is strenuous and challenging, it weeds out those who are not physically and mentally prepared to work in the rural areas (Mohammed Siddiquir et al, 1991).

The GB training methodology is specially based on 'learning by doing' approach. During training, staff are required to observe critically the working mechanism of the rural economy and society and the plight of rural poor. It is these exposures that help them to understand the philosophy and approach of the bank and to develop qualities required for inspiring trust and confidence among the GB borrowers (Hossain, 1988).

### **3.4.10 SUPPORTIVE NATIONAL POLICY FRAMEWORK**

Yunus argues that the development programme should not work at cross-purposes, and warned that "One agency of the government may try to build something for the poor while another agency may be destroying it all without even realizing it". Therefore the government must ensure that none of its actions cancel-out the impact of a Grameen-type programme (Gibbons and Kasim, 1990). In the GB case, they receive a very strong government backing.

### **3.4.11 OTHER PROGRAMMES WITHIN THE FRAMEWORK OF THE GRAMEEN BANK**

In 1984, the GB evolved a social development programme called The "SIXTEEN DECISIONS" and with this has moved into an overall development programme for the poor. These sixteen decisions motivate members to raise their aspirations for a better life and instill in them values of discipline, unity and hard work. (see Appendix 1). The Sixteen decisions are chanted as slogans during their weekly centre meeting (Hossain, 1988). In addition the GB has also moved into a housing programme for the rural poor with long term loans (Taka 7000 - 12,000) funded by the UNDP and had 85,500 borrowers by September 1990, an increase from only 317 in 1984 (Mohammad Siddiquir et al, 1991; Islam et al, 1989; Ekins, 1992).

### **3.4.12 THE GRAMEEN PERFORMANCE**

#### **PART ONE - THE ECONOMIC EFFECT**

The Grameen Bank economic effects on its borrowers are discussed as follows:

##### **1) Effect on Income**

A number of independent studies undertaken on the GB borrowers have come to the conclusion that GB loans have contributed to a significant improvement in the income levels of the borrowers. These results are summarized in Table 5. Other studies: Mian and Quitana (1982), Ghai, (1984), Hossain (1984), Siddiquir (1984) and Rahman (1986a) have shown that GB loans had a positive effect on incomes. Hossain (1988) also confirmed the above conclusion and his study concluded that the incomes of a

sample of GB members were 28 percent higher than non-members in the same villages. Islam and Lee (1985) noted that between 1980 and 1982, GB's member per capita income had increased by 32 percent, when the per capita income in Bangladesh as a whole increased by only 2.6 percent.

## 2) Effect on employment.

The Hossain (1988) study also concluded that about one-third of the borrowers were unemployed before joining the bank. Thus the bank has helped to generate new employment for about one-fifth of its members.

Table 5 : Survey Results on Impact of GB on incomes

<i>Project Detail</i>	<i>Result</i>
1.* Bangladesh Institute of Bank Management.	Survey on 50 women borrowers found that their incomes had increased by 73 percent (1980 - 81).
2.* Bangladesh Bank.	Survey on 175 members found that their incomes had increased by 58 percent (1980 - 82).
3.* Bangladesh Institute of Development Studies.	Survey on 600 members found that their income had increased by 68 percent (1980 - 81).
4.# Grameen Bank Independent Studies.	Survey of 825 borrowers found that their incomes had increased on average, by 66 percent (1980 - 81).
5.# Grameen Bank Independent Studies.	Survey of borrowers found that their average per capita income had increased in real terms from Tk 1762 to Tk2697 - 53 percent in 1982 prices (1982 -85).

Sources : \* Ghai, D, 1984, An Evaluation of the Impact of the Grameen Bank Project, p. 21.

# Remenyi, J, 1991, Where Credit is Due: Income Generating Programmes for the Poor in Developing Countries, p. 107.

### **3) Reaching the target group.**

Hossain (1988) concluded that the bank is successful in reaching the target group, where only 4.2 percent of the loans go to borrowers with more than 0.5 acres of cultivable land. Many studies also suggest that there was a reduction in rural indebtedness, particularly to money-lenders as a result of Grameen's intervention (IFAD, 1985; Mascarenhas, 1992).

### **4) Alleviation of poverty**

Hossain (1984, 1988), has concluded that credit has resulted in the alleviation of poverty while at the same time improving the nutritional status of households. Hossain (1988), for example, found that only 6 percent of GB members were living in poverty, while among non-members, it was 84 percent.

### **5) Repayment Performance.**

Official records of the GB stated that repayment performance is excellent or near perfect, around 97-98 percent. This has been confirmed by other studies as well. Hossain (1988) concluded out of 975 loans surveyed only 0.5 percent were overdue beyond one year and only 3.3 percent had an overdue weekly premium. Rahman (1986) and Jazairy et al, (1992) have also noted the excellent repayment rate. But among the commercial banks in Bangladesh, their repayment rate was only 50 to 60 percent (Devaraux et al, 1990). The Industrial Bank of Bangladesh as noted by Todaro (1994) is famous for having almost all of its loans to the relatively wealthy in default.

The main factors that contribute towards the success of GB programme and also the excellent repayment are: (i) directly attributable to borrowers' groups effectiveness in ensuring the productive utilization of credit, (ii) due to group pressure and moral or social security of cohesive self-help groups which provides a very effective collateral substitute, and as noted by Deveraux et. al (1990) that "group liability is a better guarantee of financial responsibility than property" (iii) an additional factor is the close supervision of bank workers and the procedure of collecting weekly repayments [21].

According to many observers (Lele, 1975; Adam and Ladman, 1979, Mosley and Dahal 1985; IFAD, 1985; Bratton, 1986; Huppi and Feder, 1990; Getubig, 1991; Jazairy et al, 1992), group lending schemes have a better repayment record than individual schemes in developing countries [22]. An observation on most of the NGO based credit programmes also has shown that women make better development

partners and are more creditworthy than men (Elcoat, 1988; Cham and Poulton, 1991). Studies have found that projects are most likely to elicit the cooperation of women when resources are placed directly under their control (Todaro, 1994). In the Grameen model, women constitute more than 75 percent of the membership and have proved to be creditworthy (Hossain, 1984, 1988) [23].

## **PART TWO - THE SOCIAL EFFECT AND COMMUNITY DEVELOPMENT**

Virtually all the Grameen Bank Programme and other similar programmes as listed in **Table 1 in Chapter 1**, put a heavy emphasis on community development in addition to poverty alleviation. The "Community Development Programme" of the 1950s and early 1960s failed tragically because the practitioners in those days did not realized the importance of empowerment. However today's community development through the micro-enterprise credit programme is different, since emphasis is given to the process of empowerment (Remenyi, 1991) [24].

In relation to this, Grameen Bank has also brought about the participation of the members in its programme (Oakley, 1991). The members participate in decision-making and decide on all matters pertaining to their economic activities. Furthermore, power sharing is evident as out of its 13-member Board of Directors, 9 are the borrowers themselves (Mohammed Siddiquir et al, 1991; Rondinelli, 1993) [25].

There is also a growing element of self-reliance in the GB programme, and the most important element is the growing control over economic resources and social environment resulting in greater confidence and reduction in insecurity and dependence (Ghai, 1989).

### **3.4.13 LEARNING PROCESS VERSUS BLUEPRINT APPROACH**

David Korten's (1980) studies of five Asian success stories [26] were analyses of what he called the "learning process approach". In relation to this he suggested that in order to achieve development goals, it is more appropriate to adopt the 'learning process approach' rather than the "blueprint approach". On this he argued (1980: 497):

'These five programme were not designed and implemented - rather they emerged out of a learning process in which villagers and programme personnel shared their knowledge and resources to create a programme which achieved a fit between needs and capacities of the beneficiaries and those outsiders who were providing assistance. Leadership and team work, rather than blueprints, were the key elements. Often the individuals who emerged as central figures were involved at the very initial stage in this village experience, learning at first hand the nature of the beneficiary needs and what was required to address them effectively".

Awareness is becoming widespread as Korten (1984: 182) noted in his later work, "that the blueprint approach is an inadequate response to rural development". Similarly the GB does not resort to any blueprint (Ghai, 1989). It actually emerged out of the "learning process approach" in which research and action were integrally linked (Hulme, 1991) and signifies "go to the people, live among the people and learn from the people" (Panda, 1991). Starting initially as a small-scale experiment in testing the procedures and structures of the banking framework for the poor, it was then gradually scaled up from feedback and response to the dynamic needs of its clientele (Sham, 1991). It has also been argued that projects which are likely to be sustainable (Elliot, 1994) and with encouraging results (Friedmann, 1992) are those that are continually modified during their course, an essence of "learning process approach". Goulet (1992) also noted that the above success stories (the GB and other similar programmes) are, however, "microsuccesses" in an environment of "macrofailure".

#### **3.4.14 WIDER IMPACT OF THE GRAMEEN APPROACH**

The GB approach has been widely imitated and its impacts are spreading farther afield and is making an impact not only in Bangladesh but also at international level. Most of these replications are grounded on the proposition that GB is taken as a basis for a small scale experimental project. They are normally very closely monitored and modified during implementation. Only when the research project shows that it is achieving its goals, it is institutionalized and expanded in its operation (Hulme, 1990). By 1990, there are 12 examples of Grameen replication throughout Asia, Africa, Latin America and North America (Gibbons, 1990) [27]. Meanwhile the IFAD was actively promoting the GB experience in its projects throughout Asia, Africa and Latin America in the 1980s and 1990s (Jazairy et al, 1992).

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### 3.5 CONCLUSIONS

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One basic problem confronting the poor is the lack of productive assets, particularly land and as a result they derived very little or nothing at all from land based agricultural/credit and rural development programmes. The preoccupation of the state planners with agricultural production *per se* tended to miss out the bulk of the rural poor.

In relation to this, around the early 1970s, a "quiet revolution" has begun in the way in which rural development was viewed. This alternative approach represents reaction to the unsatisfactory efforts associated with centrally-planned, top-down strategies for rural development under the conventional approach. These 'revolutionaries' put stress on the "learning process" rather "blueprint" strategies, in creating programmes which achieved a fit between needs and capacities of the beneficiaries, along with a separate and exclusive programme meant only for the poor.

The practitioners of this 'revolution' are the non-government sectors, that are using credit as a means of reaching the poor directly and preferentially. One such example is the Grameen Bank that has been providing credit to the landless and near-landless poor without collateral, but stressed the joint liability of groups among the poor as a basic building block of the programme to facilitate a wide range of income generating activities.

The Grameen Bank has thus demonstrated that *the poor are bankable* and also shows that *credit is one of the critical missing links in the rural development model*. Throughout the 1980s and early 1990s, the GB has served as an inspiration for many development workers. Its success has led to international replication and has encouraged a renewed interest in credit strategies among the national governments and also the major international funders.



<b>FOOTNOTES</b>
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1. The significance of normative approaches is that they focus on the content of development rather than the form. Such an approach is concerned with the purpose and meaning of development rather than limiting discussion to questions relating to the mobilization of the productive forces of development such as labour, capital and trade.
  
2. Since the mid-1970s and continuing to the 1980s and 1990s there were some writings that fall squarely within the framework of "*Another Development*". A detailed survey of these work is beyond the scope of this study. Among them are (Abdullah, 1986; Ekin, 1992):
  1. The Sane Alternative - Jane Robertson, 1978.
  2. The Third Waves - Alvin Toffler, 1980.
  3. The Living Economy: A New Economy in The Making, 1986.
  4. Towards a Theory of Rural Development - De-Silva et al, 1988.
  5. Future Wealth - Robertson, 1989.
  6. Human Scale Development: An Option For The Future - Max-Neef et al, 1989.
  7. For the Common Good - Daly and Cobb, 1990.
  8. Real Life Economics - Paul Ekin, 1992.
  
3. Schumacher was especially concerned about the rural poor and unemployed in the developing countries who were by-passed by the development process. He favoured technology which could improve labour productivity, use local resources, minimized the use of non-renewable resources and produced goods intended for the local market. It was in essence *small-scale, self-help and self-reliant development*. The movement has had considerable success in developing and introducing appropriate and intermediate technologies in developing countries. By the mid-1980s the sight of locally-made wind pumps, water tanks, roofing sheets, threshers and shellers had become common in Africa, Asia and Latin America (Webster, 1990; Melkotes, 1991; Anderson, 1991; Burkey, 1993).
  
4. All the above five components were further developed, explored and refined, but none have been made redundant, nor have any others been added. "*Another Development*" has thus emerged as a clear and coherent system of developmental analysis to contrast with top-down, finance-oriented economism of conventional development strategies (Ekins, 1992).
  
5. While this study does not put primary emphasis on the finer detail of the concept of participation, it is useful to briefly highlight its meaning. Participation defies any single attempt at definition or interpretation. Since the late 1970s there has been an enormous literature on participation and the concept of participation has become an umbrella term for a supposedly new style of development intervention. There are a wide range of interpretations on the concept of participation. With regard to *rural development*, Oakley (1991) argued that participation includes

people's involvement in decision making processes, in implementing programmes, their sharing in the benefits of development programmes and their involvement in efforts to evaluate such programmes. Burkey (1993) (in a similar interpretation to that of Oakley but in slight detail) concluded that the meaningful participation of *rural poor in development* is concerned with direct access to resources necessary for development and some active involvement and influence in the decisions affecting those resources. To participate meaningfully implies the ability positively to influence the course of events. Through participation, the poor will have a greater control over their own life situations. Through the acquisition of knowledge and awareness they become better able to understand the causes of their poverty and are in a better position to mobilize and utilize the resources available in order to improve their situation.

6. While this study does not put primary emphasis on the finer detail on the concept self-reliance, it will be useful to highlight its meaning in general: Self reliance has become another piece of jargon in development circles. We cannot make people self-reliant; people become self-reliant. Self-reliance requires a wide variety of knowledge and skills. People must have confidence in their own knowledge and skill, in their ability to identify problems and find solutions in order to make improvements in their own lives. Self-reliance is doing things for one's self, maintaining one's own self-confidence, making independent decisions - either as an individual or within the context of collective group to which each member has voluntarily allied himself or herself. Decisions and actions taken at all levels are based on self-confidence and self-determination. No government and no development agency is ever going to 'develop' a rural region; it can only be done by the people themselves perhaps with the assistance of government and other development agents (Burkey, 1993).
7. Similarly this study does not put primary emphasis on the concept of sustainable development. However it is useful to highlight its meaning in general as it the idea of sustainable development that will become an important concept and practical framework for all the development activities in the 1990s and beyond (Melkotes, 1991), *and especially so* among the alternative movements. *Our Common Future* usually referred to as the Brundtland Report, is the report of the World Commission on Environment and Development, set up by the United Nations and chaired by Gro Harlem Brundtland, Prime Minister of Norway. It was published in 1987. A specific concern is that those who enjoy the fruits of economic development today may be making future generations worse off by excessive degrading of the earth's resources and polluting the earth's environment. The general principle of *sustainable development* adopted by the Commission is that the current generation should "*meet their needs without compromising the ability of future generations to meet their own needs*". This definition of *sustainable development* has since been widely quoted (World Development Report, 1992; Woodhouse, 1992). The 1992 "Earth Summit" in Brazil, the largest assembly of the heads of government in history has succeeded in alerting the consciences of the world to the urgency of achieving environmentally sustainable development and where issues such as poverty, participation in the development process and rights of women were being discussed (Seralgadin, 1993; Johnson, 1993; Elliot, 1994).

8. For the "Basic Needs" issue, refer to footnote 19 in Chapter 2.
9. Most developing countries have to a greater or lesser degree, a mixture of both government and non-governmental resources in the development process. In most cases development groups are tolerated. However, Burma is an extreme example where only the State can carry out development projects. The Red Cross/Red Crescent in many countries has shown that significant development can be achieved by non-government groups (Holloway, 1990).
10. The World Bank has recognized the roles of the NGOs which are becoming an important force in the development process. On this the Bank's has officially stated:

"Experience since the 1970s shows...that reaching the poor with targeted programmes can be difficult. Non-governmental organizations have made an important contribution here. Self-selecting programmes, which exclude the non-poor by offering benefits that are of interest only to the poor, are another promising approach" (World Development Report, 1990: 4).

Furthermore the World Bank is not alone in its receptivity to the concern of an alternative development. UNICEF, The World Health Organization, The United Nations Development Programme and Food and Agriculture Organization, have begun to pay attention to questions of gender equality, sustainability and community participation (Friedmann, 1991). The 1990s are also likely to see further expansion of NGOs due to official funding (Robinson, 1992). While the World Bank continues to work primarily with member governments, NGOs are increasingly involved in the Bank-financed activities. During the fiscal year 1990, NGOs were collaborating in some 50 Bank-supported projects in developing countries. Bank interests in working with the NGOs is largely tied to the NGOs' abilities to elicit participation by the poor and official programmes are more responsive to the needs of the poor (Morgan, 1990). The NGOs have also grown in their strength, financially and in influence. In 1983, NGOs from developed countries provided a grant of US\$3.6 billions to the developing countries. By 1987, such NGOs were providing about US\$5.6 billions, more than credit from International Development Association in 1988 (William, 1990). There are now some 4000 development NGOs in OECD member countries, dispersing around US\$6.4 billions worth of assistance every year. They work with around 10,000 to 20,000 NGOs of developing countries, who assist up to around 100 million people (Edward and Hulme, 1992).

11. The recent evaluation of NGOs undertaken by the DAC of the OECD (1988: 114 - 115) comes out with the following conclusions:

"In general, evaluations conducted so far by the official agencies of DAC members, many of them relating to rural development and social services, conclude that NGOs have a good records in rural development".

12. The category of the 'non-governmental organization' is a residual one which potentially includes every formal association and informal network which is not governmental. However, economic enterprises from peasant households to transnational corporations, and commercial banks to moneylenders, which are primarily profit-motivated are generally excluded. So too are formal political parties, and the associations and informal networks which represent religious, ethnic and class interests. In the field of development, the term 'non-governmental organization' has come primarily to mean voluntary groups without any particular interest or political affiliation, that work for poverty alleviation and economic growth (Crow, 1992). Thus in relation to this study, based as it is in rural area, the term Non-Government Organization (NGO) can be defined as those private non-profit organizations that address the social concerns, promote the interests of the poor and most of all seek to alleviate of rural poverty. The NGO is also generally referred to as the "Third System".
13. The concern of the World Bank towards reducing poverty can be seen in the "World Development Report 1990", when it introduced the concept of "poverty reducing growth". The style of growth can be such as to reduce poverty rather than to increase it, and the report recommends a two-pronged strategy: (i) broad-based economic growth which generates efficient income earning opportunities for the poor; and (ii) improved access to education, health care, and other social services which helps the poor take advantage of these opportunities. The strategy also includes a social safety net for the vulnerable (Jazairy et al, 1992). The World Bank's increasing concern towards the "Another Development" efforts can be seen in two of its publications - *Putting People First* (Cernea, 1985) and *Rural Development : Putting The Last First* (Chambers, 1983) (Thomas and Porter, 1992).
14. This study is based on 26 credit-based poverty alleviation programmes in seven countries of Asia and Africa (some of which are listed in Table 1). Remenyi, however, reminds us that the data on which his study was based remains anecdotal and but a small sample of total activity in the field. Nonetheless, they clearly point in the right direction - credit-based poverty programmes work for many. Remenyi's study was well received by more than 100 economists, bankers, theologians and development professionals who gathered in Oxford, United Kingdom in January 1990. The Conference accepted the findings of the study and affirmed the urgent need to increase the global commitment to credit-based poverty alleviation programmes for the poor. The participants resolved to commend and promote the value of such programmes to all governments, financial institutions, organizations and individuals concerned with poverty alleviation (Remenyi, 1991).
15. Grameen Bank has been receiving help from some international organizations over the past decade besides getting help from the Government of Bangladesh, the major providers being the International Fund for Agricultural Development (IFAD), which since 1984 has provided over US\$30 million. Other major funders are the Asian Development Bank (ADB) and the Ford Foundation. Other major funders for the NGO-based credit programmes throughout the developing countries are the USAID, Rockefeller Foundation, Canadian International

Development Assistance (CIDA), International Development Assistance, UNDP, and UNCDF (Banking With The Poor, 1992).

16. After a considerable negotiation with the Government of Bangladesh, since 1986, borrower-shareholders have controlled 75 percent of the issued shares and the other 25 percent are held by the government (Hossain, 1988).
17. Similarly Blackwood and Lynch (1994: 572) argued that:
 

"GNP is consequently more a measure of the welfare improvement of roughly the richest 40 percent whose share of total income is greatest, than it is measure of the welfare improvement of the poorest, whose share of the total income is the smallest".
18. On the issue of collateral, Rhyne and Otero (1992, cited in Riedinger 1994: 302) noted that there is increasing recognition that the poor borrowers most value convenient and reliable access to small, short term loans, simplified procedures which can reduce lender transaction cost and repayment incentives - in the form of group guarantees or the promise of repeat loans - which can substitute for traditional loan screening activities and collateral requirements.
19. The GB charges an interest rate of 16 per cent on its loans. There is no dole or subsidy at any stage of the credit operation. Loan size varies from Taka 2000 (approximately US\$67.00) to Taka 5000 (approximately US\$167.00). The average size of loans are estimated at Taka 3040 - 3250 for men and Taka 2800 for women. (Taka 32 = US\$1).
20. Ghai (1989: 229) further added that group membership among the poor has certain advantages, in that:
 

"...membership in groups reduces individuality, security and dependence and builds confidence...the group provides a mechanism for discussion, choice and elaboration of social and economic activities to be undertaken...transforms their individual weaknesses into collective strengths"
21. Deveraux et al (1990: 31) observe, concerning the repayment of viable credit project, that:
 

"specific measures to discourage default can be incorporated in credit schemes, but viable project design and good administration are the most important safeguard. Otherwise, the most successful way of avoiding default are: group guarantees, serial loans where new loans are only available to those with good repayment record, and good supervision and monitoring".

22. Repayment rates of over 90 percent have been reported in the credit programmes, confirmed by field experience of IFAD, which are summarized below (Jazairy et al, 1992):

Programme	Country	Year of Reference	Repayment Rate (%)
1. Badan Kredit Kecamatan	Indonesia	1982	94
2. Maha Bhorga Marga	Indonesia	1987	80 - 90
3. Yayasan Indonesia Sejahtera	Indonesia	1987	99
4. BRAC.	Bangladesh	1987	92.3
5. Grameen Bank.	Bangladesh	1992	97
6. Production Credit for Rural Women	Nepal	1989	90
7. SEWA.	India	1982	90
8. WWF.	India	1989	90 - 95
9. World Vision	Sri Lanka	1987	98

Note: BRAC : Bangladesh Rural Advancement Committee; SEWA : Self-Employed Women's Association; WWF : Working Women's Forum.

23. The emerging role of women as an important partner in development has been widely recognized especially in the credit based poverty alleviation programme. Elcoat (1988) also argued that "educate a man, and you are helping one man; educate a women, and you are helping a whole generation". This summarizes why women must be included in the development process. IFAD (1984) noted that women in the Grameen Bank Programme have made an important economic contribution to family welfare. Poulton and Cham (1991) meanwhile argued that "women generally make better development partner than men. They are quicker to seize an opportunity and easier in organization and cooperation...women are ambitious for their family, while men are ambitious for themselves. Women are also more than trustworthy with money", (Muhammad Siddiquir et al, 1991) "more responsive to self-discipline" and Hulme, 1991) "less problematic than men". Burkey (1993) also argued that "women are frequently among those who are most willing to defy tradition and try new ideas, learn new skills and take new chances. We should encourage new lines of endeavor for women and for men".
24. **Empowering:** People's participation has been recognized as an important element in rural development programmes (Padmanabhan, 1988) and especially so among the practitioners of the "Another Development". In connection with people's participation, there has been a call for *empowering process*. Ghai (1989) thus views participation as a process of empowerment of the deprived and the excluded masses (see also Footnote 5 above). Remenyi (1991) argued that empowerment recognizes that it is folly to rely on one group to take decisions on behalf of another and expect them to eschew their own self-interest. The Community Development programmes of the 1950s and 1960s did exactly this by seeking to work through traditional village leaders. Community Development gave power over development resources and authority for the distribution of patronage to those who already had power - the literate and the non-poor. It was

in their interests to support programmes that would see them, their families and friends the primary beneficiaries of development. Today's community based-credit programmes are different (which is empowerment-linked) in that they harness economic self-interest at an individual level and reject patronage in any form. Instead, individual self-interest plus community and peer-group pressure are used. Mascrenhas (1993) also noted that the GB has actually seeks to encourage greater democratic participation, thus empowering rural people with greater control over their activities.

25. Women's participation is quite an achievement in the Grameen Bank. More than 90 percent of GB members are women. They can decide their plan of action and voice their opinions. GB organizes workshops and training programmes especially for them. These have in a way increased their social mobility, their knowledge and organizational skills.
26. These five examples were:
1. Indian National Dairy Development Board.
  2. The Sarvodaya Shramadana in Sri Lanka.
  3. BRAC - Bangladesh's Rural Advancement Committees.
  4. The Community Based Family Planning Services in Thailand.
  5. The National Irrigation Administration's Communal Irrigation Programme in Philippines.
27. The 12 examples of the on-going replication in 1990 as identified by David Gibbons (1990) are as following:

#### **ASIA.**

1. Amanah Ikhtiar Malaysia (AIM) (Malaysia).
2. Projek Usahamaju (Sabah, Malaysia).
3. MSS (Bangladesh).
4. Savecred (Sri Lanka).
5. Ahon Sa Birap (Philippines).
6. Dungganoan (Philippines).
7. Karya Usaha Mandiri (Indonesia).

#### **AFRICA.**

8. In Bukina Faso (name unknown).
9. Mudzi FUND (Malawi).

#### **NORTH AMERICA.**

10. Full Circle (Arkansas).

Hulme (1991) has identified two further examples:

#### **LATIN AMERICA.**

11. Accion Commutono del Peru (Peru).
12. El Instituto de Dessa rallo de Sector Informal (IDESI) (Peru).

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## **CHAPTER FOUR : RURAL DEVELOPMENT AND POVERTY ALLEVIATION IN PENINSULAR MALAYSIA : THE CONVENTIONAL APPROACH**

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### **4.1 INTRODUCTION**

This chapter examines the rural development and poverty alleviation strategy under the conventional approach, initiated by the Malaysian's Government before and during the New Economic Policy (NEP) period. This chapter begins by highlighting the overall national policy framework, that governed the strategy and concept of development during and before the NEP and the new development plan, replacing NEP namely the NDP. This chapter will also be highlighting measurements, concepts and causes of poverty in the Malaysian context.

Finally 3 main issues in the NEP context which form the main backbone of this Chapter, namely (i) the overall strategy of rural development and the poverty alleviation efforts that have been executed, (ii) overall progress of poverty alleviation and (iii) the weaknesses of the strategy towards poverty alleviation will be examined. This framework will provide a clear background in explaining the needs for the emergence of the alternative approach in the following chapter.

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### **4.2 DEVELOPMENT PROCESS AND POLICY FRAMEWORK FOR RURAL DEVELOPMENT AND POVERTY ALLEVIATION IN PENINSULAR MALAYSIA**

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#### **4.2.1 PERIOD BEFORE THE NEW ECONOMIC POLICY (NEP) - 1957 - 1970.**

The evolution of rural development policies in Malaysia stem from the need to tackle the various aspects of rural poverty which include low productivity, low income, lack of an adequate and proper rural infrastructure and rural-urban disparities that existed prior to independence (Ismail, 1989).



Prior to the introduction of the NEP, there were three Five Years Development Plans, namely (1) First Malaya Plan (1956 - 1960), (2) Second Malaya Plan (1961 - 1965) and (3) First Malaysia Plan (1966 - 1970) (introduced after the incorporation of Sabah and Sarawak with Malaya for a greater Malaysia in 1963).

The formulation and implementation of the First Five Year Development Plan (1956 - 1960) marked the origin of rural development planning in Malaysia (Ministry of Agriculture, 1992). Programmes implemented during those decades were (i) industrialization, mainly import-substitution, (ii) economic diversification, (iii) the development of infrastructure and (iv) development of rural areas. However, in the late 1960's disappointment began to set in with respect to growth-oriented strategy. Malaysia took its lessons from the traumatic experience of racial riots in 1969; hence was born the Malaysia New Economic Policy (NEP) in the early 1970s (Ghazali, 1990).

#### **4.2.2 AFTER 1970 - THE NEW ECONOMIC POLICY (NEP) (1971 - 1990)**

During the First Outline Perspective Plan (OPP1) (1971 - 1990) over which the NEP dominates, the Government has implemented four development plans, namely (1) The Second Malaysia Plan (1971 - 1975), (2) The Third Malaysia Plan (1976 - 1980), (3) The Fourth Malaysia Plan (1981 - 1985) and (4) The Fifth Malaysia Plan (1986 - 1990).

The change in focus of development policy was expressed with the inauguration of a new development order called the New Economic Policy, which was introduced in the Second Malaysia Plan with two main objectives of poverty eradication and restructuring of society. Development programmes in the decade of the 1970s were based on the growth with equity principals (INTAN, 1991). But, it was only in the mid-1970s (in the Third Plan) that specific anti-poverty strategies were comprehensively spelt out as the extent of poverty was fully recognized (Malaysia, 1976). The Treasury Economic Report of 1974 - 75 was the first Malaysian Government document to outline the extent of poverty and thus the core of the poverty alleviation programmes were only being formulated with the emergence of the Third Malaysia Plan in 1976 (Peacock, 1979).

Beside the NEP, two other policies that govern the overall development policies concerning rural development are the:

- (i) The National Agricultural Policy (NAP), enunciated in 1984 which is the main and specific policy relating to agricultural development of the country [1].
- (ii) The Industrial Master Plan (IMP), introduced in 1986, which provides the policy support and stresses among other things the development of agro-based and small-scale industries (including cottage or rural industries).

#### 4.2.3 AFTER 1990 - THE NEW DEVELOPMENT POLICY (NDP) - (1991 - 2000)

The Prime Minister of Malaysia, Dr. Mahathir, in launching the New Development Policy (NDP) [2] to replace the NEP has openly stated:

"We have made remarkable progress but we still have more to do. The objectives of the NEP have not been fully realized. Poverty still remains, although the magnitude of the problem has been substantially reduced...the OPP2 covering the period 1991-2000 has been formulated based on a new policy called New Development Policy (NDP). This new policy will maintain the basic strategies of the NEP of eradicating poverty and restructuring societies...the NDP will set the pace to enable Malaysia to become a fully developed nation by the year 2020" (Mohamad, 1992: 5) [3].

Thus as mentioned above, The Second Outline Perspective Plan (OPP2) covering the period 1991 - 2000, has been formulated based on a policy known as the New Development Policy (NDP), which stresses the '*growth with equity*' principal. Under the OPP2, Government has implemented the Sixth Malaysia Plan (1991 - 1995). The NDP retains the basic strategies of the NEP of the last 20 years - eradicating of poverty and restructuring of society. In terms of poverty eradication which contains some new dimensions, Mahathir (Mohamad, 1992: 5) further added:

"The new dimensions of the NDP will be to put greater emphasis on the anti-poverty strategy with a view to eradicating hard-core poverty while at the same time reducing relative poverty".

In 1991, hard-core poverty accounted for 4 per cent of the households and the target is to reduce this to 2 percent by 1995 (Malaysia, 1991a). The government further envisages that the problem of hard-core poverty in Malaysia will be practically eradicated by the year 2020 (Ministry of Agriculture, 1992).

The Government also clearly stated in the NDP that it will encourage any poverty eradication programme based on the concept of self-reliance (Malaysia, 1991b). Thus the role and contribution of non-government institutions in eradicating poverty will be continuously supported as a strong complementary package to existing pure Governmental programmes (Ministry of Agriculture, 1992). In this connection, it will provide further financial support to non-governmental bodies (Malaysia, 1991b). The emergence of the *Amanah IKhtiar Malaysia (AIM)*, a non-government organization since 1986, with its totally new concept towards poverty alleviation has received a very strong support from the government.

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### 4.3 CONCEPT, MEASUREMENT AND CAUSES OF POVERTY IN THE MALAYSIAN CONTEXT

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#### 1. Absolute Poverty

In Malaysia, the absolute poverty concept is used in planning for the formulation of policies and programmes for the alleviation of poverty (Ministry of Agriculture, 1992; Hassan and Salleh, 1988; Johari, 1991; Yahya, 1991). The absolute poverty concept seeks to describe poverty as lack of income necessary to acquire minimum essentials of life and is measured on the basis of poverty line income (PLI) [4].

Currently in the Malaysia context, PLI, is considered the most practical and suitable measure of poverty especially for national planning purposes (Hashim, 1991) and is the most widely used (Yusof, 1991). Table 6 below shows the poverty line income for various years [5]. The different PLIs for Peninsular Malaysia, Sabah and Sarawak emphasize the variations in living costs even within a small country like Malaysia.

#### 2. Quality of Life

Upon recognizing the limitation of the PLI, the *quality of life* has been officially used as a supplementary concept in the analysis of poverty in Malaysia. The *quality of life* has been related to certain basic facilities such as *electricity* and *water supply, schools, clinics, transport* and *communication facilities* (Hashim, 1991). There are also other indicators of *quality of life* that have been widely used and among others these include *housing conditions, household equipment, assets* and *household*

*expenditures* (SERU, 1991). However, in Malaysia the *Physical Quality of Life Index (PQLI)* is still not being used.

Table 6 : Poverty Line Income in Malaysia : 1977 - 90

	Peninsular	Sabah	Sarawak
1977/78	M\$252	M\$401	M\$332
1987	M\$350	M\$533	M\$429
1990	M\$370	M\$544	M\$452

Source: Hashim, (1991: iv ) Konsep dan Pengukuran Kemiskinan [6]

### 3. Relative Poverty

In Malaysia, the inequality approach in the analysis of poverty does not use the PLI. In this approach a poor household has been defined as one with a total income that falls in the bottom forty percent of the national income distribution. Generally, a comparison is made between the lower 40 percent (poor people) and the upper 20 percent (rich people).

### 4. Hard-core Poverty

During the Fifth Malaysia Plan (1986 - 1990), another concept of poverty has been introduced in Malaysia, known as hard-core poverty (INTAN, 1991). It is defined as those households receiving less than half of the poverty line income (Malaysia, 1991b). Table 7 below provides the PLI for the hard-core poverty.

Table7 : Hard-core Poverty Line Income in Malaysia

	Peninsular	Sabah	Sarawak
1987	M\$175	M\$267	M\$215
1990	M\$185	M\$272	M\$226

Source : Malaysia, 1991a: 100 [7]

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#### 4.4 CAUSES OF RURAL POVERTY

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It has been widely accepted that, based on a variety of research findings and organizations, rural poverty in Malaysia is basically caused by (Aziz, 1964; Ayob, 1969; Malaysia, 1976; Snodgrass, 1980; World Bank, 1980; Ghose, 1983; Kasim et al, 1983; Kasim, 1984; Ali, 1986; Tamin, 1986; Tan, 1987; Siwar, 1988; Mustapha, 1988a; Mehmet, 1988; Onn, 1989; Ismail, 1990; Hashim, 1991): (i) uneconomic or small farm size and tenancy, (ii) population growth, (iii) low accessibility to capital, technology and expertise, (iv) economic characteristics of the poor, (v) imbalanced rural/urban growth, (vi) market exploitation by middlemen (vii) rising costs of living, (viii) insufficient employment opportunities outside agriculture, (ix) being neglected (x) low productivity (xi) policy-induced determinants (xii) low accessibility to capital and (xiii) deteriorating terms of exchange for agricultural producers. We have discussed some of the general causes of poverty in the developing countries in Chapter 2. It is not the intention here to review every single variable that causes rural poverty in the Malaysian context as listed above. Thus a general review will be attempted.

The persistence of poverty in the Malaysian rural/agricultural sector has always been explained in terms of structural analysis. In general, uneconomic or small farm size has been accepted as the major cause of poverty among rural households (Siwar and Mustapha, 1987; Mehmet, 1988; Onn, 1989). A general observation indicates that the average size of farm in Peninsular Malaysia is less than 2.0 hectares, and about two-thirds of all farm holdings are below this size (Mustapha, 1988a) [8].

One of the characteristics of land in the smallholding sector is rental tenure. Thus the problem of uneconomic size is made worst when they are tenant operated (Frederick and Wells, 1978). The World Bank (1981) noted that small farms, whether owner operated or tenanted, represent an intractable poverty problem, one which neither current policy nor institutional arrangements are likely to affect. In general uneconomic farm holdings have further reinforced the low productivity and income of the agricultural households. A recent study by SERU (1990a) [9] has shown that among the poor rural households, the percentage of the landless is quite high, which on average accounted for around 30 to 55 percent of all households. SERU's study thus clearly shows that landlessness and near-landlessness (those with inadequate access to land) are very common among the poor households [10].

Rural development programme in the IADP granary areas, without taking into consideration the existing structure of land ownership have had the effect of reproducing poverty through increased landlessness. On this Mehmet (1988: 40) argued "Under the 'Green Revolution' the poverty impact was particularly accelerated by a new tenorial pattern whereby tenancy gave way to owner-operator farmers...as owners increasingly became operators and the larger landowners began to accumulate padi lands, marginal households sank further into poverty or joined the ranks of landlessness".

Another important cause of persistent rural poverty stems from the policy mismanagement of subsidy or credit programmes (i.e. policy-induced determinants). It has been argued that the management of subsidy programme is filled with abuses that it tends to benefit more middlemen, millers, traders as well as officials themselves than producers (Mehmet, 1988). The same form of mismanagement occurs in the credit facilities of the Agricultural Bank, where in theory, poor farmers are entitled to grants and loans. However, in reality the borrowers were mainly the wealthy and influential rural elites and not the genuine full-time or poor farmers (ibid, 1988). Thus large-scale government intervention such as credits and subsidies have not manage to make any significant inroad towards the alleviation of mass poverty in rural areas.

Poverty is also cause by the lack of productive employment opportunities. On this the Third Malaysia Plan (1976: 27) stated "The lack of productive employment opportunities is the major causes of poverty. Open unemployment and underdevelopment of human resources resulting from the lack of complementary inputs such as land, capital and entrepreneurship underlie poverty in every sector of the economy".

Poverty is also associated (Hashim, 1991) with the economic boom of the other sectors resulting in increased wages and higher prices of goods. The price increment of agricultural produce tends to be much lower compared to the rate of increase of non-agricultural products. This has the effect of reducing the purchasing power of agricultural producers, thus worsening their real income. It has been argued (Ministry of Agriculture, 1992) that the persistence of rural poverty can also be explained in terms of an external economic factors such as recessions which have the negative effect on the prices of agricultural commodities. However, these factors are beyond the control of the government and the poor households.

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## 4.5 STRATEGY AND RURAL DEVELOPMENT PROGRAMME

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In discussing the strategies and rural development programmes in Peninsular Malaysia, the discussion will be divided into two periods namely, before (1957 - 1970) and during the New Economic Policy period (1971-1990). Some of major strategies and programmes, relating to the poverty alleviation in rural areas that have been implemented during the above mentioned periods will also be highlighted.

### 4.5.1 PERIOD BEFORE THE NEW ECONOMIC POLICY (1957 - 1970).

In the 1950s and 1960s, much emphasis of development planning was on achieving a reasonably high rate of economic growth through the diversification of the economic base and infrastructure development (Muhd Salleh, 1991). The rural development strategies were basically an infrastructural approach, with the provision of social amenities and economic infrastructure [11] seeking to provide linkages to the rural economy by the creation of rural employment and raising productivity and income of the poor (Chee, 1979; Kassim, 1987; Siwar and Mustapha, 1987; Mustapha, 1988b).

Accompanying the above extension of infrastructure, strong emphasis was placed on social mobilization through Community Development (CD), as an instrument of village progress. Various forms of Community Development were launched between 1953 and 1958, much in the spirit of its Indian's counterpart. However, shortage of funds and personnel brought the programme to a halt. By 1960 the villages involved had reverted virtually to their original state (Rudner, 1975; Ness, 1967; Abdullah, 1986). CD thus failed to make any significant long-lasting impact (Ahmad and Nik Yusoff, 1984).

The most important of the organized activity in an attempt to stimulate rural economic development was through the creation of FELDA established in 1956. It was involved chiefly with the large scale development of new lands and also in providing land to the landless through a settlement scheme (Peacock, 1981). From a modest start of ten schemes covering a total of 4901 hectares catering for 791 families, the figure increased to 74,459 hectare and 11,865 families by 1970 (Ng, 1987) [12].

Another important component of rural development strategies in the 1960s that coincides closely with the government's aim towards rice self-sufficiency and also strongly influenced by the then fashionable 'Green Revolution' strategy, was the

provision of drainage and irrigation facilities in all the major rice growing areas (Mehmet, 1988; Shari Shaari, 1991). The biggest scheme and a huge technical success was the MUDA irrigation scheme, gazetted as Muda Agricultural Development Authority (MADA) (Kasim, 1983; Collin et al, 1980; Peacock, 1981) [13].

It is important to note that when one analyses the development achievements of this period, there were some. Cho (1990) noted that between 1950 and 1960 the growth of GDP was only 3.5 percent, but it increased to 4.5 percent in the decade of the 1960s. However there was no growth in the peasant sector (Esman, 1978). The reality was that in 1969-70, poverty still remained high and posed a serious problem in the rural and agricultural sectors (Faaland et al, 1991; Ismail, 1989; Siwar and Mustapha, 1989; Ismail and Abu Samah 1992). Furthermore the income disparities between traditional agricultural sector and the rest of the economy in Peninsular Malaysia increased from about 1:2.5 to more than 1:3 in 1970 (Awang, 1990).

The situation between 1957 to 1970 was summed up by Lee (1977) and Snodgras (1980) as an increase in the number of the absolute poor, despite the growth in agricultural output and the national income. Calson (1976, cited in Awang, 1990), argued that the Malaysian rural development programme during the above period was rather ineffective, except in a symbolic way.

## **4.5.2 DURING THE NEW ECONOMIC POLICY PERIOD (1971 - 1990)**

### **4.5.2.1 INTEGRATED RURAL DEVELOPMENT PROGRAMME (IRDP)**

As mentioned earlier, by early 1970 following the start of the Second Malaysia Plan (1971 - 75), it was clear that rural poverty still persisted as a serious problem facing the rural and agricultural sector. The high incidence of poverty in the early 1970s prompted the government to introduce the New Economic Policy (NEP) which gave special emphasis to eradicating poverty.

It was argued that past rural development strategies have not managed to trickle the benefit of development to the poorest section of the rural population. Past strategies were also regarded as not comprehensive enough. To get more impact, it was felt that a more integrated approach to rural development was needed (Siwar and Mustapha, 1987). As a result and strongly influenced by the then fashionable concept of the Integrated Rural Development Programme (IRDP) in the early 1970s in many developing countries, the same approach was adopted in Malaysia.



In Malaysia, the core of the IRDP strategy, being a multi-sectoral approach [14], lies in the '*area development*' or '*in-situ development*' which focused on (ibid, 1987; Siwar, 1992):

- (i) Land and Regional Development (4.5.2.1.1).
- (ii) Integrated Agricultural Development Programme (4.5.2.1.2).

#### **4.5.2.1.1 LAND AND REGIONAL DEVELOPMENT**

Land development in Peninsular Malaysia began as mentioned earlier with the formation of Federal Land Development Agency (FELDA) in 1956 and was (Majid and Majid, 1983) essentially concerned with colonization of new land. It was never intended to be conceived as part of regional development. When regional development *per se* became an important component of Malaysia development strategy beginning in the early 1970s, some of the major land development and settlement programmes became part and parcel of that strategy (Abdullah, 1986).

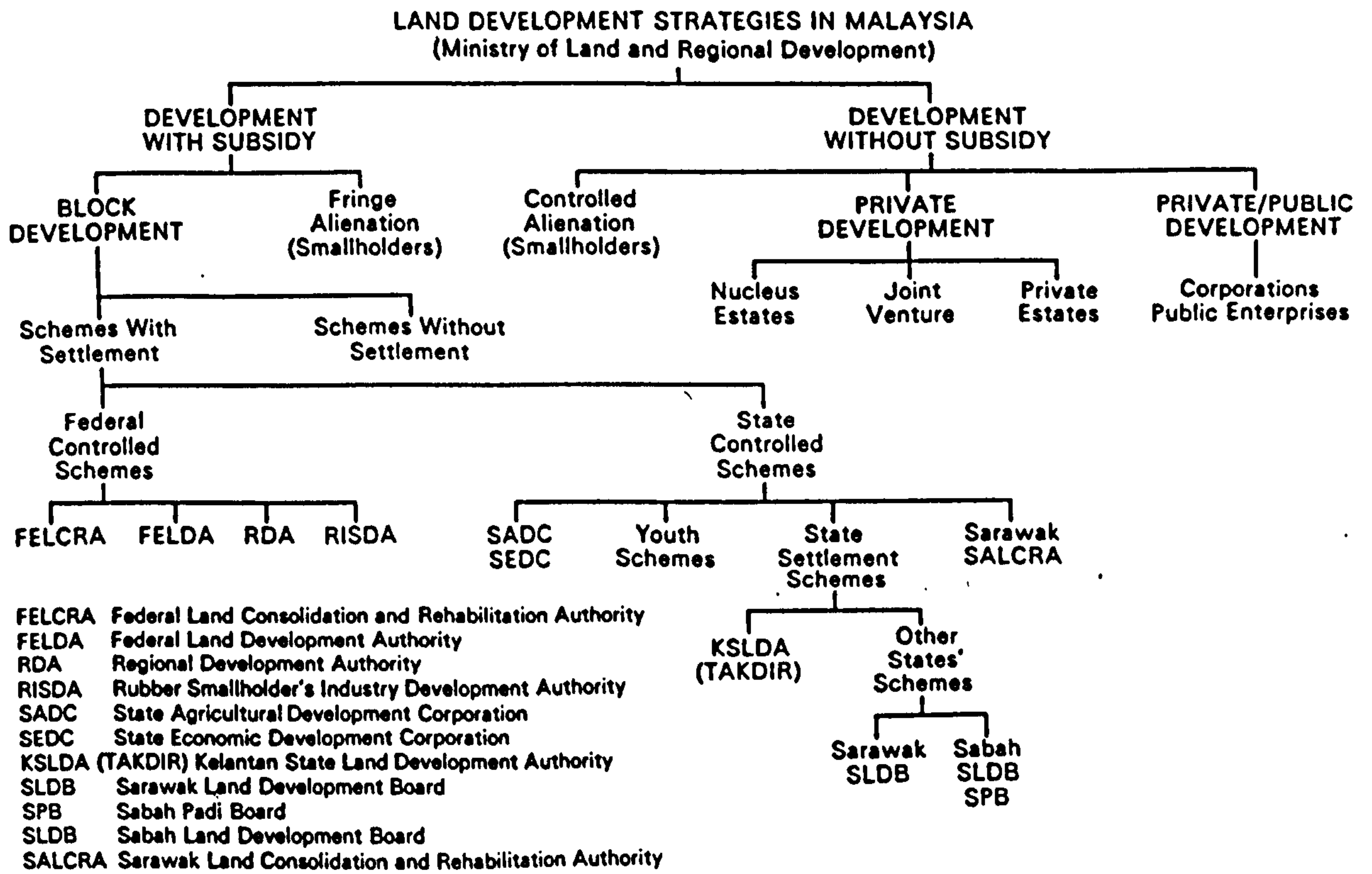
FELDA's early success led to the formation of other government agencies in the late 1960s and early 1970s who further spearheaded and diversified land development. These included the various Regional Development Authorities (RDAs), The Federal Land Consolidation and Rehabilitation Agencies (FELCRA) and The Rubber Industry Smallholder Development Agencies (RISDA). Various other land development frameworks in Malaysia are shown in Figure 3. In our general discussion below, we will divide the experiences of land and regional development in Peninsular Malaysia as follows:

- (1) Land Development by FELDA.
- (2) In-situ Land Development by FELCRA and RISDA.
- (3) Land Development by the various Regional Development Agencies (RDAs).

#### **1. Federal Land Development Authority (FELDA) [15]**

During the NEP, FELDA was regarded by the government as the main project to alleviate rural poverty (Salleh, 1989). In line with this new role, allocations for FELDA projects have consistently been by far the largest component of the agricultural and

Figure 3 : Malaysia : Land Development Strategies



Source : Cho, G. (1990). The Malaysian Economy : Spatial Perspectives

rural development budget, accounting for around half of the total (Mehmet, 1988) [16].

The FELDA scheme has been acclaimed as the most successful land scheme in the world by the World Bank (Berita Harian, 1988, cited in Abdullah, 1990). Two of FELDA's main achievements can be seen in the amount of land developed and number of families settled as well as the economic aspects of the settlers themselves. By the end of 1990, FELDA had managed to develop an overall total of 871,446 hectares of land and resettled 119,300 settlers (NADA KPLB, 1992).

On the whole the economic achievement of FELDA settlers is also very encouraging. Several researchers have come to a similar conclusion that the income of the settlers has increased (Lim, 1976; Khera, 1976; Mehmet, 1988; Hashim, 1988; Md Nor, 1992). Talib (1992) also noted that FELDA's rate of achievements are very encouraging [17].

## **2. In-situ Land Development- FELCRA and RISDA.**

The main component of the in-situ land development, also a major anti-poverty programme, are rubber replanting undertaken by RISDA and the consolidation and rehabilitation of land by FELCRA.

Under RISDA's approach, smallholders are provided with replanting grants for the purpose of either individual replanting, block replanting, or in bigger areas, the establishment of mini-estates (Nordin, 1991), which incorporate the element of estate-type operation into smallholder farm development (Ho and Lam, 1986).

Meanwhile FELCRA concentrated its activities into two main programmes, namely land consolidation and rehabilitation (Mustafa, 1986; Frederick and Wells, 1978). The country has identified the existence of idle land which amounted to 890,000 hectares (12 percent of agricultural land) (Abdullah, 1990) [18]. FELCRA's goal is to integrate fragmented and scattered pieces of land which have been left idle into large-scale farming units or mini-estates [19].

### 3. Regional Development by various RDAs

Among the institutional frameworks introduced to implement the regional development strategy were seven Regional Development Authorities (RDAs) and these are shown in Figure 4. Five RDAs were given the main task of developing the resource frontiers, which are a 'spin off' from the FELDA model of land development. Two other RDAs were responsible for the In-situ Agricultural Development [20].

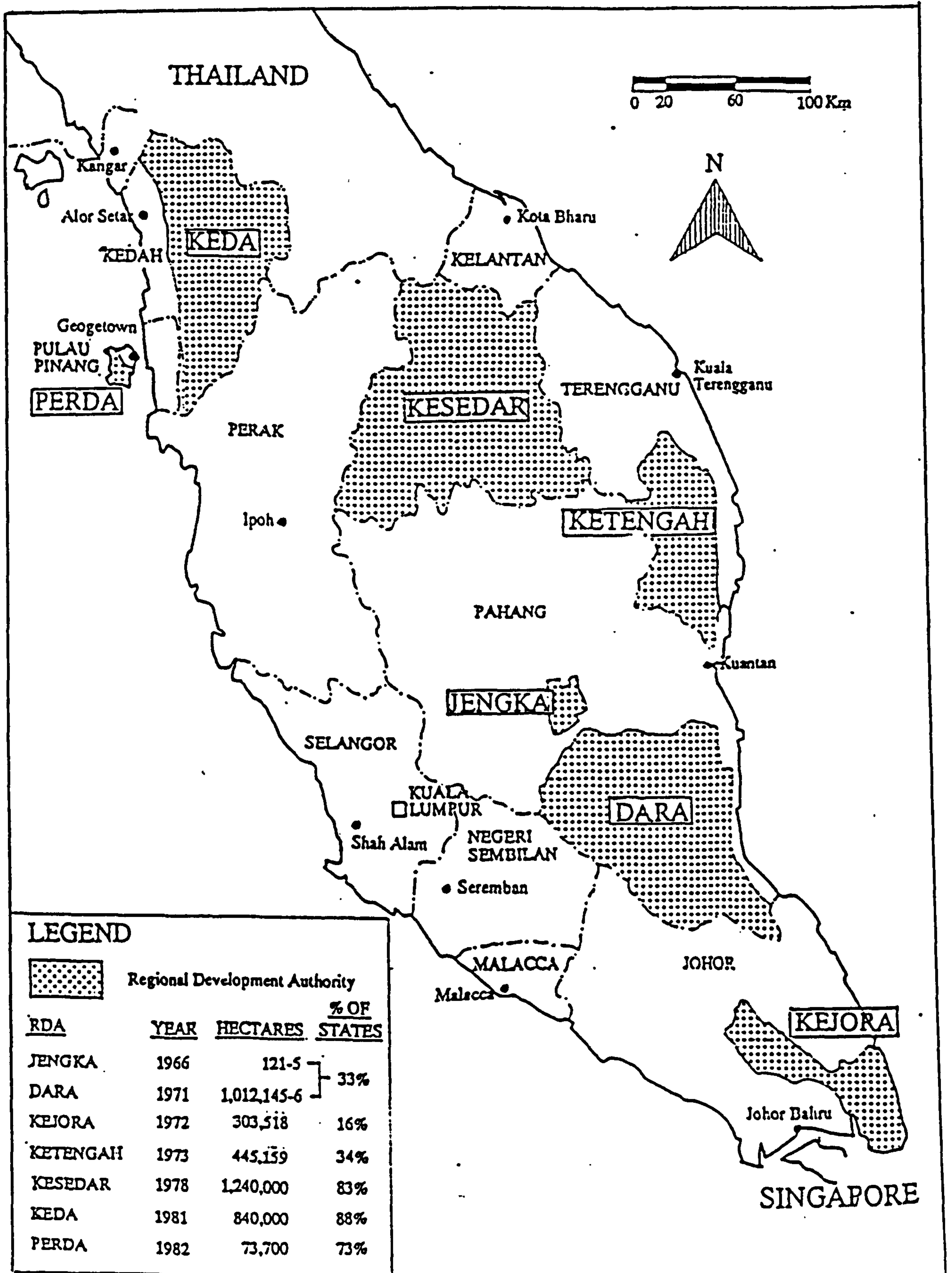
**i. Resource Frontier Development:** The development of resource frontier regions involves large-scale agricultural development and also new settlement schemes (UPP, 1988a; Mat, 1983; Ismail and Muhammad, 1992). New townships were established in these region to serve as secondary and local growth centres (Johari and Chong, 1990) and also to provide urban facilities and services to rural areas as well as to attract the growth of agro-based and resource-based industrial development (Nik Ibrahim, 1988; Kasim, 1988; Choguill, 1989; Johari and Chong, 1990; Mohamad, 1990; Ali, 1991).

**ii. In-situ Agricultural Development:** Two other RDAs, PERDA (in the State of Penang) and KEDA (in the State of Kedah), formed in early 1980s were not prompted by the need for the development of new resource frontiers. Their operations are basically *in-situ*, with the main function of bringing about balanced development between developed urban areas and the depressed under-developed non-urban areas. Basically it involves the development of rural growth centres and the upgrading of existing townships (UPP, 1988b). The primary role of these rural growth centres is to stimulate development at local levels and to induce spread effects to the surrounding villages (Malaysia, 1991a). KEDA's role in the development of the depressed region in the State of Kedah is discussed in Chapter 7. The district of Baling (the study area) is under the jurisdiction of KEDA.

#### 4.5.2.1.2 INTEGRATED AGRICULTURAL DEVELOPMENT PROGRAMME (IADP)

The agricultural component of the IRDP is the IADP, [21] which is basically a "reformative" strategy, designed to revitalize and rehabilitate in-situ or existing agricultural areas faced with the problems of poverty and low productivity associated with the uneconomic size of holdings and poor farming methods (Arshad and Mustapha, 1986; Siwar and Mustapha, 1987). To ensure IADP success, an integrated package of infrastructural and support facilities, as well as agricultural support services were provided to existing areas (Malaysia, 1991) through the co-ordination and

Figure 4 : Regional Development in Peninsular Malaysia, 1986



Source : Md Nor. (1992). Regional Development Planning in Peninsular Malaysia : Empirical Analysis of Resource Frontier Region, JENGKA.

integration [22] of all agencies and departments under the Ministry of Agriculture (Abdullah, 1992) (See Figure 5).

Basically, there are two types of IADP (Ismail and Abu Samah, 1992; Ali and Idris, 1992), namely:

- (i) those based on predominantly rice producing agricultural areas.
- (ii) those based on mixed crops (rubber, coconut, oil palm, cocoa and others).

However the IADPs are generally more directed towards the padi areas and currently there are 25 IADP projects. 12 have been completed, 7 still being implemented and 6 more will be implemented (see Figure 6 and Table 8) [23].

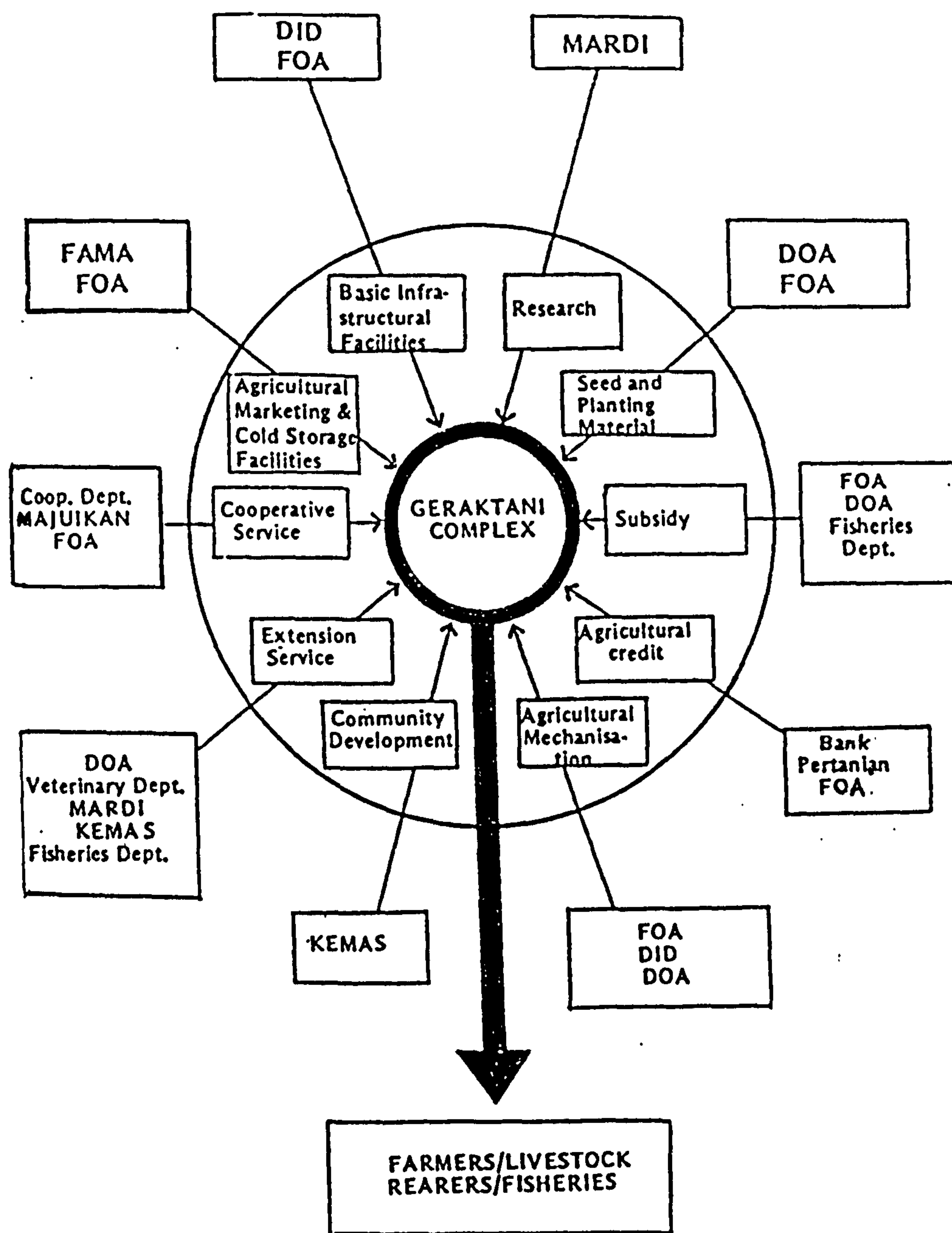
#### 4.5.2.2 THE "NEW APPROACH IN VILLAGE AND RURAL DEVELOPMENT" (NAVRD)

In 1984 the National Agricultural Policy was launched. It stressed maximizing income from agriculture through effective utilization of resources. In line with that, 1984 also saw the introduction of a new approach to rural development called "*New Approach in Village and Rural Development*", or "*NAVRD*", which is a rural urbanization strategy through the grouping and regrouping of existing villages to create "growth centres". The emphasis is on traditional villages as opposed to the "frontier" regions (INTAN, 1991; Nik Ibrahim, 1988). The NAVRD is a nation wide exercise involving all the 11 states. Scattered villages are being amalgamated to form organized settlements and where appropriate, these villages are turned into viable townships to permit the provision of better facilities and services and where possible to encourage rural industrial and commercial development [24]. Apart from amalgamation of villages, it involves the development of agriculture, whereby padi fields are integrated into estates to be managed by co-operatives (Ismail, 1989; Salleh, 1992). Apart from padi farming, other crop lands were also involved.

#### 4.5.2.3 AGRICULTURAL BANK AND THE PROVISION OF AGRICULTURAL CREDIT

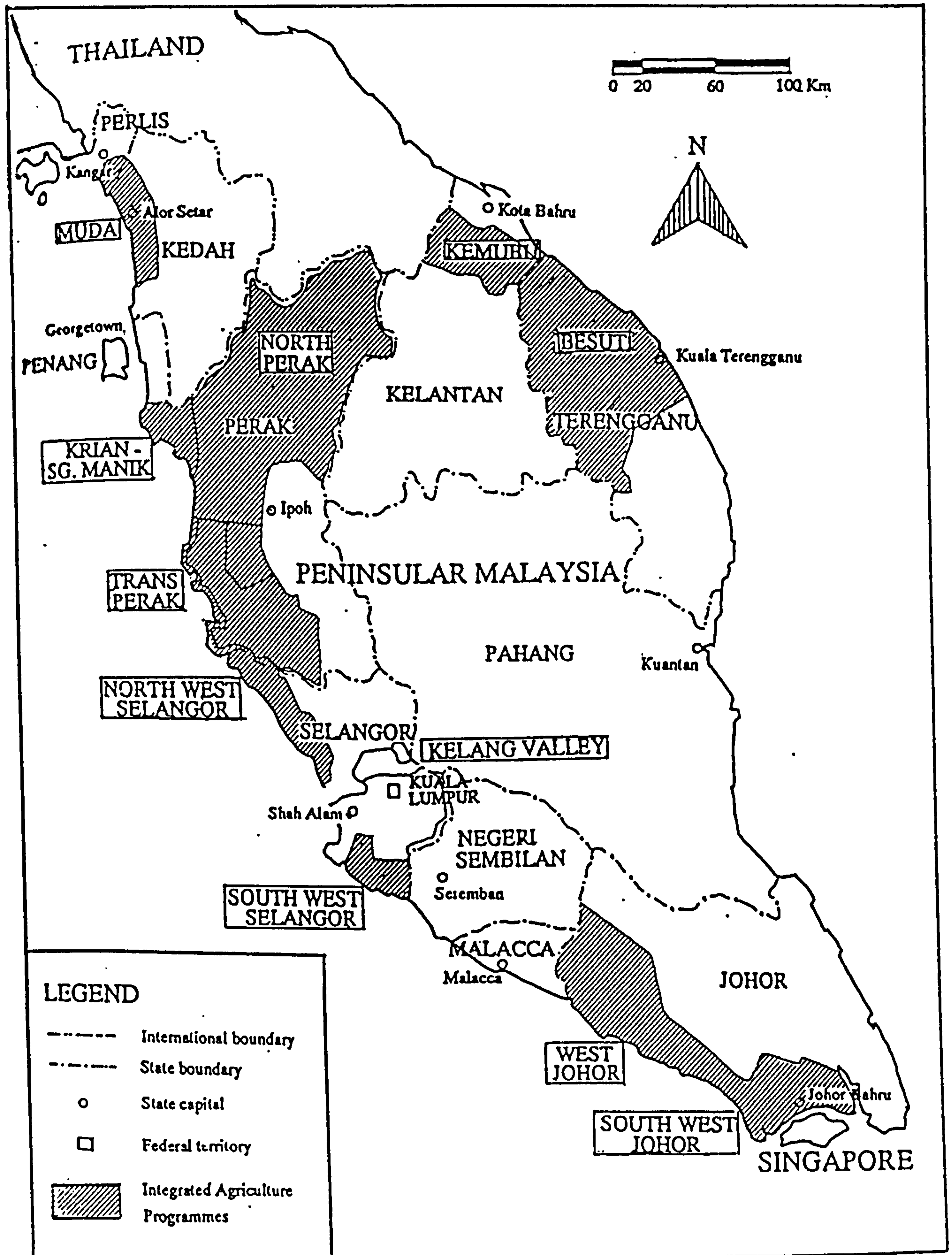
Bank Pertanian Malaysia or BPM (Agricultural Bank of Malaysia) is a state bank established to provide agricultural loans and credit and to act as the nucleus of Malaysia's institutional agricultural system.

Figure 5 : Essential Facilities and Services in the Geraktani Complexes under The Ministry of Agriculture, Malaysia.



Source : Osman, et al. (1980). Extension Services of the Department of Agriculture in Peninsular Malaysia

Figure 6 : Peninsular Malaysia : Integrated Agricultural Development Schemes (IADP), 1986



Source : Md Nor. (1992). Regional Development Planning in Peninsular Malaysia : Empirical Analysis of Resource Frontier Region, JENGKA.



Table 8 : Malaysian Integrated Agricultural Development Programme (IADP): Projects Completed and During Implementation

No.	Name of Project	Time Period	Size (hectares)	Type of Crop
A. Completed				
1.	MADA 1	1965-1970	95,985	Padi
2.	KADA	1967-1973	57,522	Padi
3.	Besut	1971-1979	14,175	Padi and mixed
4.	West Johor 1	1974-1985	133,948	Mixed*
5.	North Kelantan	1976-1983	307,600	Padi and mixed
6.	North West	1978-1985	110,119	Padi and mixed
7.	MADA II Selangor	1978-1987	5,946	Padi
8.	Krian/Sg. Manik	1979-1987	30,613	Padi and mixed
9.	East N. Sembilan	1981-1987	513,000	Padi and mixed
10.	Rompin-Endau	1981-1987	4,374	Padi and mixed
11.	Kemasin-Semarak	1981-1987	28,670	Padi and mixed
12.	Lembah Kedah	1983-1987	851,000	Padi and mixed
B. During Implementation				
13.	Melaka	1982-1988	93,150	Padi and mixed
14.	Perlis	1982-1990	49,000	Padi and mixed
15.	Balik Pulau/ Seberang Perai	1983-1990	95,532	Padi and mixed
16.	West Pahang	1983-1990	2,270,000	Padi and mixed
17.	Kalaka-Saribas	1986-1992	157,000	Oil Palm
18.	Samarahan	1986-1995	86,000	Mixed*
19.	West Johor II	1986-1995	210,000	Mixed*

Note : \* Mixed refers to other mixed crop minus padi.

Source : Ali and Idris, (1992). Peranan Programm-Program Pembangunan (IADP) Dalam Konteks Pemodenan Luar Bandar.

In the rural development of Malaysia, some of the agricultural inputs and services, such as the use of machinery were not provided or subsidized by the state. Therefore farmers had to purchase them from the market (Abdullah, 1992). This led to the demand for production credit and especially so in the 'Green Revolution' areas with all the features of integration.

Prior to the BPM emergence, the main sources of credit were mainly from non-institutional sources. A survey in Peninsular Malaysia in 1986 found that about 62 percent of all loans granted to farmers were from informal sources (Nieuwkoop, 1986). On the other hand Rural Cooperatives and Farmers Associations were the only formal institutions to provide loans prior to BPM formation but accounted only a tiny proportion of loans (less than 1 percent) made out to small farmers (Selvadurai, 1978).

Starting with only two branches in 1970, BPM has rapidly expanded to 49 branches throughout the country by 1985 (Abdullah, 1992). Credit disbursed by BPM has increased from \$58,000 in 1970 to M\$4.5 million in 1974 (Padmanabhan, 1988) and up to M\$500 million by 1980 (Kidam, 1984). The delivery of loans to the farmers is done through a network of intermediatory institutions called local credit centres such as the Rural Cooperatives and Farmers Organizations (Lim, 1973; Wells, 1983).

We have seen above that during the NEP period various rural development programmes have been launched to eradicate poverty with a huge allocation of around M\$32.7 billion (SERU, 1991). This calls for the examination of the overall progress of poverty alleviation, which we are turning to next.

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## **4.6 PROGRESS IN THE ALLEVIATION OF RURAL POVERTY**

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### **4.6.1 POVERTY SCENARIOS**

#### **1. Absolute Poverty - Overall Incidence of Poverty**

It was not until the pronouncement of the Third Malaysia Plan in 1976 that explicit poverty estimates and targets were introduced. In addition, the Government had also identified and made estimates for several 'target groups' in the early 1970s (Bhalla and Kharas, 1992). The progress in poverty alleviation is shown in Table 9A. The

incidence of poverty in Peninsular Malaysia has declined from 49.3 percent in 1970 to 15 percent in 1990, better than the First Outline Perspective Plan (OPP1) target of 16.7 per cent (Malaysia, 1991b).

## **2. Rural Poverty and the Target Groups**

In Peninsular Malaysia, poverty is mainly a rural phenomenon. In 1970 out of a total of 1,203,000 rural households surveyed, 705,900 households or 58 percent were in poverty. Out of these, 582,400 households or 82.5 percent were in the agricultural sector (Ministry of Agriculture, 1991: 11). The incidence of poverty decreased further to 24.7 percent (402,000) and 19.3 percent (371,000) in 1984 and 1990 respectively. By 1993 the figure stood at 18 percent (Utusan Malaysia, March, 1994). However rural poverty still remained dominant. In 1990, the number of poor households in rural areas comprised 85 percent of the total households.

**Table 9B** shows data on the rural target groups. An encouraging result is that all the major poverty target groups have shrunk enormously in size. For example, the incidence of poverty which was highest among paddy farmers in 1970 (88.1 percent) declined to 43 percent in 1990. Similar results can be seen in another major poverty group, i.e. the rubber smallholders where the incidence of poverty declined from 64.7 percent in 1970 to 35.8 percent in 1990.

Despite these achievements, poverty among paddy farmers, coconut smallholders and rubber smallholders remained relatively high in 1990 at 43, 39.2 and 35 percent respectively. In absolute numbers two of the major target groups, rubber smallholders and paddy farmers are the highest at 73,000 and 40,900 respectively.

## **3. Poverty Incidence by Ethnic Group**

**Table 10** shows the incidence of poverty based on ethnic groups. In 1970 the absolute poverty can be seen as an all-ethnic phenomenon with the incidence of poverty being 65 percent (Malay), 39.2 percent (Indian) and 26 percent (Chinese). However in 1990, it seems that absolute poverty is a Malay phenomenon, which accounted 20.8 percent of the Malay population, while that of Chinese and Indian are 5.7 and 8 percent respectively.

Table 9 (a) and 9 (b) : Peninsular Malaysia : Poverty By Stratum and Target Group - 1970 - 1990

	1970		1975		1980		1984		1987		1989		1990	
	No. of Poor Households	Incidence of Poverty (%)	No. of Poor Households	Incidence of Poverty (%)	No. of Poor Households	Incidence of Poverty (%)	No. of Poor Households	Incidence of Poverty (%)	No. of Poor Households	Incidence of Poverty (%)	No. of Poor Households	Incidence of Poverty (%)	No. of Poor Households	Incidence of Poverty (%)
(A) By Stratum														
Total	791,800	49.3	835,100	46.9	666,100	N.A	483,500	18.4	485,800	17.3	436,400	15.0	448,900	15.0
Rural	705,900	58.7	729,900	54.1	568,500	37.7	402,000	24.7	403,200	22.4	361,600	19.3	371,400	19.3
Urban	85,900	21.3	105,200	19.0	97,600	12.6	81,300	8.2	82,600	8.1	75,600	7.3	77,500	7.3
(B) By Target Group														
Rubber S'holders	226,400	64.7	223,800	59.0	175,900	41.3	68,500	42.7	83,100	40.0	73,800	35.8	N.A	N.A
Paddy Farmers	223,400	88.1	114,300	77.0	110,500	64.1	70,500	57.7	51,400	50.2	40,000	43.0	N.A	N.A
Coronut S'holders	16,900	52.8	17,500	50.9	13,300	39.0	6,700	46.2	4,900	39.2	4,600	39.2	N.A	N.A
Fishermen	28,100	73.2	26,200	63.0	19,400	45.0	10,700	26.1	10,700	24.5	10,700	26.0	N.A	N.A
Estate Workers	59,400	40.0	59,700	47.0	39,500	38.0	16,400	19.6	11,700	15.0	11,900	15.3	N.A	N.A

Source : INTAN. (1991). Kemiskinan di Malaysia : Ke arah Satu Penelitian Strategik.

Various Malaysia's Five Year Plans, 1981 - 1991.

Table 10 : Peninsular Malaysia : Incidence of Poverty and Number of Poor Households by Ethnic Group : 1970 - 1990

	1976		1984		1987		1990	
	No. of Poor Households	Incidence of Poverty (%)	No. of Poor Households	Incidence of Poverty (%)	No. of Poor Households	Incidence of Poverty (%)	No. of Poor Households	Incidence of Poverty (%)
Malays	519,700	46.4	388,800	25.8	393,000	23.8	N.A	20.8
Chinese	109,400	17.4	66,100	7.8	61,700	7.1	N.A	5.7
Indians	53,700	27.3	25,000	10.1	26,700	9.7	N.A	8.0
Others	5,500	39.3	3,400	22.0	3,900	24.3	N.A	18.0

Sources : Various Malaysia's Five Year Plan, 1976, 1981, 1984, 1986, 1991.

Table 11 : Peninsular Malaysia : Incidence of Poverty and Number of Poor Households by State : 1970 - 1990

States	1970		1976		1985		1990	
	No. of Poor Households	Incidence of Poverty (%)	No. of Poor Households	Incidence of Poverty (%)	No. of Poor Households	Incidence of Poverty (%)	No. of Poor Households	Incidence of Poverty (%)
Johore	98,500	45.7	73,900	27.3	44,500	12.2	44,700	10.1
Kedah	115,000	63.2	120,000	55.1	93,000	36.6	82,100	30.0
Kelantan	116,300	76.1	100,400	59.2	81,000	39.2	70,400	29.9
Melaka	33,200	44.9	25,100	29.1	15,000	15.8	12,100	12.4
N. Sembilan	33,900	44.8	28,500	26.7	17,300	13.0	30,100	9.5
Pahang	40,300	43.2	37,900	32.0	30,000	15.7	23,800	10.3
P. Pinang	59,800	43.7	46,300	29.5	27,400	13.4	28,200	8.9
Perak	139,200	48.6	133,100	38.7	81,100	20.3	79,700	19.3
Perlis	17,900	73.9	14,600	48.7	13,500	33.7	12,100	17.2
Selangor	85,500*	29.2*	46,100	21.4	31,000	8.6	40,800	7.8
W. P'tuan	N.D	N.D	9,500	6.7	11,800	4.9	12,200	13.8
Terengganu	52,200	68.9	52,300	51.4	37,600	28.9	49,600	31.2

Sources : Various Malaysia's Five Year Plan, 1981, 1986 , 1991.

\* - including Wilayah Persekutuan

N.D - no data.

#### 4. Geographical Distribution of poverty households

This is shown in Table 11, which revealed that there was an overall reduction of poverty incidence in all states from 1976 to 1990. The statistics also show that Kedah, Terengganu and Kelantan have the highest incidence of poverty of around 30, 30 and 31 percent respectively. However in terms of absolute numbers, Kedah has the highest, which stand at 82,500.

#### 5. Hard-core Poverty

Table 12 provides the statistics of the hard-core poverty groups in Peninsular Malaysia. It is also estimated that around 90 percent of this group resided in rural areas (NADA KPLB, 1992). It is also very prominent in the states of Kedah, Kelantan, Terengganu and Perak.

Table 12 : Peninsular Malaysia - Number of Hard-core Poor, 1987 and 1991, Overall and By States

State	1987 (1)	1991 (2)
Kedah	25,588	23,063
Perak	23,053	20,916
Terengganu	20,689	17,083
Kelantan	16,689	25,124
Johor	10,192	6,418
P. Pinang	8,704	9,096
Selangor	8,485	5,213
N. Sembilan	7,524	3,500
Pahang	4,626	8,562
Melaka	3,927	8,486
Perlis	3,062	5,576
W. Persekutuan	2,275	N.D
<b>Total</b>	<b>134,888</b>	<b>133,037</b>

Source : Salleh, 1991, "Poverty, Equity and Growth : Some Empirical Perspectives.

1. Estimated no. of hard-core poor are based on the Household Income Survey (HIS), 1987.
2. No. of hardcore poor as provided by the State Development Offices.

Note : N.D = No Data.

The statistics in Table 12, reveal that in absolute numbers, the hard-core poverty has undergone a small reduction from 134,888 in 1987 to around 133,037 in 1991. This level of poverty is low by international standards and is not comparable to the extreme forms of poverty found in some countries (Malaysia, 1991a).

#### **4.6.2 INCOME DISTRIBUTION - A BRIEF OVERVIEW**

The OPP2 (Malaysia, 1991b: 100-101) has provided a useful summary of the income distribution in Peninsular Malaysia for 1990 as follows:

- i. The income gaps and socioeconomic imbalances are still wide in terms of income and ethnic groups as well as between rural and urban areas. The income share of the bottom 40 percent of households was 14.5 percent (an increase from 11.5 percent in 1970) compared to 50.3 percent (a decrease from 55.7 per cent in 1970) for the top 20 percent of the households in 1990. In terms of income differences, this means a monthly household income of M\$421 for the bottom 40 percent compared with M\$2924 for the top 20 percent.
- ii. In ethnic terms, the inter-ethnic income disparities are still high, specifically in the agriculture sector, where the mean household income of Malays and non-Malays in 1990 was M\$609 and M\$959 respectively. The overall picture of the income distribution also shows that, on average, the monthly incomes are higher among the non-Malays, with the figures for Chinese and Indians at M\$1582 and M\$1201, respectively, while that of Malays is M\$931.
- iii. Although rural-urban income differentials have narrowed, the average rural income represents only about 58 per cent of the urban income in 1990. The overall picture of the income distribution is shown in Tables 13 and 14 respectively.

The above analysis indicates that improvements of income distribution in the last two decades have not occurred evenly for all the three major ethnic groups. The main reason is basically due to the differences in human skills and ownership of assets.



**Table 13 : Peninsular Malaysia : Distribution of Household Incomes - 1970 - 1990**

	All Households			Malay Households			Chinese Households			Indian Households		
	1970	1976	1985	1990	1970	1976	1985	1990	1970	1976	1985	1990
Percentage Income Share												
Top 20%	56.1	57.7	53.2	50.3	52.5	53.8	51.9	50.2	52.6	56.0	51.1	49.2
Middle 40%	32.7	31.2	34.0	35.2	34.8	34.5	34.8	35.7	33.5	31.4	34.9	35.2
Bottom 40%	11.2	11.1	12.7	14.5	12.7	11.7	13.3	14.1	13.9	12.6	14.0	15.0
Average Households Income (Monthly/M\$)	\$267	\$514	\$1095	\$1163	\$177	\$345	\$852	\$931	\$399	\$785	\$1502	\$1582
Gini Coefficient	0.502	0.520	0.480	0.445	0.466	0.485	0.469	0.447	0.455	0.494	0.452	0.430
					\$310	\$538	\$1094	\$1201				
					54.2	52.4	48.4	47.2				
					31.8	33.0	35.3	35.9				
					14.3	14.2	16.3	16.9				

Sources : INTAN. (1991). Kemiskinan di Malaysia : Ke arah Satu Penelitian Strategik.

Various Malaysia's Five Year Plans, 1981 - 1991.

Table 14 : Peninsular Malaysia : Average Household Income By Stratum and Ethnic Groups : 1970 - 1990 (M\$/ per month)

	1970	1976	1985	1987	1989**
<b>By Stratum</b>					
Rural	202	385	824	N.D	N.D
Urban	432	843	1541	N.D	N.D
<b>By Ethnic Group</b>					
Malays	177	345	852	868	931
Chinese	399	787	1502	1430	1582
Indians	310	538	1094	1089	1201
Overall	267	514	1095	1074	1163

Sources : Various Malaysia's Five Year Plan, 1976, 1981, 1986.

\*\* Department of Statistics, Malaysia, (July) 1992.

The overall picture of the income distribution and poverty statistics discussed above clearly shows that despite the overall reduction in the incidence of poverty, it still remains relatively high. The overall picture of income distribution also shows that disparities remain between the upper and lower spectrum of the population, inter-ethnic and also between urban and rural areas. However, as argued by Syed Hussin Alhabshi (1991: 3):

"...this does not mean that the government efforts were not effective. On the contrary poverty has been reduced...the success has been highly commendable, but of course, a lot more needs to be done".

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## 4.7 DRAWBACKS AND INHERENT PROBLEMS IN RURAL DEVELOPMENT AND POVERTY ALLEVIATION PROGRAMMES

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On these issues, we will divide the discussion into two parts:

- (i) The specific weaknesses of each of the programmes discussed above, such as the FELDA, FELCRA, RISDA, IADP, Regional Development, NAVRD and credit provision by the Agricultural Bank.
- (ii) We will then be touching on some of the weaknesses and unresolved issues in the government's poverty alleviation machinery.

### 4.7.1 WEAKNESSES OF THE PROGRAMMES

#### 1. FELDA:

While the FELDA schemes provide a good example of successful land development, the cost of this achievement is high in terms of financial investment (Onn, 1989; Nolten, 1990) which amounted to M\$5.49 billion by 1987 (Abdullah, 1992). While it is also true that settlers have enjoyed higher incomes, the cost of resettling a family has increased from \$49,700 in 1986 to \$55,000 in 1990 compared with only \$26,500 in 1976 (Malaysia, 1991a). The high financial cost is justified if it reaches the majority of the rural poor. However it did not, since it benefitted only a small number of the rural population (Tan, 1981; Mustapha, 1981; Abdullah, 1986; Arshad and Mustapha, 1986; Cho, 1990; Shari, 1990) [25]. Corner (1983) noted further that while Felda settlers gain, the traditional agricultural sector from which they are drawn falls further behind.

The extremely capital intensive nature of FELDA, as well as its effect on nature, suggested that it could not go on for too long. Under the Sixth Malaysia Plan (1991-95), land development has been de-emphasized. No new land development will be undertaken by FELDA, except for replanting in its existing schemes (Malaysia, 1991a) [26].

#### 2. RISDA, FELCRA and The "NAVRD"

The main weaknesses in RISDA's replanting scheme is the lack of participation of smallholders and Abdullah has stressed this point when he argued (1986: 229):

"The fact that quite a sizeable number of the smallholdings have not been replanted, and that the peasants' holdings were under-represented in the replanting activities signifies conclusively that the replanting programmes have not yet adequately reached the smallest holdings in the rubber sector". [27]

On the other hand, FELCRA's approach which operates through a "share system" based on amounts of land contributed, would obviously favour landowners with bigger plots over the smaller plot holders and virtually nothing for the landless (Jomo, 1989; Abdullah, 1990). Probably the poorest, namely the renters and landless labourers, could benefit if they are hired to work in the mini-estates. But FELCRA's schemes seem to lean more towards modern machinery, which essentially makes these workers redundant (Shari and Mat Zain, 1990).

Similarly the "NAVRD" concept of group farming does not take into consideration the reformation of land (i.e. redistribution of land) is not likely to cater for every spectrum of the population and will obviously benefit the land owners more (Kasim, 1984). The "NAVRD" approach also did not openly clarify the position of the landless and the use of excess labour expected from the modernization of agriculture (Awang, 1991) and will therefore is likely to create structural unemployment problems (Barrett, 1993).

### **3. Integrated Agricultural Development Programme (IADPs)**

The IADPs, based on a 1983 study (Kasim et al, 1983), stated that the programmes have had considerable impact on poverty reduction, but substantial numbers and proportions of agricultural households remained below the poverty line as of 1982. The incidence of poverty in the main IADP areas remained as high as between 70 to 75 percent. The major cause of poverty in the IADP areas is due to the uneconomic size of farms. Thus the IADP programme has exacerbated rural income inequality, with rural landed interests benefitting more (Jomo and Shari, 1986).

Siwar (1992) further argued that under the existing institutional socio-economic structure, any further poverty reduction is not very encouraging and (Siwar and Mustapha, 1989) Malaysian's IRDP has not developed a mechanism to deliver the benefits to the poor. Perhaps Quazi (1982) is right when he argued that the Malaysian's integrated agricultural development programme was another item of "fashionable terminology".

#### **4. Regional Development - by the RDAs**

Efforts to create new centralized townships have achieved very limited success. Only 32 out of 60 new towns were successfully created. However only 15 percent of the target population were settled in the new townships out of 686,444 (Nik Ibrahim, 1991) and meeting population targets has been a major and common problem for these township programmes (Salleh, 1992). As for job creation, only 17 percent of the 270,349 targeted employment were successfully created (Nik Ibrahim, 1991). The progress of industrial development also lagged behind (Malaysia, 1991) because of very limited participation among the investors or industrialists (Ali, 1991). Choguill (1985), for instance, argued that the new towns have not reached the stage to promote self-generated growth.

Muda (1989), Salleh (1991) and Mohamad (1992) have also noted the weaknesses of the regional development programmes in achieving the development goals. RDAs did not manage to promote growth and contribute in uplifting the overall standard of living to the level that was expected (UPP, 1988a; Hadi, 1989). The Fifth Malaysia Plan (Malaysia, 1986), for instance noted that the development of the new townships have only provided a marginal impact in upgrading the quality of life and generating employment opportunities for the hinterland population.

#### **5. Agricultural Bank and its Credit Programmes**

Even though the BPM can waive the requirement for collateral (such as land) when lending to the rural poor, the potential borrowers must obtain two guarantors whose income must be above M\$500 per month or a collateral such as land (INTAN, 1991: 80). Not many of the rural poor households can meet this requirement.

In 1983, only 39,278 farmers applied for loans totalling M\$33.6 millions but this figure is very small in relation to the number of farmers in Peninsular Malaysia (Wan Daud, 1988). Credit is disbursed mainly to the above-average farmers, whose average size of farm is 4.4 to 5.2 acres, more than the national average of 3.1 acres (Wells, 1983). The World Bank (1981) also noted that many of the credit recipients were farmers who live above the poverty line. The Agricultural Bank (minus the poor households as its client) had managed a cumulative repayment record of only around 52 percent and suffered a high rate of defaults (Wells, 1983; Understanding AIM, 1990).

#### **4.7.2 WEAKNESSES AND UNRESOLVED ISSUES IN THE GOVERNMENT'S POVERTY ALLEVIATION MACHINERY**

Some of the weaknesses and unresolved issues that are still prevailing in the government's machinery are as discussed below:

##### **1. Effective Expenditure is Small Compared to Overall Total Expenditure**

During the NEP, about M\$33 billion, which accounted for around 29 per cent of the total allocation, had been allocated to poverty eradication programmes (SERU, 1991). Even though the allocation was very big, its effects towards arresting the poverty problem was very limited. On this SERU (Socio-Economic Research Unit) in the Prime Minister's Department argued:

"Effective expenditures that are being delivered directly to poverty eradication programme are small compared to overall total expenditures" (SERU, 1991: 3).

In practice, much money has actually been expended on institution building and large bureaucracies (Siwar and Mustapha, 1987) [28]. What is more disturbing is the tendency to equate every rural development project as a poverty project and even golf courses or expensive buildings that were built have also been categorized as poverty projects (INTAN, 1991).

##### **2. Target Groups and Goals of Poverty Eradication are not Clearly Defined.**

As observed above, not only was the effective expenditure small (and even this went to the wrong projects), it also did not reach the target groups. On this UPP (Implementation and Coordination Unit) in the Prime Minister's Department explained:

"Target groups are not clearly distinguished in terms of their actual number, who are they (with a complete socio-economic profile) and where they are" (UPP, 1988b: 10). [29]

It has been argued that not only have the government's agencies seldom identified the target group clearly, the 'goals of poverty eradication' have also not been made as the specific goals of the agencies concerned (INTAN, 1991; Abdullah, 1992). Some government agencies have openly admitted that "eradicating poverty is not even among their goals" even though their roles towards eradication of poverty under the NEP are clear (INTAN, 1991).

A good example to illustrate this is the case of the IADP, whose goal is to reduce poverty, but no specific or special programme has been instituted to attack the problem of poverty itself. It was always generally assumed that rural areas are backward and there are many poor households. The IADP programme was based on the idea that as long as development existed and was effectively executed, the benefit would 'trickle-down' to all the poor and very poor in the receiving areas (Abdullah, 1986). But these 'carpet bombing' approaches being broad in nature, seldom or never hit their targets effectively (INTAN, 1991; Abdul Rahman, 1992) and generally focussed on the wrong group (ILO, 1979).

The IADP's programme which is basically 'land-based', has brought more benefit to rural landed classes, but minimum benefit for the landowners with uneconomic holdings (Goldman, 1975; Ministry of Agriculture, 1991). Subsidies and agricultural aids from agencies such as RISDA, FELCRA, LPP and Department of Agriculture, to name a few, have made ownership of land as a platform of giving and calculation of aid. Those without land have automatically been eliminated (Ali, 1983; INTAN, 1991) and those benefitted were the non-deserving groups (Goldman, 1975; Gibbons et al, 1981)[30].

### **3. The 'Evolutionary' Nature of the Poverty Eradication Programme**

It has been argued that a big part of the poverty eradication programme is 'evolutionary' in nature. Programmes are targeted to sectors like rice farmers, fishermen, coconut smallholders and agricultural labourers. This strategy has not been effective because development benefits not only flow to the poor but also non-poor groups as well, within each of the sub-sectors (ibid, 1991).

### **4. Too Many Agencies**

In Malaysia, there are 6 ministries and 40 agencies that are directly involved with rural development and the poverty eradication programme [31]. In relation to this, the proliferation of agencies has resulted in the increase of the operational costs and overlapping functions (SERU, 1991). On this, the UPP (1988b: 10) added:

"...there are overlapping agencies, functions and areas all seemingly directed towards alleviating poverty resulting in 'over-government' and dilution of finance and manpower. And yet sadly too, the incidence of poverty and hard-core poverty is still relatively high".

It has been argued that the government agencies also tended to compete for the same target clients (Salleh, 1992). By virtue of having many agencies and departments involved in poverty alleviation programmes, one might have assumed that all the poor households in rural areas will be well-served. There are, for example, agencies representing or acting as 'guardian' to the padi farmers (MADA and KADA), rubber smallholders (RISDA) and fishermen (Department of Fisheries), to name a few. But what about the landless and poorest of the poor? On this Abdullah (1986: 262) argued:

"... but none of agencies created, explicitly cater for the interests of landless or near-landless within the groups whose main preoccupation have not been in the sphere of agricultural production, rather in the subsistence and wage labour markets"

It has also been argued that until now there is not even a single agency that has been established to "attack the problem of poverty" as its "main and priority role". *The poorest of the poor* have not been directly represented by any Agency and Ministry (Abdullah, 1992). It seems that the government has essentially disregarded the heterogeneous characteristics of the rural population. It can be argued that having many and varied agencies has actually tended to create an illusion of merely catering for all the poor groups.

## 5. Structural Problem Issue

The architects of the Malaysian's rural poverty eradication programme have also chosen to ignore the structural determinants of the problem (Mehmet, 1988). Thus, the government, instead of attacking the structural causes of rural poverty and inequality head on, preferred a more simplistic alternative, leaving the pattern of land ownership unchanged, while concentrating on maneuvering within the existing structure via technological, administrative and pecuniary means (Abdullah, 1986). This is the essence of the "technocratic" approach.

In Malaysia, no radical strategy such as land redistribution was even attempted, which as observed by Shamsul Baharin (1971: 22) was due to the fact that:

"the interests of the land-owning group and those of the politicians are so closely connected as to nullify land-reform legislation or to render its implementation impossible". [32]



Furthermore the consolidating of uneconomic sized farms into mini-estates is the government's alternative to land redistribution, which obviously favours landowners, especially those with bigger holdings (Jomo, 1989). This is not at all surprising, especially in Malaysian context, as every programme that is to be implemented, especially those which involve overall adjustment of national policy, can only be assured of success if it is technically feasible, economically viable, socially acceptable and politically desirable (Mahmud, 1988).

Therefore Malaysian's rural development strategies are aiming to satisfy everybody and as far as possible the status quo is not to be disturbed, at the expense of the most deserving rural poor who are not effectively reached. As noted by Baharudin (1983: 455-456) "policies directed at poverty eradication have actually worsened the overall state of income distribution, although officially the incidence of poverty has been reduced".

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#### **4.8 POVERTY ERADICATION IN THE 1990s - P.P.R.T - 'DEVELOPMENT PROGRAMME FOR THE POOREST'**

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Although the incidence of poverty has been reduced from 49.3 percent in 1970 to 15 percent in 1990, hard-core poverty still remains an inherent problem. Based on the Household Income Survey (HIS) throughout Malaysia in 1987, it was found that from 649,000 households that received income below the poverty line (\$350 in 1987), a total of 173,471 households (26.7 percent) received only half of the PLI and were classified as the 'hard-core' poverty group or 'poorest of the poor' and this has been noted in Chapter 1 (Hassan, 1991).

Upon recognizing the above problem, the government has launched a new package of programmes known as 'Program Pembangunan Rakyat Termiskin' (PPRT or Development Programme For The Poorest) which is a 'poverty focussed programme', the first ever, which was launched in early 1989 with an allocation of \$391 million for the period of 1989/90 (Malaysia, 1991a, Ministry of Agriculture, 1992). Based on the initial implementation in 1989/90, an allocation of a further \$600 million has been made under the Sixth Malaysia Plan, tailored to meet the specific needs of the poorest (Malaysia, 1991a) [33].

The PPRT's programme is still relatively new as efforts are still being made [34] through the compilation of a comprehensive registry of the poorest households in every district to ensure that the targeted groups or individual will get access to government aid for self-help opportunities to increase their production capacity and standard of living [35].

While PPRT look very promising, it is not without weakness. As noted by the Ministry of Rural Development (1991), a special survey should have been conducted throughout the nation before the implementation of the PPRT. Nevertheless the government has made the right move in pursuing at long last the first ever "poverty focussed programme" and also emphasizing on the hard-core poor. Apart from eradicating hard-core poverty, existing strategies will be continued. However, since land development has been de-emphasized, the main focus under the Sixth Plan will be the IADPs, land consolidation and rehabilitation as well as agricultural support services (Malaysia, 1991a).

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#### 4.9 CONCLUSIONS

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We have seen that under the NEP, the government had allocated around M\$32.9 billion towards the rural development and poverty alleviation efforts. Accompanying this huge allocation were a varieties of strategies such as the IRDP, regional and land development, the NAVRD and many others that dominate the rural scene. These efforts have resulted in the reduction of poverty from around 49.3 percent in 1970 to 15 percent in 1990. Despite such efforts there are still many weaknesses and unresolved issues related to government's implementing machinery and the delivery system. Poverty has still continued to be a problem, especially the hard-core poverty. The above situation suggests that government's effort towards the rural development effort was not successful simply because, as Courtney (1988: 251) put it:

"The essentially technocratic approaches that have been followed in all Malaysia's previous plans, and which are continued in the Fifth, are seen by many as offering at most only partial solution"

The above general rural scenarios thus provide a justification for the implementation of some new rural development programmes which can be more effective in addressing

the problem poverty especially the hard-core poverty. In view of the problem discussed at some length in this chapter, the Ikhtiar Programme, modelled along the Grameen Bank's approach towards poverty alleviation, stepped in and offered a viable alternative, which however does not compete, but instead complements, the government's poverty alleviation programmes, which we are now turning to in the next chapter.

<b>FOOTNOTES</b>
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1. Further aspects of the NAP is discussed specifically in Chapter 12.
2. The New Development Policy (NDP) was announced in the Malaysian Parliament on the 17th June, 1991, by the Prime Minister, Dr. Mahathir.
3. **Vision 2020:** The Prime Minister, Dr. Mahathir, in his address to the Malaysian Business Council on February 1991, presented some thoughts on the need for Malaysia to attain the objective of becoming an industrialized country and a fully developed society by the year 2020. On this he said (Mohamad, 1991: 1):

"...the ultimate objective that we should aim for is a Malaysia that is a fully developed country by the year 2020...it must be a nation that is fully developed along all the dimensions: economically, politically, psychologically and culturally'

4. The Poverty Line Income (PLI) takes into account the minimum requirement for food, clothing and footwear and non-food items such rent, fuel and power, transport and communication, health and education. The PLI is also updated over time using the Consumer Price Index (CPI) to reflect changes in price levels (Malaysia, 1989; Malaysia, 1991b).
5. The PLI as used in Malaysia is relatively high (Abdullah, 1992). In fact, it is the highest compared to countries like Brazil, Colombia, Costa Rica, India, Indonesia, Pakistan, Singapore, Sri Lanka, Taiwan and Thailand (at 1985 international prices) (Bhalla and Kharas, 1992). However in Malaysia, only through the Mid-Term Review of the Fifth Malaysia Plan (p. 45), Government has published the official PLI for the first time. Prior to this, the actual PLI remains unspecified in official government publications, but it is generally taken to be between \$150 and \$200 per month (or more) (Cho, 1990). The Third Malaysia Plan, for example, only revealed that PLI's "...minimum nutritional or other non-food requirements of each household to sustain a decent standard of living" (Malaysia, 1976: 160).
6. Average household size in Malaysia, on which these PLI figures are based, are as follows (Hashim, 1991: iv):

	1977/78	1987/89
Peninsular Malaysia.	5.4	5.16
Sabah.	5.4	5.36
Sarawak.	5.6	5.24

7. Average household size is the same as above.
8. In Malaysia, a farm is regarded as uneconomic in size if it is less than 4 hectares (10 acres) in area. This is the size of the farm generally allocated to settlers in FELDA's land schemes and as such serves to indicate the standard size of operation for small scale- scale farming in Malaysia (Buang, 1991).
9. The districts involved are: Kota Baru and Bachok in Kelantan, Besut, Kemaman and Hulu Terengganu in Terengganu, Padang Terap in Kedah, Kerian in Perak, Kuala Pilah in Negri Sembilan and the whole State of Perlis (INTAN, 1991).
10. SERU's study in 10 districts of Peninsular Malaysia also shows that for those who owned land, the size is just too small. On average around 61 percent owned less than 1 hectare. In extreme cases, such as in the district of Kota Baru, the figure stood at 98.3 percent of the rural population. Around 30 percent of the households owned between 1 to 2.99 hectares of land (SERU, 1990a).
11. The provision of social and economic infrastructure in the form of rural roads, drainage and irrigation facilities, electricity, water, schools, health, community and religious centres and also through the creation of functional rural institutions to facilitate production and marketing and also credit needs of rural peasants.
12. FELDA was established by the Federal government as an independent body under the Land Development Ordinance, 1956, with the mandate *to promote and assist the investigation, formulation and realization of programmes, and the development of new areas for land settlement in Peninsular Malaysia*. During the 1956 to 1960 period, FELDA took no direct part in land development. Under the Federal constitution, land is a state matter and state governments are particularly sensitive on their prerogatives regarding land. During this period progress was rather slow. After 1960, impressive progress was made by FELDA. Its progress during the NEP period will be taken up in a later section.
13. MUDA is located in the state of Kedah, in the North-West of Peninsular Malaysia and is also known as the modern rice bowl of Malaysia, producing 44 per cent of national output and has an area of 213,320 hectares.
14. The IRDP is a multi-sectoral approach that not only focussed on agriculture but also on:
  1. social development programmes which include the provision of social amenities, community development and rehabilitation of traditional villages.
  2. rural industrialization, which is basically agricultural resource based and handicraft industries.
  3. agricultural support services in the form of extension , research, credit, processing and marketing plus other related services (Siwar, 1992).
15. Conceptually, the FELDA programme aims at bringing together the plantation sector and socio-economic needs of the smallholding sector. In general, the FELDA concept involved the opening of new and previously uncultivated land.

In relation to that it also involved the transfer of individuals or families from poor states in the country, who were previously economically handicapped as pioneers in the new settlement schemes. On average each FELDA scheme was larger than 1600 hectares and as an 'integrated' land settlement project, each scheme is packaged as a new, self-sufficient community, complete with roads, water, dwellings, schools, clinics, transportation, marketing and processing facilities (Perumal, 1991; McAndrew, 1977; Shamsul Bahrin and Perera, 1977; Hashim, 1988; Ng, 1987; Cho, 1990; Mehmet, 1988).

16. The allocation for FELDA from the Second to the Fourth Malaysia Plans were 52.9, 49.0, and 44.4 percent of the total development budget for agricultural and rural development respectively (Mehmet, 1988).
17. Talib (1992: 126) has estimated the FELDA settlers' average monthly income from 1980 to 1987 as shown below:

Year	Type of Crops	
	Oil Palm (M\$)	Rubber (M\$)
1980	709	472
1981	643	492
1982	624	402
1983	765	484
1984	1231	505
1985	889	421
1986	376	405
1987	552	532

18. Idle agricultural land officially refers to arable plots of land which have not been cultivated for three consecutive years. It also pertains to parcels of land with temporary occupation licenses (TOL) which are not cultivated and agricultural land with facilities for double cropping but used only for a single a crop (Buang, 1991). Crudely, idle land can be referred to as land that is neglected, unused or under-utilized, which has been alienated for cultivation but left unproductive.
19. The activities of land rehabilitation include planting of commercial crops. Apart from oil palm and rubber, FELCRA has successfully initiated a rehabilitation of 16,437 hectares and involved 4000 participants in the planting of padi under estate management (mini estate) known as the Seberang Perak scheme in the State of Perak (Nordin, 1991).
20. Five of the RDAs responsible for the resource frontier land development are (1) Central Terengganu Development Authority - KETENGAH, (2) Southern Kelantan Development Authority (KESEDAR), (3) Johore Tenggara Development Authority - KEJORA, (4) Pahang Tenggara Development Authority and (5) Jengka Regional Development Authority (JENGKA). Two

other RDAs are the Penang Regional Development Authority (PERDA) and Kedah Regional Development Authority (KEDA).

21. When regional development was given prominence in the 1970s, in-situ agricultural development took new directions and was strongly influenced by the then fashionable concept of IRDP. Out of IRDP, thus was born the IADP. In actual fact, IADP was "first" introduced in 1965 with the implementation of MADA (Muda Agricultural Development Authority), in the State of Kedah. By definition, it is the first regional development project to be implemented, apart from the FELDA land and resettlement schemes. However, during those periods it was only looked upon as an 'irrigation and drainage' programme. Together with KADA in the State of Kelantan, these two main rice-growing areas were also the first IADPs in Malaysia, in the early 1970s (Abdullah, 1986, 1992).
22. Chambers (1974) has argued that among the obstacles in rural development of developing countries (among others) are the lack of co-ordination and co-operation among the implementing agencies and unorganized structure among the machinery executing the programmes. This seems to have been noticed by the Malaysian IADP planners.
23. The total expenditure on IADPs amounted to M\$1,020 million during the Fifth Malaysia Plan (1986 - 1990), with drainage and irrigation infrastructure constituting about three quarters of the expenditure (Malaysia, 1991a). The rice growing areas under the IADP are MADA in Kedah, KADA in Kelantan, Besut in Terengganu, North-West Selangor, Krian-Sungai Manik. The rice growing areas have all the essential features of an integrated approach and "Green Revolution" technology. The mixed crop areas are in West Pahang, West Johore and Negri Sembilan.
24. Under the "NAVRD" approach the government has implemented 25 Village and Rural Development Projects, which involve 45 traditional villages, as pilot projects of the rural urbanization programme. However, under the Fifth Malaysia Plan the government has not revealed the target for the implementation of the NAVRD approach (Ismail, 1989).
25. A good example to show FELDA's limited impact is that of Nair and Frederick (1981 cited in Abdullah, 1986) who noted that by taking the country as a whole over the 1970 to 1980 period, the labour force in Malaysia increased from 3.7 million to 5.4 million while 286,500 were unemployed. During the same period, the number of settlers taken by FELDA was only 43,000. In 1980, the FELDA population constituted only 11.3 per cent of total poor population in the rural areas.
26. Due to constraints in the availability of new land and growing depletion of forestry, land and regional development are being given a lower allocation of approximately M\$2.38 billion under the Six Malaysia Plan (1991 - 95), as compared to approximately M\$2.9 billion under the Fifth Plan. In relation to this FELDA will concentrate all its efforts on replanting programmes rather than opening up new land. In the Sixth Plan, FELDA has been allocated a sum of

around M\$1.31 billion, which is much lower than the allocation in the Fifth Plan of M\$2,129,700 (Malaysia, 1991a).

27. Generally, the replanting of the new rubber trees takes 6 to 7 years to mature. The main reason for the non-participation amongst the smallholders is because of subsistence income foregone during replanting. Government grants are not geared to compensate for income but only to provide cash outlays required for replanting. On the other hand the larger producers are capable enough to diversify their crops and interspace replanting in order to minimize foregone income to an acceptable level of risk (Baharudin, 1979; Ali, 1983; Aljunid, 1984; Abdullah, 1986). Mehmet (1988) also noted that a comprehensive survey in 1977 showed that there were a total of 490,460 registered rubber smallholders in Peninsular Malaysia. Of these 124,590 had new trees due to their participation in other agencies programmes (FELDA, FELCRA or own account replanting). But out of the remaining 265,870, no less than 107,636 (29.4 percent) with old trees did not participate. Over 80 percent of the non-participants were Malays and about half had holdings of less than two hectares.
28. Even Malaysian's Minister of Finance seems to support this observation, when he stated (New Straits Times, 12th April, 1993) as follows:
- "Central agencies which were formed to assist the public, particularly the poor, have clearly neglected their functions but instead placed importance on facilities for their executives and officers".
29. Another weakness in connection with the issue of target groups is related to the budgetary process which as practised in Malaysia, did not allow allocation to be directed towards targeted groups but rather through implementing ministries and agencies. On this UPP (1988a: 10) argued:
- "The budgetary process in Malaysia determines that the allocation for poverty redressal be channelled to the Ministry and agency and its proposed projects and not directly to the targeted poor or to areas that are poor. Because target groups are not clearly distinguished...allocations for poverty redressal projects of implementing agencies, including RDAs could easily be siphoned-off for non-deserving groups, projects or areas".
30. One good example to illustrate this is the case of the state's agricultural aids and programmes that are created for padi farmers in Malaysia. On this Goldman (1975) argued that:



"part of the benefit from the programme will flow into the hands of landlords as benefits are capitalized into land values...(benefit) is at least skewed as that of operated holdings...Although disproportionate amounts of gross farm programme benefits are acquired by large farm operations, a larger proportion of these benefits may be ultimately governed by landlords than is the case for small farms, which tend to be relatively more owner-operated".

31. The 6 ministries with 40 agencies are given as follows (with only 1 example to represent each Ministry): (1) Ministry of Agriculture - *The Agricultural Bank (BPM)*, (2) Ministry of Land and Regional Development - *FELDA*, (3) Ministry of National and Rural Development - *FELCRA*, (4) Ministry of Primary Industries - *Rubber Research Institute (RRI)*, (5) Ministry of Public Enterprises - *State Economic Development Corporation (SEDC)* and (6) Ministry of Home Affairs - *Security Project*.

32. Chee and Hong (1978: 213) also argued that:

"even though there was an emphasis on the urgency of the task of redressing rural poverty and equally important, an unstated reluctance to disrupt the socio-political system too much".

33. The package of PPRT put main emphasis on projects such as:
1. planting of cash crops and rearing of livestock;
  2. food and nutritional requirements of the children;
  3. providing decent shelter in the form of houses for the hard-core poor group;
  4. assistance to school going children in the form of scholarships, text-books, hostel accommodation and supplementary food programmes, and
  5. provision of basic infrastructure facilities.
6. In addition, government has recently allocated a M\$500 million revolving fund to promote saving among the hard-core poor people to invest in the ASB scheme and this will be discussed in Chapter 12.

Prior to this programme, earlier programmes were mainly "poverty-related programmes".

34. The registry will take account of income plus other information such as housing conditions, educational and health status of family members in the selection of hard-core poor into the programme.
35. While doing the fieldwork for this study in Baling (December 1992 - May 1993), the District Office in Baling is still actively pursuing the registry of hard-core poor and is yet to arrive at complete and up-to-date data. This registry process is part of nationwide exercise in an effort to come up with the most comprehensive and up-to-date data on the general profile of the poor in line with the "PPRT" programme.

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## CHAPTER 5 : THE EMERGENCE OF AN ALTERNATIVE APPROACH - THE AMANAH IKHTIAR MALAYSIA RURAL CREDIT CUM-POVERTY FOCUSED PROGRAMME

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### 5.1 INTRODUCTION

This chapter examines, as a means of exploring the emergence of the alternative approach, a new initiative towards the rural development and poverty alleviation effort in Peninsular Malaysia by a non-government agency. This is in line with the emerging phenomenon throughout the developing countries in putting the concept of "Another Development" into practice. The central focus of this chapter is on the AMANAH IKHTIAR MALAYSIA (AIM), an agency that implemented the rural credit cum-poverty alleviation programme or the IKHTIAR PROGRAMME. Specific emphasis of this chapter is on the needs of *exploring the working mechanism of the Ikhtiar Programme . "specially designed delivery system" for reaching the very poor rural households in Peninsular Malaysia* (as stated in objective 1).

This needs to be analyzed within the context of the overall operational framework of the Ikhtiar Organization. As such this Chapter will also highlight the origin of the Ikhtiar Programme, its expansion, objectives, progress, organizational aspects, funding of operations and its future plans. Only with this general background material can Ikhtiar Programme's "specially designed delivery system", be put into a clearer perspective. This Chapter thus focuses on the Ikhtiar Organization at the macro level, which will then provide a sufficient background for the analysis of the case study of BALING at the micro level (in Chapters 6 to 11). The last part of this Chapter highlights briefly the major differences between the GB and AIM models.

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### 5.2 THE RELEVANCE OF THE GRAMEEN BANK'S APPROACH TO THE ALLEVIATION OF RURAL POVERTY IN PENINSULAR MALAYSIA

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By reviewing the scenario of rural development in Peninsular Malaysia (Chapter 4), it was clear that towards the last quarter of the Outline Perspective Plan (1971 - 1990) in which the NEP dominated the institutional development and development goals,

poverty remained an inherent problem despite a huge allocation of M\$32.7 billion towards rural development and poverty alleviation efforts. This did not mean that the government was ineffective. On the contrary, poverty incidence was reduced from 49.3 percent in 1970 of the population to 15 percent in 1990. This has been highly commendable, but more needed to be done, especially about hard-core poverty.

It has been estimated by AIM, using official government statistics, that there were, as of the end of 1986, about 155,000 [1] rural households with an average monthly income of less than M\$50.00 per person. These were distributed throughout the states as indicated in Table 15. Such households are deemed to be very poor by AIM and need to be helped. The persistence of hard-core poverty requires a new developmental strategy, not a change in the emphasis of the development goal.

### **5.2.1 GRAMEEN BANK (GB) AS A MODEL**

The success of the Grameen Bank has shown the vital importance of credit as an entry point for poverty reduction programmes in a context like rural Bangladesh (Gibbons, 1986).

In Malaysia, just like the Bangladesh, the initial **IKHTIAR PROJECT** was initiated by concerned social scientists from Universiti Sains Malaysia in Penang, Professor David Gibbons and Associate Professor Sukor Kasim, who had been doing research on poverty since 1970 and 1975 respectively. Before starting the project they questioned whether the GB model could be successful and viable in the context of rural Malaysia. It was felt that only by trying the programme in a representative rural area and by monitoring and evaluating its impact and viability (the essence of action, as distinct from academic research), would they then be able to reach definitive conclusions on the concerned matter. In a truly GB fashion a "learning process" rather than "blueprint process" approach was adopted. In 1985, Professor Gibbons was in Bangladesh to learn about the Grameen Bank.

Table 15: Estimated Number of the Very Poor Households By State,  
1987 AND 1989 \*

STATE	1987	1989
1. Kedah	36,440	26,902
2. Perak	23,533	18,815
3. Terengganu	21,020	14,161
4. Kelantan	20,943	19,241
5. Negeri Sembilan	11,017	1,466
6. Selangor	10,933	9,035
7. Johor	10,143	5,390
8. Pahang	9,201	2,649
9. Pulau Pinang	5,385	2,186
10. Perlis	3,692	1,457
11. Melaka	2,958	1,275
<b>TOTAL</b>	<b>155,265</b>	<b>100,577</b>

\* Estimates made by AMANAH IKHTIAR MALAYSIA based on the government's Household Income Survey (HIS) sample statistics of 1987 HIS and 1989 HIS to the estimated number of rural households in each state based on M\$250 monthly household income or M\$50 monthly per capita income.

Sources : Gibbons and Kasim, 1990, Banking on the Rural Poor, p 73.  
Kasim, 1992, Financial Capital and Development of Local Resources, p 6.

## 5.2.2 THE INITIAL IKHTIAR PROJECT - PILOT PROJECT

Ikhtiar is freely translated as a project to help the poor strive to overcome their poverty. The Ikhtiar Project [2] is conceptualized as an applied research programme to ascertain whether credit on reasonable terms, acceptable to the rural poor, could be an effective means of reduction of extreme rural poverty in Peninsular Malaysia. It was launched as a two and a half years pilot project in an extreme poverty area in Northwest Selangor, commencing in January 1986 and running to June 1988 [3].

Households earning incomes of less than two-thirds of the government's poverty line, monthly household income of M\$350 (based on 1986/87 poverty line - PLI), are regarded as poor [4]. Therefore to be eligible to become Ikhtiar beneficiaries, the basic requirement is that the *household monthly income must be less than M\$250 or per capita income of every household must be less than M\$50.00* [5], when the programme made its debut in Selangor as mentioned earlier. In the period of 1992/93, when this study was being carried out, the government's PLI stood at M375.00, but the Ikhtiar Organization has still stuck to the original formula, i.e. the M\$250.00 household income as the basic requirement for the poor household intending to join the programme.

Basically Ikhtiar believes that the poor could be helped to improve their economic position if they are given capital (Gibbons, 1988b). This is possible because the poor do possess survival knowledge and skills (Kasim, 1992). Further aspects of skills and knowledge of Ikhtiar members are discussed in Chapter 8.

This pilot project (known as the *Ikhtiar Project* or in Malay *Projek Ikhtiar*) was initially being targeted to only 300 very poor borrowers with a repayment target of at least 90 percent. However, by the end of June 1988, this pilot project had 448 members and had greatly exceeded the target.

Preliminary results from an "in house" impact evaluation study (also known as *Impact Study 1*) of the first and third 100 loans during the pilot project period have shown that most borrowers (70 percent) experienced an increase in their monthly household incomes because of Ikhtiar loans. The increase was from M\$173 (before they entered the programme) to M\$328, or by a 90 percent rise (after the utilization of the Ikhtiar loans).

Female borrowers, on average, had done much better than their male counterparts. 84 percent of women had experienced an average increase of M\$113 per household per

month. On the other hand, only 65 percent of the male borrowers experienced an overall average increase of M\$65 per household per month (Gibbons and Kasim, 1990).

Men from very poor rural households were not able to match the excellent performance of the women in the pilot stage. Repayment among the men stood at 72 percent, and fell short of the project target of 90 percent. This compared badly with the repayment rate among women borrowers at 95 percent. Grameen Bank too has experienced much better performance by women borrowers. Thus, women have been regarded as saviours of the Ikhtiar project (Gibbons, 1988b).

The Ikhtiar Project has been declared a success. On this Gibbons and Kasim (1990: 18) argued:

"There is little doubt now that small loans on reasonable terms can be an effective means of reducing rural poverty in Peninsular Malaysia as Bangladesh...it supports the idea that there is an element of universalism in the Grameen Bank approach".

Similar studies in 7 other Asian countries (India, Indonesia, Nepal, Pakistan, Sri Lanka, Bangladesh (other than Grameen) and The Philippines also concluded that given access to credit, the poor are willing and able to help themselves (Banking with the Poor, 1992).

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### 5.3 THE AMANAH IKHTIAR MALAYSIA (AIM)

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#### 5.3.1 INSTITUTIONALIZATION

The **IKHTIAR PROJECT** (the initial pilot project) ended successfully on 30 June 1988. **AMANAH IKHTIAR MALAYSIA (IKHTIAR TRUST of MALAYSIA)** or **AIM** was established on 17th September 1987 to institutionalize and expand the Ikhtiar Project to other areas of Peninsular Malaysia. AIM is a private trust (non-government) and a non profit organization registered with the Ministry of Justice. The option of the Trust being absorbed by the government was rejected, as past experience (such as the Agricultural Bank) shows that government rural credit programmes have not been successful in reaching the poor (Gibbons and Kasim, 1990). Therefore, a

private organization was needed to play a complementary role to the government poverty reduction programmes.

As mentioned earlier, women have been a saviour of the initial pilot project (Projek Ikhtiar). Thus when the Ikhtiar Programme was institutionalized, the memberships, from then on, were mainly given to woman (i.e. the female in the household as the main priority). The majority of the Ikhtiar members are Malays (Muslim), rural based and 99.3 percent are women. Only the pioneer branch, i.e. the Northwest Selangor has some male members, being the pioneer members with the initial Ikhtiar Pilot Project. However in the other 33 branches, the memberships are 100 percent women. In the Malaysian context, the problem of mass poverty is and has been a Malay problem (Anand, 1983; Faaland et al, 1990). Therefore it is not surprising that an overwhelming majority of the Ikhtiar members are Malays.

### 5.3.2 OBJECTIVE

As mentioned earlier AIM was established by Deed of Trust on 17 September 1987 and took over all operations, assets and liabilities of Ikhtiar Project from 1st July 1988. Amanah Ikhtiar or the Ikhtiar Programme is actually a poverty alleviation programme and according to the AIM Deed of Trust (AIM, 1987: 15):

*"The AMANAH IKHTIAR is established for the sole purpose of assisting very poor households to lift themselves out of poverty primarily by means of benevolent loans [6] to be used for financing income generating activities."*

To AMANAH IKHTIAR, credit is seen as a vehicle to help the poor in raising their incomes and also towards the alleviation of poverty. Kasim (1992) also noted that AIM has stressed credit as a fundamental human right.

### 5.3.3 ORGANIZATIONAL STRUCTURE

AIM's operation is generally decentralized into zonal and regional offices with supporting services from head-office (which is responsible for auditing, research, monitoring, logistics, secretariat, publications, finance, planning and training). Generally then, the Ikhtiar Organization is comprised of 4 main components, namely:

1. Headquarters (in Penang).

2. Coordinating office (in Kuala Lumpur).

3. Zonal offices : There are two main zones:

- (i) The Western Zone, which is comprised of Kedah and Perak regions, and
- (ii) The Eastern Zone, which is comprised of Kelantan and Terengganu regions.

These zonal offices are further divided into 4 main regions:

- i. Kedah region and its vicinity (9 branches in Kedah, including 1 branch in the state of Perlis).
- ii. Perak region and its vicinity (6 branches in Perak, including 1 branch each in the state of Penang and Selangor).
- iii. Kelantan region and its vicinity (7 branches in Kelantan, including 1 branch in the state of Pahang).
- iv. Terengganu region (7 branches in Terengganu, including 1 in Pahang).

4. A Training centre in Baling in the state of Kedah.

The chief executive of the Ikhtiar Organization is the Managing Director at the headquarters. The branch offices located in the 34 districts, the lowest operational unit, are the main centres of AIM's activities. Each branch is run on average by nine staff (a manager, a senior Trust Assistant and seven Trust Assistants). As of December 1992, AIM had a total of 411 staff with Trust Assistants (its field officers) comprising nearly 80 percent (AIM Annual Report, 1992).

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#### **5.4 THE EXPANSION AND PROGRESS OF THE IKHTIAR PROGRAMME**

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Table 16 provides the consolidated cumulative statement for the period of 1989 to November 1993 of the whole operation of the Ikhtiar Programme and shows its overall progress.

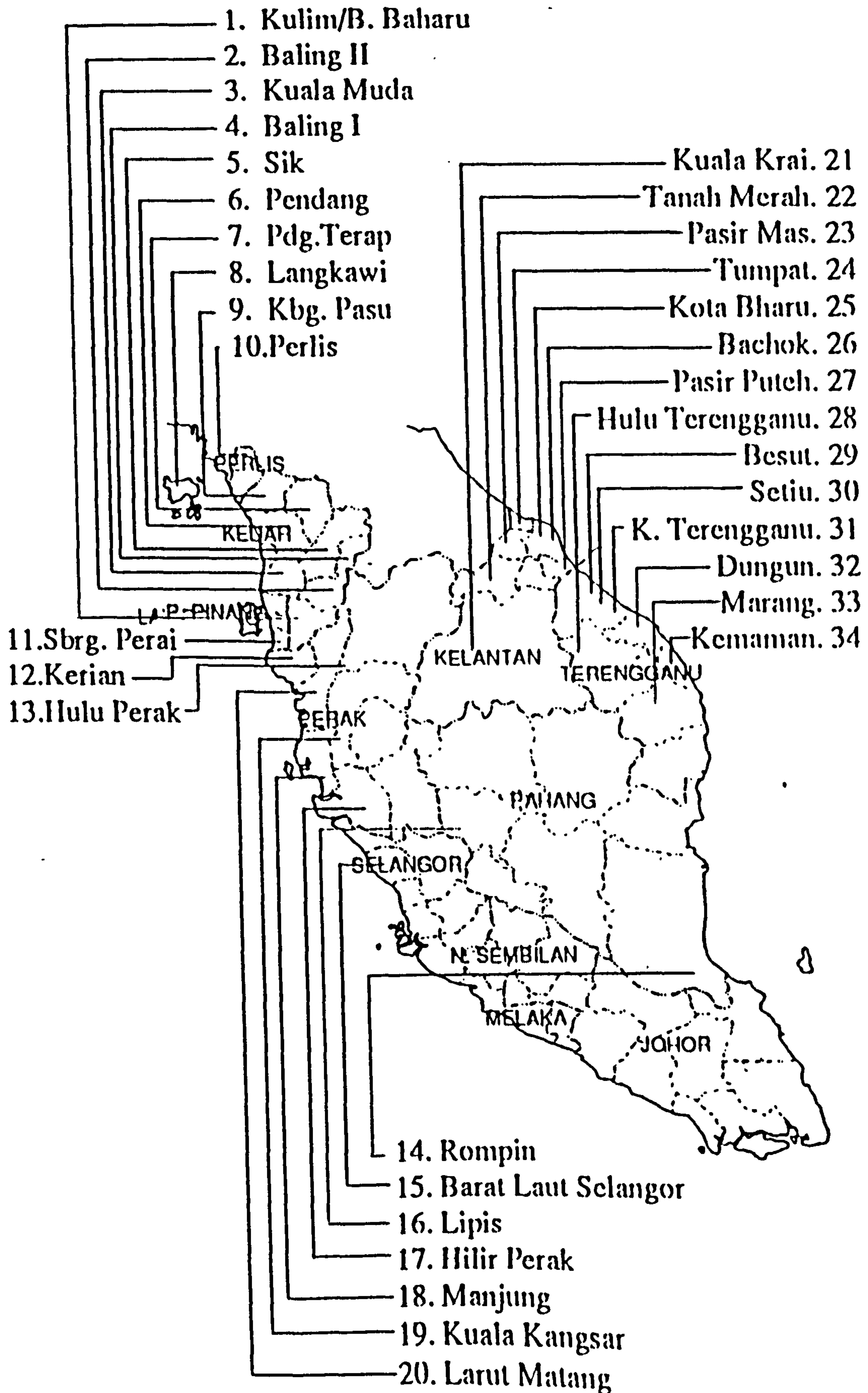


**Table 16: Comparison of Consolidated Cumulative Statements of the Ikhtiar Programme, 31st December 1989 - 31st November 1993, Based on all of Ikhtiar 34 Branches (M\$).**

Particulars	1990	1991	1992	1993	Cum. Total
1. Total Loans Disbursed.	1,308,217	2,835,748	6,676,662	12,143,290	22,963,917
2. Total Repaid	720,470	1,620,587	4,250,649	8,338,290	14,930,613
3. Total loans Outstanding	587,619	1,215,289	2,426,013	3,804,383	8,033,304
4. Arrears (%)	0.13%	0.18%	0.12%	0.01%	0.01%
5. Total Savings in Group Fund	201,979	426,583	972,381	1,487,745	3,088,688
6. Total Loans From Group Fund	105,566	298,998	885,558	1,297,678	2,587,800
7. Total No. of Members	3220	6181	9517	5916	24,834
8. Total No. of Groups	694	1262	1728	1437	5121
9. Total No. of Centre	207	378	485	224	1294
10. Total Number of Villages	-	-	-	-	2215
11. Total Administrative Charges Collected	67,155	144,361	339,485	624,369	1,175,370

Sources : Ikhtiar Consolidated Cumulative Statements, 1990 - 1993.

Figure 7 : Amanah Ikhtiar Malaysia (AIM) Operational Area in Peninsular Malaysia.



Source : AIM Annual Report, 1991.

## 1. The Ikhtiar Programme Coverage

From only 1 branch in 1986 (in North West Selangor), the Ikhtiar Programme has made a very rapid expansion. As of November 1993 there were 34 districts in Peninsular Malaysia under its operation. Three other states, Negeri Sembilan, Melaka and Johor have yet to be covered by AIM.

Figure 7 shows the Ikhtiar Programme operational areas and Table 17 shows the estimation of the hard-core poor for each district in which the programme is operating. Baling district with the highest hard-core poor of 6556, is the only district which has 2 AIM branches, namely BALING 1 and BALING 2 [7].

## 2. The Programme Participants

Ikhtiar members (or participants or borrowers or beneficiaries) are called *sahabat* in Malay. By the end of 1992, AIM had originally planned to get only 15,635 participants but managed to get 18,918 participants, exceeding its target by 21 percent. Compared to an estimate of about 100,578 hard-core poor, AIM had by December 1992 covered 18 percent of the hard-core total population. Such an achievement by a non-governmental organization is quite remarkable.

This achievement has to be seen in the context of government's programmes, which we have seen in Chapter 4 were not effective in reaching the target group. Even its latest programme, the PPRT (Development Programme For The Poorest) is still struggling in coming up with the inventory of the poor. As noted by Siwar (1991b), even though the PPRT was instituted to overcome the problem of government's delivery system, the implementing machinery at the districts, states and federal levels still appear to have problems.

By November 1993 (the latest available data), the number of Ikhtiar members has risen to 24,834, being organised in 5121 groups and federated into 1294 centres in a total of 2275 villages in all its branches (see Table 16) (AIM Annual Report, 1992; AIM Official Data, 1993). In 1993, AIM has resorted to a temporary shift in emphasis away from fully recruiting new members towards monitoring and ensuring success of projects undertaken by first time borrowers.

Table 17 : Estimated Number of the Very Poor Households According to District in States Which Have AIM Branches in Operation (June 1992)

No.	AIM Branch/ District	State	Date Established	Hard-core Poor
1.	Barat Laut Selangor	Selangor	Jan 86	3381
2.	Seberang Perai	Penang	July 88	1913**
3.	Baling 1*	Kedah	Mac 89	3556
4.	Sik	Kedah	Mac 89	2634
5.	Pendang	Kedah	July 89	2371
6.	Pasir Putih	Kelantan	Oct 89	4468
7.	Tanah Merah	Kelantan	Nov 89	2916
8.	Besut	Terengganu	Nov 89	1765
9.	Setiu	Terengganu	Dec 89	1054**
10.	Hulu Terengganu	Terengganu	Feb 90	3259
11.	Kerian	Perak	Feb 90	2283**
12.	Pasir Mas	Kelantan	Feb 90	4207
13.	Padang Terap	Kedah	Jul 90	2459
14.	Hilir Perak	Perak	Aug 90	2566
15.	Manjung	Perak	Aug 90	1416
16.	Marang	Terengganu	Sep 90	1232
17.	Baling 2*	Kedah	Sep 90	3000
18.	Hulu Perak	Perak	Sep 90	2566
19.	Kuala Muda	Kedah	Sep 90	2462
20.	Kubang Pasu	Kedah	Sep 90	4302
21.	Perlis	Perlis	Sep 90	1457
22.	Bachok	Kelantan	Sep 90	2010
23.	Kuala Krai	Kelantan	Sep 90	1414
24.	Tumpat	Kelantan	Sep 90	1105
25.	Lipis	Pahang	Sep 90	1490
26.	Rompin	Pahang	Sep 90	1227
27.	Dungun	Terengganu	Sep 90	914
28.	Kemaman	Terengganu	Feb 91	2287
29.	Langkawi	Kedah	Feb 91	821
30.	Larut-Matang	Perak	Feb 91	4475
31.	Kuala Kangsar	Perak	Feb 91	2923
32.	Kulim/Bandar Baru	Kedah	Nov 91	1916**
33.	Kuala Terengganu	Terengganu	Nov 91	3121
34.	Kota Bahru	Kelantan	1992	1368**

\* Baling is the only district in Peninsular Malaysia with 2 AIM's branches - Baling 1 and Baling 2. The overall total of the very poor in Baling district is 6556, the highest in the country.

\*\* Based on 1989 estimates.

Sources : AIM Annual Report, 1991; AIM Official Data, Jun 1992.

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## 5.5 THE IKHTIAR LOANS

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In general the Ikhtiar Programme provides 5 types of loans namely:

- (1). Benevolent loans;
- (2). Semi-Commercial loans;
- (3). Near-Commercial loans;
- (4). Education loans; and
- (5). Housing loans.

### 1. Benevolent loans - Ikhtiar Loan Scheme 1 (ILS 1).

ILS 1 is the main backbone of the Ikhtiar Programme. A new member can borrow a maximum first loan of M\$500. Members who have a perfect repayment record are immediately considered for a second loan of M\$1000, followed by M\$1500 for the third loan and M\$2000 for the fourth and subsequent loans. For every loan given out, a fixed administrative fee of M\$25 (1st loan), M\$50 (2nd loan) and M\$75 (3rd and subsequent loans) are levied. Every loan must be repaid in almost equal instalments over 50 weeks [8].

Available data (as of September, 1992) showed that 12,214 participants have taken first loans and 2130 second loans. In the older branches (Selangor and Seberang Perai) there were participants who have taken the third loans (271), fourth loans (75), fifth loans (25) and sixth loans (8). By the end of November 1993, a total of about M\$22.9 millions had been disbursed in loans to the members (see Table 16).

### 2. Semi-Commercial Loans - Ikhtiar Loan Scheme 2 (ILS 2)

By 1992, AIM had realized that some members were keen to borrow more than M\$2000. This has resulted in the creation of ILS 2, with loans ranging from M\$2000 to M\$5000 and repaid in 2 years. The administrative fee for the ILS 2 is similar to the ILS 1. By November 1993, a total of around M\$2.4 million has been borrowed from the ILS 2 scheme by a total of 812 members (AIM Official Data, 1993).

### 3. Near-Commercial Loans - Ikhtiar Loan Scheme 3 (ILS 3)

In 1993 AIM again made further progress by creating ILS 3, with loans ranging from M\$5000 to M\$10,000 to be repaid in 5 years. However ILS 3 is open to members who, after some experience with ILS 1 are earning more than M\$600 per month (Utusan Malaysia, March, 1993). For the ILS 3, the administrative charge is a flat charge of M\$200 for the first year and M\$100 for the subsequent years.

Both the ILS 2 and ILS 3 are made possible through AIM formal linkages with the local financial institutions, namely the Islamic Bank (BIMB) and Credit Guarantee Corporation (CGC). In this connection, AIM stands as a corporate guarantor for its members (AIM Financial Statements, 1992). This development seems to suggest that a rather revolutionary direction for conventional banking practise is slowly taking place and is discussed further in Chapter 11.

### 4. Education and Housing Loans

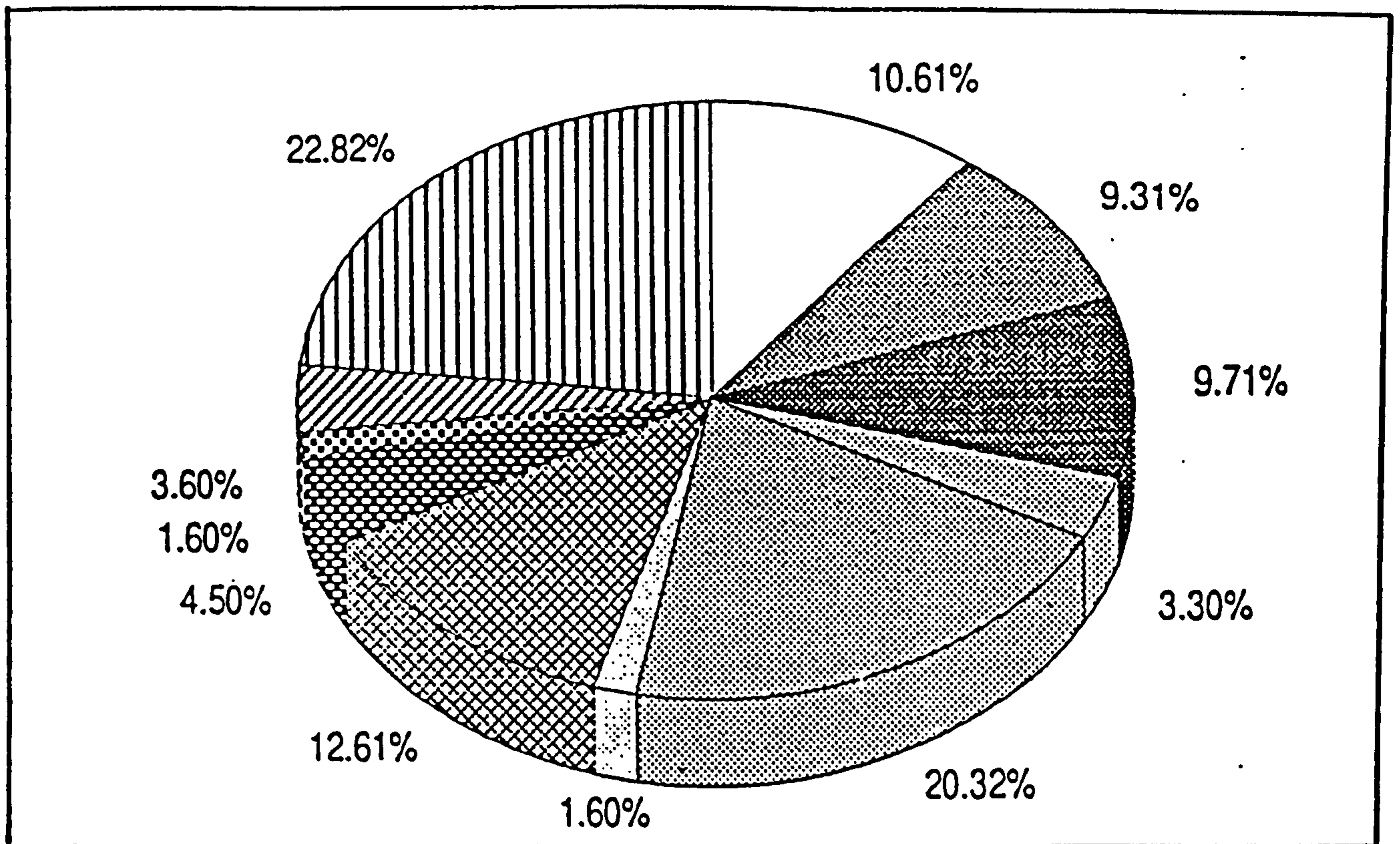
In 1989, Ikhtiar introduced an education loan of up to M\$500 to members who have proved their credit worthiness by settling their first loans in full on time. From only M\$405 disbursed in 1989, it had increased to M\$705,748 to a total of 1608 members by December 1992 (AIM Annual Report, 1989, 1990, 1991, 1992). Education loans are in line with Ikhtiar members *7th decision* of the "*Social Development Programme - The Sixteen Decisions*", which stated that "*We shall educate our children and ensure that they can earn to pay for their education*" [9].

Housing improvement loans, were launched in October 1992. Under this scheme, a member who, after 3 years as a member and with a perfect loan performance is eligible for a housing loan of up to M\$2000. The loan is to be repaid weekly over a period of four years. By December 1992, a total of M\$85,500 had been borrowed by 43 members (AIM Annual Report, 1992).

### 5. Activities Financed by Ikhtiar Loans

In addition **Figure 8** (at December 1992) shows the main activities financed by Ikhtiar loans in all its 34 branches. It shows that agricultural activities occupy 58.5 percent of fund. The popular activities are animal husbandry (20.3 percent), padi cultivation (10.61 percent), tree crop cultivation (mainly rubber - 9.7 percent), other crops (9.3 percent) and fishing (3.3 percent).

**Figure 8 : Activities Financed by Ikhiar Loans (by December 1992), Based on All the 34 Branches**



- Paddy Cultivation
- Tree Crop Cultivation
- Other Crops
- Fishing activities
- Animal husbandary
- Repair/Services vehicles
- Hawking/Distribution of Foods
- Hawking Agricultural Products
- Other Non-Agricultural Activities
- Purchase/Repair Own Vehicles
- Hawking Non-Agricultural Products.

**Source : AIM Annual Report, 1992.**

On the other hand , the non-agricultural activities occupy 41.5 percent of all loaned money. The popular ones includes hawking and food distribution (12.6 per cent), hawking of agricultural products (4.5 percent), hawking of non-agricultural products (22.8 percent) and repair and services of vehicles (1.6 percent).

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## 5.6 INTERNATIONAL RECOGNITION

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While Grameen Bank has been widely acclaimed as the most successful development effort, the Ikhtiar Programme in Malaysia represents the very first serious attempt to replicate it outside Bangladesh. It has been the subject of study by foreigners.

India, Nepal, Thailand, Sri Lanka, The Philippines and Indonesia have sent their officials to study (study tour) the whole operation of the Ikhtiar Programme in various districts. Meanwhile Zimbabwe, Somalia and Egypt are the most recent countries showing an interest in the programme and planning a study tour (Utusan Malaysia, September, 1993). This is not surprising as the GB founder, Professor Yunus, has acknowledged the Ikhtiar Programme as the best replication of Grameen Way (New Straits Times, April 1993).

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## 5.7 SUPPORTIVE NATIONAL POLICY FRAMEWORK

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The Malaysian government has recognized the potential contribution of the Ikhtiar Programme to the further reduction of extreme rural poverty in the Peninsular, and has stated its willingness to provide financial support and cooperation for the expansion of the programme throughout the country. The first ever official indication of this appeared during the New Economic Policy period, and was stated in the Mid-Term Review of the Fifth Malaysia Plan (Malaysia, 1989: 76):

"...the implementation of Projek Ikhtiar will continue as a non-governmental project in states other than Selangor with continued co-operation from government agencies".



AIM has received further support, and this time financial support, from the recently announced new National Development Plan (NDP) which replaced the NEP where emphasis has shifted to the eradication of hard-core and relative poverty. In this connection, AIM's role was officially recognized. The official indication and support of this appeared in the Sixth Malaysia Plan covering the period of 1991 - 1995 (Malaysia, 1991: 44):

"...government will continue to support the efforts of NGO's and other private institutions, such as the credit scheme by AMANAH IKHTIAR (AIM) designed to provide income earning opportunities for the poor. As part of the support, the government will provide a loan of M\$20 million to AIM during the plan period".

Recently the Prime Minister, in presenting the Mid-Term Review of the Sixth Malaysia Plan in Parliament on the 16 December 1993, stated (New Straits Times, December, 1993):

"The implementation of PPRT together with non-governmental organizations such as the AIM has contributed much towards the reduction of hard-core poverty".

In Malaysia there is not a strong NGO tradition, nor are there established practises of NGOs and government working together (Banking with the Poor, 1992). AIM has been able to work with the government because its designer argues that poverty alleviation in Malaysia is possible without prior socio-political structural change. This is understandable because the technocratic nature of the government makes it necessary for AIM to maneuver within the existing structure and not to confront it.

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## 5.8 FUNDING OF THE IKHTIAR PROGRAMME OPERATION

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In the Ikhtiar Programme, the members pay or cover their cost of development. Being a non-government organization, AIM main sources of income are (i) through the fixed administrative charge from it various types of loans its disbursed as discussed earlier and (ii) return on investment or unused loan capital (but this is only a temporary phenomenon that will cease to be possible once the number of borrowers has increased at each branch). By November 1993 (see Table 16) AIM has managed to earn a total

of around M\$1.17 million from its administrative charges. It has to be noted that income earned through the administrative charge depends on its amounts, number and types of loans disbursed and therefore varies from time to time.

Two types of funds are required by AIM, namely (i) revolving loan capital which can be used for disbursing Ikhtiar loans and (ii) the annual operating expenditures/costs [10]. Being a new programme, AIM has yet to be able to meet its total cost of operation. AIM's supply of loan fund capital is not sufficient to satisfy its objectives of lifting the poor permanently from poverty and increasing its coverage of the target group. As a result AIM was initially heavily subsidized by the Federal government by an annual grant through the Malaysia Islamic Economic Foundation (YPEIM).

Ikhtiar's request for M\$18.2 million from the Federal Government for the Sixth Malaysia Plan was diverted to YPEIM, which while converting it into a grant also extended the disbursement period from 1991 - 1995 (as in the original request), to 1991 - 2020 (30 years). This has resulted in serious shortfall of loan funds for 1991 - 1995 (Kasim, 1992). Currently the Federal Government is committed to providing 60 percent of AIM's total annual shortfall in loan funds. Governments of the 7 States in which AIM is operating pay varying amounts and over-all this amounted to 22 percent of the shortfall in 1992 (AIM Financial Statement, 1992). These loan funds are given because AIM's objective of helping the poor to lift themselves out of poverty is consistent with government's policy objectives of eradicating poverty. However, the State and Federal governments play no role in AIM's management (Understanding AIM, 1990).

The remaining shortfall of loan funds has to be sought by AIM from other sources. As a result AIM has also established a linkage with three local financial institutions to obtain loan funds. The three financial institutions are Credit Guarantee Corporation (CGC), The Islamic Bank (BIMB) and the Malayan Banking. By July 1993, these three local financial institutions have contributed around M\$3.37 million to the Ikhtiar loan funds (AIM Financial Statement, 1993) [11]. AIM had also received a sum of M\$1.39 million from the Malaysian general public through its "Project Ikhtiar Fund" [12]. Table 18 shows the estimated operating cost and projected shortfall of income of the Ikhtiar Programme.

Table 18: Achievements and Targetted Cost of the Ikhtiar Programme

Year	Estimated Operation Cost	C'bution From Federal G'ment	C'bution From State G'ment	C'bution From Adminis- trative Charges	C'bution From Other Sources	Projected Shortfall of Income
1991	3,507,657	1,269,632	2,625,544	145,619	0	ND
1992	4,791,368	1,202,615	2,500,000	349,102	739,651	ND
1993	5,905,342	1,169,995	2,800,000	697,173	1,238,173	5,208,169
1994	6,358,679	1,235,000	3,083,280	1,219,880	820,519	5,138,800
1995	6,688,655	1,225,000	2,878,193	1,891,667	693,795	4,796,736

Note : ND denotes no data.

Sources: AIM Financial Statement, 1993.

From the above discussion it is clear that AIM is currently not in the state of financial self-reliance and this issue is discussed in Chapter 11 under "The Limitation of the Ikhtiar Programme".

### 5.9 ON REACHING THE POOR - THE IKHTIAR PROGRAMME'S "SPECIALLY DESIGNED DELIVERY SYSTEM"

AIM is running a credit programme for the very poor and therefore its programme design must be good and viable. This has prompted AIM to stress two main elements, namely:

1. *To focus exclusively on the very poor households and*
2. *To design a delivery system that will facilitate the genuine participation of the very poor.*

Based on the tried and tested model of the GB's approach but slightly modified to suit the local context, the Ikhtiar Programme's delivery system has a number of main design features (Kong, 1989; Ahmad, 1989; Gibbons, 1988b; Gibbons and Kasim; 1990; Kasim, 1990a; AIM Annual Reports, 1990, 1991, 1992; Banking with the Poor, 1992):

### **5.9.1 EXCLUSIVE FOCUS ON THE VERY POOR**

Using sample statistics as a guide [13], the Organization sent its Branch Managers on their own (generally for 3 to 6 months) into the 34 districts to evaluate the expected number of very poor rural households using 'crude' measures of poverty based on housing conditions: size, materials used and general conditions, which gives a fairly accurate index of the economic conditions of the family. This was only the first step and the beginning. The "Housing Index", as calculated under the Ikhtiar Programme, is discussed in detail in Chapter 9.

Since there has been much publicity by AIM's senior officials and village headmen, so usually the households would have heard about this new programme. Once the potential borrower agrees to join the programme, AIM's staff will apply the 'means test' to ascertain the level of poverty in terms of total household income, sources of income, household size plus operation of all land, surplus labour and satisfaction of basic needs. The information and calculations are recorded in a structured questionnaire known as the *M3 Form* [14].

AIM gives priority to females of the household to become representatives and does not preclude the husband from utilizing the loan. For all cases deemed eligible through the above means test, a re-interview is carried out by the Branch Manager. This is to prevent leakage of loan funds to ineligible households. Through a process of re-interview carried out (by end of June 1992) on 57,178 households, 6556 households are disqualified, leaving an effective eligible poor of only 50,162. However these 50,162 households are again being 'filtered out' during the group formation stage (as will be discussed later).

We have seen earlier that while government had resorted to a 'blanket approach' and 'trickle-down' mechanism in providing development inputs to the poor and never really reached the poor effectively, AIM has instituted various mechanisms of check to ensure the delivery of development inputs only to the deserving groups.

## **5.9.2 THE DELIVERY SYSTEM**

The following are the distinctive features of the programme's delivery system:

### **1. Loans Are to be Taken to the Very Poor**

The poor are rightly intimidated by banks for usually they would have little chance of obtaining loans if they entered one. Credit is therefore taken to the poor in their homes and villages. Members need not travel to town, they do not incur any expenditure in getting loans.

### **2. Simple Procedures**

Many of the very poor have no formal schooling and cannot read and write. Complicated forms [15] to fill in will turn them away to informal lenders. AIM provides simple training to the point where potential member understand the requirements of AIM's rules and procedures. Understanding of the loan conditions and an agreement with them becomes a partial substitute for collateral.

### **3. Suitable Loan Conditions**

The standard requirements for collateral, such as land, a house, stock or investment certificates and guarantors are among the factors excluding the poor from access to credit in the formal financial sector. Upon recognizing this problem, Ikhtiar loans are provided without interest, without collateral or guarantor and no legal action will be taken if borrowers fail to repay. Loans outstanding will be written off for borrowers with a good overall record who pass away before repaying fully.

### **4. The Five Member Group.**

Just like its counterpart, the GB, the five member group is the basic building block around which the Ikhtiar Programme is organized. Potential borrowers have to form a group of five like-minded individuals, all peers, all women, being neighbors with at least 3 years of residence in the village but more importantly, those they can trust and believe in. The concept of group formation also provides an opportunity for the branch manager to verify further the household and income information of each household from the other members and this may even weed out undesirable or 'unqualified' persons.

Once groups are formed, members have to undergo compulsory group training for 7 days to learn the simple philosophy, procedures and rules of AIM and it includes the "*Beneficiaries Pledge*" (see Appendix 2), the 9 "*Governing Principles*" (see Appendix 3) and "*Social Development Programmes - The Sixteen Decisions*" (see Appendix 4). Duties and responsibilities of members are included in the curriculum in the training programme.

After training, each member is tested on their understanding of training content. If one member of the group fails, then the whole group failed. The group then has to decide to find a replacement or go through re-training and re-sit the group recognition test.

### **5. Creating a Centre**

Once a potential member passes the test, they then join other groups to form a Centre (*5 per group x 6 groups = 30 participants which constitutes a centre*). Each group has its own chairwoman and a secretary. This job is held on a yearly basis and everyone is given a chance to hold office. The Centre also has its center-head, assistant, secretary and treasurer, also on a rotational basis.

A centre is a place where weekly meetings are conducted and the business of AIM takes place. Loan proposals are discussed, approved or even turned down by the centre. Loans are also disbursed and repayments collected at the centre by Ikhtiar's field officer. Problems and other related matters are discussed here. Attendance is compulsory and attendance records are considered when loan applications come in.

### **6. Group and Centre Guarantees as a Substitute for Collateral.**

In the Ikhtiar Programme, the hurdles which affect commercial banks, collateral, guarantors and legal action for loan recovery, have been removed and replaced by the concept of the group and centre liability. However, the most important and basic requirements are that *each group member is to stand guarantor for every other member (for each group of 5)* and also credit discipline.

These groups and the centre concept can be regarded as either social collateral or as a mechanism of bringing together disadvantaged people into (i) the folds of some organizational format which they can understand and operate and (ii) by federating groups into centres thus developing an ingenious "*sociological phenomenon of multi-layered filters*" of peer support and pressure, with the role of the group fund

strengthening the group relationship. Collective responsibility is therefore the most important aspect of the Ikhtiar Programme.

In the AIM model, the group and centre play a very prominent role. On this Kasim (1990b: 18) argued that they:

"...constitute an interest group so as to ensure continuous credit facility on the one hand, also act as pressure group on the other, i.e. processing of member loan applications and ensuring completion and prompt repayment". [16]

From the above discussion, it can be argued that the Ikhtiar Programme has actually instituted a sort of specially designed "*delivery-recovery*" mechanism for the purpose of granting and collecting loans. In the "*delivery*" context, AIM has disbursed M\$22.9 million in loans to 22,000 borrowers, while eliminating 6556 non-eligible households who tried to become AIM member. In the "*recovery*" context, Table 16 shows that loan repayment rates are near perfect, at 99.9 percent.

### **7. Small Loans and Weekly Repayments**

Ikhtiar loans [17] are strictly for any income generating activity purposes, except money-lending. AIM stresses that it is essential that the amount of loan be kept small, especially the first and second loans and that they be repaid weekly over no more than 1 year. This is in line with AIM's fourth principle "*We may borrow according to what is required for our project and our ability to repay weekly*" (See Appendix 3).

In relation to that the member is free to undertake activities with which she is familiar based on knowledge and skill. Such selection of activities are, however, as mentioned earlier, discussed at length at centre meetings. AIM does not provide any training for activities undertaken, but provides linkages to marketing, professional and technical services provided by various government agencies at the request of participants (see Chapter 11 for further discussion).

### **8. Compulsory Weekly Savings in the Group Fund**

AIM stresses the importance of saving. All members must deposit M\$1.00 per week into their Group Fund (GF), whether borrowing or not. On receiving a loan, 5 percent of the principal borrowed must also be deposited into the Group Fund. By November 1993, a total cumulative saving of M\$3.08 million had been collected by Group Funds, which is a very encouraging phenomenon. The GF may be borrowed by any member of

the Group for emergency small credit needs subject to the unanimous approval of the other 4 members.

### **9. Loans are Disbursed in a Staggered Manner**

All members do not get loans simultaneously. Loan disbursement to the group is staggered: the first loan goes to the poorest two. After two months of perfect weekly repayment records, two other members will be eligible. Again two months later, subject to recovery of loans, the group chairwoman is the last person to receive a loan. However, if the discipline (violating of rules and defaulting on repayment) in the group and centre deteriorate, the disbursement of subsequent loans is suspended until things are back to normal. AIM also recognizes that one small loan is rarely enough, but is good enough as a starting point. Thus, all participants are entitled to subsequent loans once they have settled the current loan according to schedule and fulfil other conditions.

### **10. Loan Utilization is Intensively Supervised**

It has been noted that Ikhtiar is taking a different path from the government which usually doles out of funds or materials to the poor. Ikhtiar does not subscribe to the subsidy mentality, but stresses self-reliance to 'endeavour' for a better life. All loans must be repaid. This requires strict discipline to ensure that loans are properly utilized. As a result close supervision by field staff is necessary. Like in GB, however, members are free to make decisions regarding their economic ventures through their peer discussions. In general loans are to be utilized within 7 days after disbursement on any income generating activity. Ikhtiar field officers conduct a thorough check and constantly monitor the performance of the participants. Field officers also attend the weekly meetings to receive repayments. Meanwhile, Group and Centre chiefs also check on any absentees and defaulters. In this way, members are motivated and required to keep their commitments.

### **11. All Business Transactions are Conducted Openly**

The weekly centre meeting is the main avenue where staff-member meet for conducting all the business transactions, ranging from loan proposals, repayments and other related matters. It is believed that nothing is confidential and everyone has the right to voice opinions and the right to get information without the need of being 'secretive'. This openness is merely to promote members trust and confidence in the Ikhtiar Programme as an 'organization meant only for the poor'.



## **12. Other Programme Within the Framework of the Ikhtiar Programme**

AIM has also adopted the GB approach in promoting the socio-economic programme component known as the "*Social Development Programme - The Sixteen Decisions*" anchoring them with their income-generating project. This has been used as a catalyst in promoting the social values. These 16 decisions stress discipline, hard work, group solidarity, improvement of living conditions through better drinking water, sanitation and cultivation of vegetables. It also encourages members to promote healthy living conditions and aim for a better housing (see Appendix 4).

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### **5.10 MAJOR DIFFERENCES BETWEEN AIM AND THE GB MODEL**

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The scheme operated by AIM has been very closely modelled on the GB. However, some modifications were made at the outset of the Ikhtiar Programme to adapt GB to the local context (APDC, 1988). Some of the major differences include (Hulme, 1990; Gibbons and Kasim, 1990; Banking with the Poor, 1992):

1. In deference to Islamic values, an administrative charge of 5 percent is levied on each loan disbursed, rather than interest rate (as mentioned in Footnote 8). GB on the other hand charges an interest rate of 16 percent per annum.
2. Unlike GB, AIM is not a bank and will never be one. Banking licences in Malaysia have been frozen and will remain so for the foreseeable future.
3. In AIM, there is no emergency fund.
4. Physical exercise at centre meetings and saluting were seen to be culturally inappropriate in the rural context of Malaysia.
5. In rural Bangladesh, most villagers are eligible for GB loans and do not need a rigorous 'means test'. This has to be done in the Malaysia context, where various mechanisms to screen the poor are being instituted to prevent leakage of loan funds to ineligible households.
6. Although AIM does not have an emergency fund, it gives out emergency loans taken from the general loan fund (Group Fund).

7. Unlike GB, AIM is computerized down to the branch level for the general administration and the keeping of borrowers' records and loan transactions.
8. Unlike GB, AIM members have much more intensive and coordinated use of the government's support services, particularly agricultural and technical extension and administrative infrastructure.
9. In contrast to GB, AIM does not emphasize the exploitative nature of linkages between rich and poor. Rather it has a conciliatory stance and stresses that the rich (the general public) have an obligation to help the poor [18].

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### 5.11 COMMITTED STAFF

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The specialized delivery system developed by AIM (just like its counterpart - the GB) requires for its effective and efficient operation, staff who understand and are fully committed to the poor. On this Gibbons and Kasim (1990: 103) explain:

"It has been Grameen's experience, and ours too under the initial Projek IKHTIAR and AIM, that required degrees of commitment and diligence on the part of the field staff arise out of the work, not as a result of lectures and supervision. It is seeing for themselves the good and rapid results of their work, that field staff become committed and diligent". [19]

It has been suggested from Grameen's experiences, that there must be 4 inter-related principles if the poor are to be reached and participate in a poverty programme. The principles are (i) *focus exclusively only on the poor*, (ii) *design a delivery system that meets the needs and conditions of the poor* and (iii) *staff that are trained to carry out the above delivery system*. These 3 principles have been created in the AIM model. The 4th principle is strong government backing. This is an external factor to AIM, but we have seen that the Malaysian governments' (both the Federal and States) backing have been very strong, both financially and verbally.

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## 5.12 THE IMPACT OF IKHTIAR LOANS

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According to AIM, its expansion, which proceeded ahead of schedule and with the maintenance of near perfect repayment rates, are good indicators of the overall effectiveness. AIM regularly conducts its own internal impact evaluation (in-house evaluation) studies for management information and has so far 3 impact studies.

**Impact Study 1:** This study (in 1988) was the evaluation conducted during the initial Ikhtiar project, which has already been mentioned earlier. The findings show that the average monthly income of the member had increased (in constant prices) from M\$173 (before joining Ikhtiar) to M\$328 or a rise of 90 percent, after the utilization of loans (Gibbons and Kasim, 1990).

**Impact Study 2:** The average increase in income is even more impressive in *impact study 2* conducted in 1990 in its two branches of Selangor and Penang. The study concluded that the average monthly total income had increased (in constant prices) from M\$142 (before joining the programme) to M\$570 after joining the programme, with most of the increase being due to Ikhtiar loans (Gibbons, 1991).

**Impact Study 3:** In 1992 AIM conducted an *impact study 3* in its 13 branches. Preliminary findings concluded that 51.7 percent of members had income above the government's poverty line of M\$375. The monthly income of the household has also on average increased (in constant prices) from M\$223 (before joining Ikhtiar) to M\$540 after the utilization of its loans (Kasim, 1993a) [20].

**Repayment of loans:** AIM repayment rates of loans has been a near perfect 99.9 per cent over the past 4 years (see Table 16). As mentioned earlier, a fixed administrative charge is being levied instead of interest. In relation to *Islamic values*, AIM emphasizes members spiritual obligations to repay their loans. Thus, it has been argued that "Islam is an additional factor to ensure commitment to AIM and foster high rates of repayment" (Banking with the Poor, 1992).

As mentioned earlier, AIM has received strong government backing. While AIM's own "in-house" evaluations concluded that its programme has brought about a positive impact on the income of its member, an independent study to confirm AIM's allegation is thus necessary. This has prompted SERU (Socio Economic Research Unit - in the Malaysian Prime Minister's Department) to carry out a survey in late 1990 in 5 districts

[21]. SERU's report has confirmed AIM's early success in meeting its basic objective. SERU's report shows that the participants income on average has increased from M\$198 (before joining the programme) to M\$466 (after the utilization of Ikhtiar loans).

SERU also argued that the average cost of bringing Ikhtiar members out of poverty is around M\$7000, which is very much lower than the experience of FELDA (SERU, 1991). We have seen in Chapter 4 where the cost of resettling a family in the FELDA model was M\$55,000 in 1990. SERU's report further added that AIM is a unique and effective poverty reduction programme that merits continuing support from government.

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### 5.13 THE FUTURE OF AIM

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Kasim (1992) has provided the AIM general scenario until the year 2000 as follows:

- i. By the year 2000, 6 more AIM branches will be in operation, bringing the total to 40.
- ii. AIM plans to reach 42,000 poor households by 1995 and a cumulative number of 92,000 by the year 2000.
- iii. By 1995, AIM will be disbursing cumulative loans of M\$70 million and up to M\$230 million by the year 2000.
- iv. Through the linkage with conventional banks, semi-commercial (ILS 2, near-commercial (ILS 3) and commercial loans (future plans) will ultimately take over from Ikhtiar "benevolent loan" (ILS 1). With the much bigger loan the rural poor may be able to become "grass-root entrepreneurs", able to answer the call of OPP2 and Vision 2020.
- v. Both the education and house improvement loans will be playing their roles more prominently.

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## 5.14 CONCLUSIONS

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AIM's poverty reduction model is basically a simple one, that is, through the infusion of financial capital to the very poor rural households, so as to enable them to finance their income generating activities. Even though some modifications were being made in AIM's model, the fundamental "ESSENTIALS" of the Grameen principles are being closely followed, especially the direct delivery system, group and centre concepts, weekly centre meetings and weekly repayments of loans, which suits the needs and conditions of poor rural households.

The Ikhtiar Programme is relatively new but already appears to have made headway in Malaysia. The government took an immediate notice of its emergence and has recognized its potential as a force to be reckoned with along with financial support.

AIM, thus, has a major challenging role to play along with other government poverty alleviation programmes, in line with OPP2 and Vision 2020. The birth of AIM has offered a new ray of hope for the very poor rural households as a means of overcoming poverty.

<b>FOOTNOTES</b>
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1. Subsequent checking on the ground by AIM has revealed that the estimates for Negri Sembilan and Pahang are probably too high. It was generally assumed that there were about 150,000 very poor households in the Peninsular as of the end 1987 (Gibbons and Kasim, 1990).
2. The word IKHTIAR, which means endeavor, is the key philosophy behind this project. It is being implemented by 4 main agents, namely (1) The Universiti Sains Malaysia, which provides the academic expertise, (2) The Selangor State Economic Planning Unit which provides the overall backing, because the pilot project is in Selangor, (3) The Islamic Economic Development Foundation of Malaysia (YPEIM) that provided the launching grant of M\$300,000 and (4) The Asian and Pacific Development Centre, a regional body that identifies the model case and brings together the expertise, the concerned and individuals of similar interests.
3. The North-West Selangor area was chosen for the pilot project because according to the available statistics at that time, more than half of the households in the area were living under the government poverty-line income. This was despite completion of the Northwest Selangor Integrated Agricultural Development Project (IADP) in 1985, and close proximity of the area to the Klang Valley Industrial complex and the Kuala Lumpur metropolitan area. Clearly a new development initiative was needed in the Northwest Selangor area to complement existing government poverty-reduction programmes (Gibbons, 1988).
4. AIM defines "VERY POOR HOUSEHOLDS" as a persons or groups of persons, usually related by blood or marriage, who normally share the same accommodation and food, and whose current total monthly income per person is less than two thirds of the current government poverty line income. For the period of 1986/87, the government's poverty line was M\$350 per household of five members, making the per person poverty line M\$70. Two thirds of this is M\$46.90, but AIM has rounded this off to M\$50 per person per month.
5. AIM defines "POVERTY" as a state of living in which the household has a total per-capita monthly household income of less than that defined from time to time by government as required for a minimal level of living in the Malaysian context, and/or which some or all of the basic human needs of its members for health, education and housing are not satisfied.
6. "BENEVOLENT LOAN" is a sum of money lent for a specified period of time without requiring collateral. This is discussed in detail in sub-section 5.10.2.3. Any administrative charge levied on such loan must not exceed the costs of disbursing it (including any costs on loan capital).

7. In Peninsular Malaysia, there are 11 states which are further subdivided into 78 main districts. Most of the districts covered by AIM so far (34 districts) are among the poorest districts with a high number of very poor households.
8. It needs to be mentioned here that in line with government poverty alleviation goals, state and federal governments subsidize the rural poor (Ikhtiar borrowers) at M\$50.000 for the first loan and M\$25.00 for the second loan while the members cover the full administrative charge of M\$75.00 on the third and subsequent loans. In deference to Islamic values, a fixed administrative or management fee is levied on borrowers rather than an interest rate.
9. The Ikhtiar members' "*Social Development Programme - the Sixteen Decisions*" is discussed in sub-section 5.9.2 and for the "*16 Decisions*", see Appendix 4.
10. The Ikhtiar Programme's annual operating costs include those of the Branches(34), Area offices (4), Training Centre (1), Co-ordinating Office (1) and the Headquarters (1).
11. Recent development suggests that there are 3 other local financial institutions, namely Bank Bumiputra, Development & Commercial Bank and MBF Finance which have indicated their interest in providing the loans capital to the Ikhtiar Programme (without interest) in pursuing its lending activities (Dewan Masyarakat, April 1993; Utusan Malaysia, March, 1993). However it is not clear at present how this will be done as there is little indication how the bank intends to go about doing it.
12. In March 1990, the Islamic Economic Development Foundation of Malaysia (YPEIM) and the Berita Harian (a national daily newspaper) launched a fund raising exercise (on an annual basis) for the "Project Ikhtiar Fund" to be used as a capital in the Ikhtiar Programme. Helping the poor by the better off Malaysians (general public or any private organization) was put to the test here with a very encouraging results, receiving M\$1.39 millions.
13. AIM selects its target groups from among families classified in the national household income survey as falling below the poverty line (the national poverty line is M\$375.00). AIM then carries out its own direct survey of those households in poor villages, in order to target only families with less than two-thirds of the national 'poverty-line' income.
14. For details of the M3, see Chapter 6 on METHODOLOGY,
15. For an example of the Ikhtiar Loan Application form, see Chapter 11.
16. The peer pressure and support are generally put to the test in the following ways: In the Ikhtiar Programme, if a members fails to repay loans, every member of a particular centre is penalized. Furthermore *every member of the group* in which the defaulter belongs must contribute M\$2.00 and *all other centre members* M\$1.00 per week for overdue loans to the penalty fund. If members resume

making repayments, the penalty fund is returned to the members. If a member defaults, AIM takes the penalty fund. Thus, "pressure" comes in, where a particular group and centre can decide whether to keep or boot out the defaulters and those who are likely to violate the rules and procedures. Every member will be 'policing' each other and reminding them to keep their commitment. This is in line with members pledges in accordance with the 14th principle of the "*Borrower Social Development Programme*", (Appendix 5) which goes "*If we come to know of any breach of discipline in any centre, we shall go there and help restore discipline*". In time of need when a member falls into any difficulty, other members will provide a helping hand. This is one of the reasons why the "Group Savings Fund" has been emphasized by AIM, where member can borrow in times of difficulties and need. Discipline has been an important factor in the AIM model. AIM penalizes poor attendance at centre meetings and tardy loan repayments are also penalized. In the Ikhtiar Programme as shown in Table 16, loan repayment rates are a near perfect 99.9 percent, which reflects good supervision, monitoring and training of the members by Ikhtiar staff on one hand and "peer pressure" and "peer support" on the other.

17. In the ILS 1, there are 2 types of loans namely "**AL-QARDHUL HASSAN**" for the Muslim members and "**BERDIKARI**" for the Non-Muslim. Basically they are the same in terms of rules and procedures and the only difference is in the way of their pledging. For the wording of the pledges (see Appendix 3).
18. Helping the poor by the better off Malaysians (general public or any private organization) can be seen in Footnote 12 above, through the annual fund raising exercise for the "Project Ikhtiar Fund".
19. At the branch level (district-based) of the Ikhtiar Programme, it is the Field Officer and Branch Manager that form the backbone of such programmes and play a very significant role in dealing with the target groups through their daily contact. As such they were trained for such duties. Initially the Field Officer and Branch Manager undergo intensive courses that provide procedures and the philosophy of AIM. Field training is being stressed in AIM. The exposure of its staff to the plight of the poor through field training is to build up their dedication. AIM staff also live in the village among the poor rural households being the target group. In the Ikhtiar Programme we have seen the roles played by Branch Managers under the sub-heading "*Exclusively Focused on the Very Poor*" - in sub-section 5.9.1. Equally important is the roles of Ikhtiar Field Officers, generally known as the "Trust Assistants", who are the "live wires" of the Ikhtiar Programme (more than 80 percent of the total staff) who are directly involved with the participants in their daily routines. Each of the Trust Assistants would work independently in their sub-block, undertaking 'means tests' of potential members, motivating towards group formation, handling centre meetings, loan disbursement checks and other various members activities.
20. The Impact Study 3 is basically AIM's preliminary analysis.



21. SERU's survey in late 1990 covered the districts of Barat-Laut Selangor, Seberang Perai Tengah, Seberang Perai Utara, Sik and Baling. However, its survey in Baling (which is the subject of the present study) was conducted when this branch was just very slightly over one year old. SERU's samples for Baling comprised of only 6 borrowers who at the time of the survey have completed their first loan cycle (whereas the other 332 (of the total 338) members have either not completed or taken their first loans). FAO (1984), in its impact evaluation exercise of the Grameen Bank, suggested that it was more appropriate for a study of this nature to cover areas where the project *"has been implemented for a reasonable period of at least 3 years"*. The present study has thus met the FAO suggestion. In fact when the field work was conducted, Baling 1 branch was about 3 years and 7 months. This has given the advantage of having the samples of not only the first time borrowers but also its second time borrowers as well. Unlike SERU, the present study has also made use of control groups for comparison purposes with the programme's borrowers. Furthermore, AIM (1993) has strongly argued the needs of having control groups. The present study has made use of much bigger and representative samples (detail on this is discussed in Chapter 6).

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## CHAPTER 6 : RESEARCH METHODOLOGY

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### 6.1 INTRODUCTION

This chapter discusses the central aspects of this study, i.e. research methodology. It highlights in detail the research process. In relation to this the method and design involved in the collection of data is discussed, together with the method of data analysis.

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### 6.2 RESEARCH STRATEGY

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A plan of research has to be formulated before any study is undertaken, which, as noted by Bulmer and Warwick (1993: 27), "requires a research strategy, a plan in terms of which particular studies are carried out embodying ideas about the task of social research, the research design to be used, and the choice of particular methods of data collection". It is necessary first to highlight the outlines of the research process which incorporate the basic steps generally involved in a particular study.

Hussein (1990) identifies eight phases in a research process: (1) identification of problem (2) review of literature (3) background of the problem and formulation of conceptual framework (4) hypotheses (5) collection of data (6) analysis of data (7) summary (8) presentation of findings. Meanwhile Nachmias and Nachmias (1991) proposed a seven step model: (1) problem (2) hypotheses (3) research design (4) measurement (5) data collection (6) data analysis and (7) generalization. However Bailey (1984 cited in Idid, 1992) identifies only a five step model: (1) research problem and formulation of hypotheses (2) research design (3) data collection (4) data analysis and (5) testing of hypotheses.

Despite having a variety of steps ranging from five to eight as indicated above, the most common feature of the research process is that it usually starts with problem identification and is immediately followed with literature reviews and ends in a presentation of findings along with the conclusions. In relation to this, the formulation

of the research methodology in this study, which contains some of the above features, is divided into four stages: (1) literature review (2) data collection, (3) data analysis and (4) conclusions, and into these four stages, the elements of the problem identification, formulation and testing of hypotheses, research design and measurement have been incorporated. Each of the four stages is briefly discussed below:

**1. Literature Review:** formulation of research objectives, scope of the study and hypotheses. The relevant concepts such as the concept of poverty, the conventional concept of development, such as Community Development, Green Revolution and Integrated Development, the "alternative" or "another development" concept, definition of rural development and the credit-based poverty alleviation concept were studied and reviewed as tools to explain the research issues (see Chapters 2 and 3).

**2. Data Collection:** This involved the discussion of the various approaches in collecting primary and secondary data. The primary data are obtained through the technique of interviews, discussions, a questionnaire survey and participant-observation with the selected respondents. Secondary data, mainly in the form of printed documents and official statistics, were collected from various sources.

**3. Data Analysis:** The primary data collected were then processed by means of SAS (Statistical Analysis System) [1], in which frequencies and tabulation have been obtained. Primary data were also subjected to detailed analysis and interpretation in order to test the hypotheses.

**4. Conclusions:** This is the final stage of the research where the main findings are summarized along with the suitable recommendations and where conclusions of the research are presented.

With the above brief account we now turn to describe in detail the execution of the overall research strategy.

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### 6.3 SELECTION OF THE STUDY AREA - THE DISTRICT OF BALING

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The detailed description of the study area is discussed in the next chapter. However, it is necessary at this juncture to highlight briefly: (1) which specific area in Baling is involved in the study and (2) why Baling is selected as a case study area?

In the State of Kedah, the Ikhtiar Programme started its operation with the opening of two branches in the District of Baling and Sik simultaneously in March 1989. By virtue of having the highest number of very poor rural households, AIM has divided the District of Baling (with its Mukims or Sub-Districts) into:

**BALING 1:** Includes the 5 Mukims of: (1) Baling, (2) Bongor, (3) Kupang (4) Siong and (5) Pulai, and, as mentioned, has received the Ikhtiar Programme in March 1989. These 5 Mukims also have approximately 60 percent of the total population of Baling.

**BALING 2:** Includes the 3 Mukims of (1) Tawar, (2) Telui Kanan and (3) Bakai. Unlike BALING 1, AIM's branch in BALING 2 was opened only in September 1990 (about one and half year later than BALING 1). These 3 Mukims have approximately 40 percent of the Baling population. The establishment of 2 separate branches in the District of Baling is merely for easy management.

In this study the area of study is confined only to **BALING 1**, being the older branch. The selection of the District of **BALING** in particular has to be seen in the context of the State of Kedah. The selection of Baling is due to the fact that **BALING**, together with the State of Kedah, have the distinction of having "6 number ones". These are:

1. Kedah is the poorest State in the Peninsular, with the highest number of the hard-core poor.
2. Baling is the poorest district not only in Kedah, but also in the country along with highest number of hard-core poor.
3. Baling, by virtue of being the poorest district in the country (according to AIM data), is the only district that has 2 AIM branches.
4. Kedah is also the state that has the highest number of AIM branches, i.e. 9 in total.

5. On the whole Kedah is also the state with the highest number of AIM beneficiaries.
6. Baling, on the other hand, has also emerged as a district with the highest number of AIM beneficiaries not only in Kedah but also throughout the country.

Another additional characteristic of Baling is that it is not only a poverty stricken area, but also one of the least developed parts of the Peninsular, especially in terms of infrastructure and other amenities. It also has a "black history", as noted by Ahmad (1983). In December 1974, there was a student demonstration aimed at highlighting the problem of rural poverty in Northern Kedah where 3 people died of starvation in Baling [2].

With the above explanation, the selection of BALING 1 in the overall context of the District of Baling as a case study area is thus justified.

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#### 6.4 PILOT SURVEY

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In a questionnaire based study, it is necessary to conduct a pilot survey on a small scale in virtually all circumstances and should never be omitted in order to identify weaknesses, ambiguities, and omissions before the questionnaire is finalized for the survey itself (Dennis and Kumar, 1988; McNeil, 1990; Glastonbury and Mackean, 1991; Ayob, 1992; Robson, 1993). Pilot surveys are widely used in research surveys (Moser and Kalton, 1978) as a trial investigation (Black and Champion, 1976). Hoddinot (1992: 81) has related his experience of trying to avoid pilot survey as follows:

"Having spent hours in Oxford devising the perfect questionnaire, I was tempted to skip this in order to save time. This would have been a false economy. Pilot testing made a huge difference. It leads to substantial amendments and improvements to all the questionnaires".

Thus as rightly argued by de Vaus (1986: 46):

**" Do not take the risk. Pilot test first".**

In this study, a pilot survey was conducted in December 1992 on 35 households prior to the actual survey (January to mid-May 1993). During the pilot survey a few meetings had been arranged by the author with the key informants, especially to get some preliminary information about the hard-core poor rural households and general background of the study area. The key informants included the District Officer and his staff, Ikhtiar Organization's Branch Manager and Field Officers, Penghulu (Head of the Mukim or sub-district) and Ketua Kampong (village headman). These few early meetings were to establish good relations with the key informants to insure further assistance in the survey proper.

The pilot survey was found to be very useful and its main contributions were:

**One:** becoming familiar with the study area and also in establishing good relationships with the local people and potential respondents.

**Two:** improvement of the questionnaire, especially to questions that might cause ambiguity, embarrassment, were too technical and difficult to understand.

**Three:** a general increase in the efficiency of the inquiry.

**Fourth:** determining the probable cost and duration of the main survey.

**Fifth:** help in preparing the detailed plan of execution of the intensive data collection in the actual survey.

**Sixth:** determining the nature and characteristics of the target population to be interviewed.

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## 6.5 METHODS OF DATA COLLECTION

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Data for this study came from two sources: primary and secondary sources. Considering the extensive nature and scope of the study, a variety of research methods have been used. On this Patton (1987: 60) argued that "using more than one data collection approach permits the evaluator to combine strengths and correct some of the deficiencies of any one source of data". Denzin (1978), for example, suggests the use of multiple methods such as interviews, observations, questionnaires and documents in conducting a study of a particular problem. Yin (1994) adds that the strength of case studies using multiple sources of evidence were rated more highly in terms of their overall quality than those that relied on single sources of information.

### 6.5.1 THE PRIMARY DATA

#### 6.5.1.1 INTERVIEW AND DISCUSSION

The primary data for this study fall mainly into 5 categories. First: interviews with the programme participants and the non-participants (control group), by using a questionnaire survey (this is discussed in detail in Section 6.7). Second: personal interviews with key respondents such as the Penghulus (Mukim headmen) and the Ketua Kampong (Village headmen) on the general background of the poverty situation and development in their respective mukims and villages. Third: interviews and discussions on an informal basis with personnel of the Government and semi-government agencies at the (i) District level - with the officers from District Office, Agricultural Bank, KEDA, FAMA, Agricultural Department, FELCRA and RISDA (ii) State level - with the officers from Department of Town and Rural Planning. The interviews and discussions centered around the general issues of development implementation in Baling. (iii) Federal level - a general discussion was conducted with the Head of Poverty Section of the ICU (Implementation and Coordination Unit) under the Prime Minister's Department who provided the general scenario of the poverty situation under the NEP and NDP [3]. Fourth: long informal discussions with Ikhtiar's personnel ranging from its Branch Manager and 6 Field Officers in the Baling branch and the acting Managing Director at the headquarters in Penang. These discussions centered on the overall functioning and performance of the Ikhtiar Programme in the alleviation of rural poverty both at the macro and micro level [4].

### 6.5.1.2 PARTICIPANT OBSERVATION [5]

**Fifth:** The author also stayed in a village in the study area for most of the study for observation of the communities, particularly the households' under study in their daily social and economic activities. The value of being a participant observer lies (Becker, 1958) in the opportunity that is available to collect rich detailed data based on observations in natural settings. The researcher also mixed with members of the community, thus eating, living and conversing with households and the community is part of the process of participating and observing. In this sense, as McCall and Simmons (1969: 1) note, participant observation is less a single method, but more:

"a characteristic blend or combination of methods and techniques...that involves some amount of genuinely social interaction in the field with the subjects of the study, some direct observation of relevant events, some formal and a great deal of informal interviewing, some systematic counting, some collection of documents and artifacts, and open-endedness in the direction the study takes". [6]

Furthermore by directly observing the Ikhtiar Programme, the author was able to understand the context within which the programme activities and operations occur and function. This direct experience acted as a resource to aid in understanding and interpreting the programme being observed. On this Patton (1987: 74) argued that:

"Reflection and introspection are important parts of field research...these understandings become important in analyzing the data and in making recommendation for programme improvement. Recommendations...derived from firsthand programme experience and observations ought to be especially valuable because they are grounded in direct understanding of programme realities, not pie-in-the-sky, abstract ideals".

And Warwick and Lininger (1975: 12) summed up the above observations when they argued "A design which combines participant observation or other qualitative methods with a sample survey provides opportunities for cross-checking and for a much more complete picture of the situation being studied"



### **6.5.2 THE SECONDARY DATA**

The secondary data mainly came from sources such as seminar papers, censuses, official publications and data gathered by various government agencies on various aspects of their respective fields. In addition, library research (in Malaysia and United Kingdom) was used to carry out content analysis of reports and related literature on rural development and poverty alleviation programmes either involving studies in Malaysia or other parts of the Developing World.

A considerable amount of data came mainly from Ikhtiar Organization's office, both from the District office in Baling and the headquarters in Penang. Most of the data seem to be very valuable as they directly and indirectly related to this study. Similarly, secondary data, relating to poverty and other general statistics on rural development were also collected from other various governmental agencies as mentioned earlier. The secondary data used in this study will be cited as and when they are referred to.

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## **6.6 RESEARCH DESIGN, SAMPLING AND QUESTIONNAIRE DESIGN**

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### **6.6.1 RESEARCH DESIGN : "BEFORE - AFTER" AND "WITH - WITHOUT" APPROACHES**

The aim of the field survey was to collect data to test the hypotheses concerning the effects of Ikhtiar loans to its participants and also on the effectiveness of the programme with its specially designed delivery system on reaching the very poor households in the study area.

In order to examine the effectiveness of the Ikhtiar Programme in increasing the income (or changes in other variables) among the borrowers' households, incomes for at least two different time periods are required. A starting point for this would be comparison of household incomes (or other variables under consideration) before and after the taking (utilization) of Ikhtiar loans.

It has been suggested that the fundamental methodology for this type of study is to estimate the differential of "BEFORE" and "AFTER" changes in terms of specified variables for the recipient group (WITH the programme group) versus the

comparable non-recipient group (**WITHOUT the programme group**) (Black and Champion, 1976; IFAD, 1984a; Hossain, 1984 and 1988; Kartar Singh, 1986; Bolninck and Nelson, 1990). In relation to these suggestions, this study thus required the involvement of both the participants and the non-participants, and therefore both the **"BEFORE - AFTER"** and **"WITH - WITHOUT"** approaches will be used.

The **"Before-After"** approach is also variously referred to in literature as the **"pretest-posttest"** design (Graham and Raulin, 1989; Robson, 1993). Manly (1993) has provided a useful suggestion on the **"Before-After"** design as follows:

**Point 1:** It was noted that in the **"Before-After"** approach, it is possible to use only one group (i.e. group given a particular treatment), when assessing changes on a certain specified variable between two different time periods, without using the comparable control group (i.e. group not given a particular treatment). However, without a comparable control group there is no way one can be sure what might happen in the absence of treatment.

Thus it is necessary to use the control group (**"With - Without"** approach) incorporated into the **"Before - After"** design. Gittinger (1982) adds that the **"With project - Without project"** approach will enable us to identify the benefits associated with a project. Black and Champion (1976) noted further that in general the experimental variable or treatment is introduced to the **"programme group"** and withheld from the control group. This will enable researchers to argue more effectively about the causal relation between experimental variables or target variable changes, because changes in measures for both groups are compared between two separate time periods.

**Point 2:** The control group is of little use unless it is clearly comparable with the project group and this can be achieved through a random approach of selecting subjects. On this Moore and McCabe (1989: 29) argued that **"the act of randomizing guarantees that the behavior of statistics is governed by the sampling distribution"**.

Bolninck and Nelson (1990) lend further support to point 2 above by suggesting that the two groups (With and Without programme) must be as far as possible facing similar economic conditions, apart from getting the treatment. They further noted that an **"impact period"** of longer than 1 year is generally needed to get a meaningful test. In this study the **"treatment"** (or variables under consideration) is referred to as the **Ikhtiar loans**.

In this study:

- (i) The "Before-After" comparison involved establishing the household incomes (or other variables under consideration) before joining the programme and assessing changes after the utilization of Ikhtiar loans. "With" and "Without" comparison requires selecting a "control group" (a "without the programme" group or the non-participants) comparable to the "with the programme" group (programme participants) and making before and after comparisons for changes occurring in both groups.
- (ii) The Ikhtiar Programme participants is therefore a "With the programme" group, which was subjected to the Ikhtiar intervention through the provision of Ikhtiar loans.
- (iii) The non-participants or the control group is therefore a "Without the programme" group, which on the other hand, was not subjected to Ikhtiar loans.

The conceptual design, as suggested by Kartar Singh (1986), that is normally used for this type of study is presented as follows (taking for instance one particular variable to be measured - income, which is central in this study):

Group \ Programme	Before the Programme	After the Programme
Beneficiary Group (With the Programme Group)	Ea1	Eb1
Non-Beneficiary Group (Without the Programme Group)	Ea2	Eb2

Where:

Ea1 = Level of income for the beneficiary group (Ikhtiar members) before the programme began.

Eb1 = Level of income for the beneficiary group (Ikhtiar members) after the utilization of Ikhtiar loan (every loan cycle is 50 weeks).

**Ea2 = Level of income for the non-beneficiary group (control group) before the programme began.**

**Eb2 = Level of income for the non-beneficiary group (control group) being compared with level of income (Eb1) of the beneficiary group (Ikhtiar members) after the utilization of loan.**

**The net effect of the programme is given as:-**

$$\text{Net Effect} = (Eb1 - Ea1) - (Eb2 - Ea2).$$

**or alternatively**

$$\text{Net Effect} = (Eb1 - Eb2) - (Ea1 - Ea2).$$

- 1. (Eb1 - Ea1) will give estimates of the gross effect of the level of income due to the programme activities (after the utilization of loan) and also due to non-programme activities undertaken by the participants.**
- 2. (Eb2 - Ea2) indicates the change in the level of income due to non-programme activities alone.**

**Ideally, changes in income (or other variables) can best be obtained by comparing present income status (or other variables) with the base-line data available from some time immediately prior to the programme commencement (Riddel, 1990). Riddel adds that the method of obtaining current and past income levels (or other variables) is likely to include one or all of the following:**

- 1. direct observation,**
- 2. interviews,**
- 3. discussion with project staff and participants,**
- 4. going through the secondary data/materials already available,**
- 5. review of programme's records, and /or**
- 6. examination of existing data.**

**Besides income, other selected variables, such socio-economic backgrounds, household assets and others, can also be obtained through the above methods. Through this way we can actually cross-check the validity of particular data or, as Patton (1987: 105) puts it, "cross-validate and triangulate by gathering different kinds**

of data - observation, interviews, programme documentation, recordings and photographs".

In this study, the socio-economic data of the Ikhtiar participants prior to joining the Ikhtiar programme are available from the Ikhtiar Programme's project records in its Baling branch. In the Ikhtiar Organization, all the participants registered as its members have their socio-economic data recorded in a specially constructed questionnaire known as the M3 [7].

The M3, which provides base-line data on the Ikhtiar Programme's individual participants prior to the provision of loans, is taken as the bench mark condition (*which is referred to in this study as the "BEFORE" situation*) which is to be used for comparison with their condition at a later point of time (*which is referred to in this study as the "AFTER" situation*) for assessing the effectiveness of the Ikhtiar Programme credit intervention. The periods of "Before" and "After" situations used in this study are discussed as follows:

#### **1. The "Before" Situation (1989):**

The term "Before" situation is referred to the period of "1989". Thus the terms "Before" and "1989" have similar meaning. However, the term "Before" situation is widely used and is applicable to both the programme participants and non-participants (control group) (See Sub-Section 6.7.2 and the accompanying Footnote 14, for the detail elaboration).

#### **2. The "After" Situation (1992):**

The term "After" situation is referred to the period of "1992". Thus the terms "After" and "1992" have similar meaning. However, the term "After" situation is widely used and is applicable to both the programme participants and non-participants (control group) (see Sub-Section 6.7.2 and the accompanying Footnote 15, for the detail elaboration).

## 6.6.2 SAMPLING DESIGN

### 6.6.2.1 BRIEF BACKGROUND

In a survey, it is impractical to interview all possible respondents (the "population"), unless their number is small. In general, inferences based on a subset of the whole aggregate may nevertheless be fairly accurate.

Nachmias and Nachmias (1981) have stated that when the data are partial and used to characterize the whole, the subset is called a *sample*, and the whole is called a *population*. A specific value of the population, such as the average income is called a *parameter*; its counterpart in the sample is termed a *statistic*.

In general the chief aim of sampling is to make inferences about a parameter that is unknown from a sample statistic that can be measured. Sampling is thus defined as (Blackstrom and Harsh, 1963) a procedure by which a research analyst can infer the characteristics of a large body of respondents, commonly referred to as universe or population, by examining or interviewing a selected group of them. To arrive at accurate estimates of parameters, the researcher should deal effectively with the (1) definition of population, (2) the size of sample and (3) the sample design.

With this brief review, we now turn to put the sampling design in the case study of Baling into perspective. In this study the sampling frame is *defined as the total number of the hard-core poverty households that reside in the 5 Mukims of BALING. Households earning a monthly income of less than M\$250.00 are regarded by the Ikhtiar Organization as the "hard-core poor" or "poorest of the poor"* (see Chapter 5).

### 6.6.2.2 THE SAMPLING UNIT

In this study the households serve as the sampling unit, while the unit of inquiry is the head of household who was usually male. However in reality the author usually resorted to interviewing both the head of households and their wives, unless the heads of household was headed by the female member. In the case of Ikhtiar member households, priority of the interview was given to the female members by virtue of being the programme participants, usually accompanied by their husband (for detailed survey responses of the households involved, see sub-section 6.7.2 and footnote 16).

Household is therefore defined in this study "*as persons living under the same roof related by blood or marriage, sharing a kitchen, food and a major part of income and expense*". This definition is quite close to the definition adopted by the United Nations, "a household is a group of people who live and eat together". Ahmad (1983) noted that from a policy viewpoint, a household is taken as a basic income sharing unit and is used as a unit of measuring poverty in Malaysia.

In this study the starting point for determining the sampling frame prior to the household survey, was based on the most readily available and up-to-date list of the hard-core poor rural households in the District of BALING 1. *As such 31st, October 1992 was taken as a starting point*. The pilot survey was conducted in December 1992 and followed by the actual survey from January to mid-May 1993. The detailed account of the sampling frame is given in Appendix 5.

#### **6.6.2.2.1 THE SELECTION OF THE SAMPLES FROM THE POPULATION**

##### **1. Factors That Influence the Sample Size**

In general the required *sample size* depends on two factors, namely the *degree of accuracy* desired (de Vaus, 1986) and the *degree of variation* in the population (Hussein, 1990). According to many observers the larger the sample the lower the likely error in generalizing (Dennis and Kumar, 1988; Graziano and Raulin, 1989; Robson, 1993) and thus the greater the accuracy (Nicols, 1991; Bryman and Cramer, 1990). It has been argued that generalization is in fact the greatest strength of the sample survey (Bulmer, 1993a).

##### **2. Homogenous Versus Heterogeneous Population**

It has been argued that if the population being studied is *homogenous* in their characteristics, then the sample size need not be necessarily large (Idid, 1992). In contrast, if the population is *heterogeneous*, then the sample size must be large enough to represent the diversity accurately (Graziano and Raulin, 1989; Cohen and Manion, 1994).

### 3. Financial, Manpower and Time Constraints

Taking all the above suggestions (as in items 1 and 2) into consideration, it has been the aim of this study to have the largest sample financially possible and, as reminded by Bryman and Cramer (1990: 103):

"the researcher almost always works within time and resource constraints, so that decisions about sample size must always recognize these boundaries".

Therefore a balance had to be struck and within the given *financial, manpower* and *time* constraints. A total of 550 households were included in this survey. As discussed in detail in Appendix 5, this study therefore has two separate sampling frames as follows:

- (i). The total population of the Ikhtiar Programme participants consisting of 613 member households.
- (ii). The total population of the control group consisting of 1490 member households (estimated).

**4. Simple Random Sampling:** The selection of the respondents from both groups of households were based on simple *random sampling*. Random sampling is the widely known probability procedure (Philips, 1976), where representative selection is ensured (Bulmer, 1993b), since every individual in the sampling frame has an equal chance of being included in the sample (Blalock, 1972; Nachmias and Nachmias, 1981; McGrew and McCabe, 1989).

**5. The Samples of the Study:** The two groups involved in this study are as follows:

- a) **Ikhtiar members:** From the total population of 613 members, a total of 270 households were included in our survey. These total samples (270) represented approximately 44 percent of the total population of the Ikhtiar members.
- b) **Control Group (Non-Participants):** From the total population of around 1490 respondents in the control group, a total of 280 households were included in our survey. These total samples (280) represented approximately 19 percent of the total population of the control group.

It has been noted by Ikhtiar officials in Baling that both the Ikhtiar members and the respondents in the control group share similar socio-economic conditions. This



suggests that the two groups were *homogenous* in their characteristics. The sample sizes (as mentioned above) for the two groups were therefore appropriate and representative. The original and observed sample sizes for the Ikhtiar members and control group based on the actual household survey are shown in Tables 19 and 20 respectively.

Table 19 : Sample Distribution of Ikhtiar Members - Original and Observed Samples.

Total Population	Original Sample Size	Observed Sample Size	Missing Sample
613	270	254 (94 %)	16 (6%)

Table 20 : Sample Distribution of the Control Group - Original and Observed Samples

Total Population	Original Sample Size	Observed Sample Size	Missing Sample
1490	280	265 (94.6%)	15 (5.4%)

As mentioned in Appendix 5, there was a total population of 613 Ikhtiar member households who had completed their loan cycles and were therefore eligible to be included in this survey as shown in Table 19. It needs to be mentioned here that, this figure of 613, actually consisted of 567 and 46 members, who had completed their first and second cycles of loans respectively. There are therefore two groups of Ikhtiar borrowers based of the cycles of loans.

Thus from the observed samples of 254 Ikhtiar member households, as indicated in Table 19, the breakdowns of members based on the cycles of loans as shown in Table 21 are as follows:

1. 215 Ikhtiar members who had completed the first cycle of loans and are referred as the **first-time borrowers** and
2. 39 Ikhtiar members who had completed the second cycles of loans and are referred to as the **second-time borrowers**. This two groups of borrowers will be discussed in detail in Chapters 8 and 9.

**Table 21 : Sample Distribution of Ikhtiar Members : First-Time and Second-Time Borrowers - Original and Observed Samples**

	Total	Original Sample Size	Observed Sample Size	Missing Sample
1. Total Population	613	270	254 (94.0%)	16 (6.0%)
2. First-Time Borrowers	567	224	215 (95.9%)	9 (4.1%)
3. Second-Time * Borrowers	46	46	39 (84.7%)	7 (15.3%)

Note: \* = The second-time borrowers were based on the total population.

By combining Tables 19 and 21 (Ikhtiar members' figures) with Table 20 (control group' figures), we get the followings actual number of households being surveyed in the study area which are shown in Table 22:

**Table 22 : Total Number of Respondents Interviewed, The Ikhtiar Members and Control Group - Observed and Original Samples.**

Group	Total Population	Original Sample Size	Observed Sample Size	Missing Samples
1. Ikhtiar Members	613	270	254 (94%)	16 (6%)
(a) First-Time Borrowers	567	224	215 (95.9%)	9 (4.1%)
(b) Second-Time Borrowers **	46	46	39 (84.7%)	7 (15.3%)
2. Control Group	1490	280	265 (94.6%)	15 (5.4%)
3. Total	---	550	519 (94.3%)	31 (5.7%)

Note: \*\* = The Second-time borrowers were based on the total population

The response rates of the survey were rather good both from the Ikhtiar members and the control group. While the percentage covered for Ikhtiar second-timers were only around 85 percent, they were taken from the whole population and thus were more representative than the Ikhtiar first-timers (96 percent) and the control group (95 percent). The non-response was mainly due to missing respondents, because they could not be contacted rather than refusal [8]. All the households described above were subjected to interview by means of the questionnaire discussed in the next section.

### 6.6.3 QUESTIONNAIRE DESIGN

A questionnaire or an interview schedule is generally referred to as a standard form containing a list of questions used to record a survey interview which is usually conducted in a face to face situation (Goode and Hart, 1957; Haralambos and others, 1987; Mcneil, 1990; Nichol, 1991). The purpose of the questionnaire and the survey as a whole is measurement (Oppenheim, 1968). The interview schedule which was used as the survey component of this study consisted of:

1. Fixed-alternative or precoded questions which accounted for around 93 percent of the total questions.
2. Open-ended questions which accounted for less than 5 percent of the total questions. Certain opinion questions were also put forward where respondents (McNeil, 1990) could freely say what they really feel and could thus provide thoughtful and reflective responses. Schumen and Presser (1979) state that this avoids bias that may result from suggesting responses to them [9].
3. Scale items, where respondents perception on certain issues were tapped using a simple 3 stage continuum scale (e.g. "acceptable", "not acceptable" and "unsure"). These scale items were limited to only three main questions (about 1 percent of the total questions).

For the purpose of this study two sets of questionnaires were designed [10] (see Appendix 6A and 6B). The first set was for the household survey of the Ikhtiar member households and the contents of the questionnaires were divided into 6 major headings:

1. The socio-economic background of the households.
2. Background relating to participant membership and activities pursued through Ikhtiar loans.
3. Background information on housing conditions, assets, household items, incomes, expenditures and savings.
4. Views and perceptions of life.
5. Views and perceptions towards the Ikhtiar Programme.
6. Views on the government's assistance/aid.

The second set of questionnaires were for the non-participants (the control group). The contents were similar to the above, with the exception of items 2 and 5 which were meant only for the Ikhtiar members.

As mentioned earlier the draft questionnaires were pretested on 35 households (20 Ikhtiar members and 15 control group with 100 percent coverage) for correction and other necessary amendments and the results were used in preparing a final version of the questionnaires. The interview schedule, originally written in English, was translated into Malay language, that is Bahasa Malaysia.

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## **6.7 HOUSEHOLD SURVEY - DATA COLLECTION OF THE IKHTIAR MEMBERS AND THE CONTROL GROUP**

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### **6.7.1 ON THE ROLE OF RESEARCH ASSISTANTS**

The field survey was conducted by the author with the help of 4 research assistants, during the months of January to mid-May 1993. The main reason for taking local research assistants was to overcome the time constraints [11].

The research assistants had been previously employed as interviewers for the Development Programme for Poorest Group (PPRT or Program Pembangunan Rakyat Termiskin) or PPRT's survey in Baling conducted by the District Office on behalf of the Malaysian Government in 1992, prior to the present survey. They were also subjected to an intensive training by INTAN for the PPRT's survey. Their recent experience proved to be a valuable asset in this study [12]. However, they were re-trained so as to suit to the needs of this survey [13].

Since this study involved a pilot survey, the respondents being interviewed in the pilot were already spreading the news about the proposed survey. However, in every village, community leaders (Penghulus and Ketua Kampong) were first approached before conducting interviews. This was to ensure smooth running of the interviews and full cooperation from the respondents. At the start of the interview the research assistants were again told to remind the respondents that the information gathered from them would be used purely for academic purposes. On this, Christensen (1992: 124) argues that:

"Potential informants must thus be convinced not only that the information has a wider value, but also that it will not be used against their wishes and interests".

### **6.7.2 THE COLLECTION OF HOUSEHOLD DATA - THE ACTUAL EXECUTION**

Obviously there was a wide range of information that could have been collected. In this study, however, the questions were confined to the variables mentioned earlier in the contents of questionnaires. The collection of data from both the Ikhtiar members and control group based on their "Before" and "After" situations are discussed below:

## **1. The "Before" or "base-line" data (1989)**

a) **The Ikhtiar Members:** M3 (the base-line data of Ikhtiar members, collected by Ikhtiar Organization) was taken as bench mark conditions (for the "Before" situation or the period of "1989") of the Ikhtiar members which was used for comparison with their conditions at a later point in time, i.e. the "after" situation (collected during the survey of this study by the author).

b) **The Control Group:** Unlike the Ikhtiar members which have their base-line data recorded in the M3, it was not available for the control group. Thus data for the "Before" situation ("1989") in the absence of base-line data for the control group were collected by the author and his assistants through the field survey. However, it needs to be noted, that the pilot survey conducted prior to the actual survey has made an important contribution here, where initial discussion by the author with Ikhtiar staff in Baling led to the suggestion that the information for the "before" situations among the control group can be collected through question based on "recall" but there was a need to use M3 as a guide [14]. (See Footnote 14 for the detailed discussion on data collection for the "before" situation).

## **2 The "After" Information (1992).**

The "After" situation ("1992") data and information for both the participants and the control group were collected by the researcher and his assistants at the time of the survey [15]. (See Footnote 15 for the detailed discussion on data collection).

## **3. Additional visits to certain household**

The data collected from the main survey were carefully scrutinized and additional visits were made to certain households where necessary in order to (i) check contradictory information, (ii) pursue unclear responses and (iii) complete unanswered questions. This has also indirectly resulted in the elimination of the "missing" samples. On this Youngman (1979: 21) argues that "the most acceptable solution to the problem of missing information is not to have any"

#### 4. Survey response [16]

The response rates of the survey as mentioned earlier in this chapter, were rather good with 94.3 percent (519) of the total questionnaires completed from the target of 550 households. The non-response was mainly due to missing respondents, because they could not be contacted rather than refusal.

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### 6.8 METHOD OF DATA ANALYSIS

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The main unit of analysis in this study, particularly the survey component, is the households. In describing the characteristics of the respondents and households, descriptive statistical measures such as the mean, median, standard deviation and correlation were used.

In making comparisons between the Ikhtiar members and the control group, various parametric tests which, as suggested by Marascuilo and McSweeney (1977), Weiss (1991) and Cone and Foster (1993), include the t-test, analysis of variance and correlation analysis, were used, as described below:

1. In the difference of means test, we are interested whether two or more population means are equal in a statistical sense based on sample means and therefore:
  - a) To compare household incomes for the "Before" and "After" the utilization of Ikhtiar loans among the Ikhtiar members, paired sample t-tests were used for significance testing.
  - b) To compare household incomes for the "Before" and "After" situations for the Ikhtiar members and the control group, independent samples t-tests was used in testing for significance.
  - c) To compare household incomes for more than 2 groups, analysis of variance (ANOVA) was used.
2. In order to determine the variables that may affect the income of the Ikhtiar Programme's participants through the utilization of Ikhtiar's loans, a multiple regression analysis has been used.

3. Correlation analysis was also used to test the relationship between variables.
4. Other data in the form of official and unofficial reports, files and related documents on poverty and other related matters were generally content-analyzed and are reported in the form of tables and where relevant in the form of quotations.

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## 6.9 LIMITATIONS OF THE STUDY

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The base-line data for the "Before" (1989) situation of the Ikhtiar members (through M3 questionnaire) was collected by the Ikhtiar Organization. Whatever shortcomings, if any, in the collection of these data are considered as given for the present study.

Although maximum care was taken to have the data free from errors, they may not be considered as absolutely accurate. However, since most of the questions in the questionnaires were precoded, the responses were limited to specific choices which helped reduce the bias and other non-sampling errors. On the whole, the author regards the survey as having been competently conducted and data to be reasonably consistent and of high quality. The method of additional visits and having well-trained and experienced research assistants, among others, was a contributing factor.

While the findings may represent the characteristics of the Ikhtiar participants in the District of BALING 1 and to a certain extent BALING 2, it may not necessarily represent those of the other 7 districts in the State of Kedah who have a similar programme. On the positive side, however, this study has pioneering and exploratory qualities and the author believes the Ikhtiar Programme to be an interesting subject of research both at present and in the future. The stage has therefore been set for other future researchers.

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## 6.10 SUMMARY

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In this chapter the research strategy, the justification of the District of Baling in the State of Kedah being selected as a study area and also the method of collecting primary



and secondary data were described. This study initially got off the ground with a pilot survey of the households.

Two types of surveys were conducted involving the Ikhtiar participants and the non-participants (control group). The information collected from these two groups were similar with the exception of the Ikhtiar participants, who were subjected to extra variables, by virtue of having participated in the Ikhtiar Programme. The research design of this study thus involved the "Before - After" and "With - Without" approaches. The household survey was supplemented with interviews and discussions with some key informants at the village level and key personnel from the government and from non-governmental organizations. The technique of participant-observation was also used. Data from the available secondary sources were collected to complement the primary data.

The primary data from the household survey were fully scrutinized and additional visits were made to villages where necessary to check contradictory information or pursue unclear responses. The data were then analysed using appropriate statistical techniques, such as the t-tests, analysis of variance and multiple regression analysis, to test the significance of the hypotheses concerned with the population characteristics. Descriptive statistics were also used to summarize the data. The chapter concluded with the limitations of the study.

<b>FOOTNOTES</b>
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1. Standard statistical software programmes such as SAS and SPSS will calculate most tests of statistical analysis, which include the t-test, ANOVA and others (Cone and Foster, 1993). In this study the author has used the SAS package.
2. Ahmad (1983) cited a report from The New Straits Times Malaysia and two statements from the Far Eastern Economic Review as follows:

New Straits Times, December, 1974:

"Student demos: 1169 held."

Far Eastern Economic Review, December, 13, 1974:

"...aimed at highlighting the problems of rural poverty, high prices, inflation and low prices for rubber, and following hunger marches by smallholders in the towns of Baling, Sik, Selama and Changlon in Northern Kedah...smallholders...marched on a district officer's headquarters in Baling...this was the starting gun for a bigger demonstration which eventually saw a crowd of nearly 30,000 in a mass rally held in the town on December 1".

And FEER, December, 27, 1974:

"...the student claims, repeatedly denied by the government, that at least three people died of starvation in Baling".

3. It needs to be mentioned here that unlike the questionnaire survey or the structured interview with the households in the study area, the interviews and discussions with the government and semi-government agencies and also with the non-government organizations, were mainly in the form of unstructured interviews or informal discussions as there was no formal questionnaire used. Responses were generally noted down and scrutinized after the interviews. Some people may not classify the above mentioned method as an interview as such because it did not follow the prescribed interview format. Nonetheless it has provided very useful insights.

4. The author was given full access to local administration file records both from the District Office and Ikhtiar Organization (both from its Baling Office and the headquarters in Penang). It has been a general tradition and practice for any researcher who sought to conduct a study in a particular locality to approach the local chief - Penghulus (Mukim headmen) and Ketua Kampong (village Headmen) not only as a mark of respect but also to get permission. A similar approach was used in this study when dealing with the officers from the Baling's District Office and the Ikhtiar Organization. Ikhtiar's field staff and its Branch Manager can be regarded as technical experts who are very well-versed with the village situations. The field staff work in a particular block comprised of several villages throughout the 5 Mukims in BALING 1. They are thus very close to the very poor rural households (both the participants and the potential participants). In general, preliminary information and suggestions were sought from them. The same was also applied to all the Penghulus and Ketua Kampongs. It needs to be mentioned here that one particular person, i.e. the officer in charge of the preliminary survey of the "PPRT's" programme from the District office of Baling, was very instrumental in giving suggestions and information as well as assistance throughout the preliminary part of this study. It was through his office that much of the needed information about Baling was obtained. All the key informants mentioned above were also responsible for taking the researcher on various visits of the villages, prior to and during the pilot survey. However, the final decision of selecting samples and the method of executing the fieldwork were done solely by the author, but not without reviewing the various ideas from the above key informants.
5. It has been suggested that in effect the survey and the period of participation-observation increasingly can complement each other (McNeil, 1989). On this Black and Champion (1976: 211) argue that:

"Researchers seldom accept information from a single source as the final word on any social observation. In other words, the questionnaire as a measuring instrument may be used as a part of a particular design. As another part of it, the investigator may employ participant observation and interviewing to collect information about the same phenomenon. Later, he collates the information obtained by the various data collection methods as a means of increasing the validity of the explanation of the social phenomenon".

In general, a participant-observer (Jorgensen, 1989) commonly gathers data through casual conversations, in-depth, informal, and unstructured interviews, as well through formally structured interviews and questionnaires.

6. Denzin (1978: 183) states:

"Participant observation is an omnibus field strategy in that it "simultaneously combines document analysis, interviewing of respondents and informants, direct participation and observation and introspection".

7. (a) M3 contains the following socio-economic data and other related information on members and it reflects their "before" situation (i.e. not yet subjected to Ikhtiar loans to finance their various income generating activities):

1. Address, sketch map showing the location of their house.
2. General remarks of the re-interview process.
3. Housing index (using a crude measure of allocating points. If less than 10 points, it is regarded as meeting Ikhtiar basic requirement).
4. Household member profiles.
5. Information on family members not staying with head of household and no longer dependents.
6. Household history (migration, previous income earning activities).
7. Land ownership.
8. Crop production.
9. Information on livestock/fresh water culture.
10. Income from various sources (based on a period of 12 months or 1 year).
11. Value of household assets.
12. Information on the motivation by Ikhtiar staff.
13. Field staff preliminary views of its members.
14. Brief review of the member's group formation.

8. (a) The main reasons for the following 31 cases of "missing" respondents were as follows:

Reason	Number
1. Illness	2
2. Could not be contacted even after second and third attempts (all from the control group)	11
3. Questionnaire half-completed as it was conducted in late evening and attempt to re-continue was not successful as respondents could not be contacted	6
4. Empty houses, but not abandoned	9
5. Head of the household not at home, but wife was in confinement after giving birth.	3
Total	31 cases

(b) There were also some problems encountered during the course of the fieldwork:

1. Rain hampered the smooth running of the survey.
  2. Some respondents were away attending wedding feast, a very common feature in the Malay villages not only in Baling but throughout the country. This was especially so during the weekends.
  3. Some villages are quite remote and are only accessible over very narrow bridges. It was quite a time-consuming affair to get to these villages.
  4. One of the research assistants was sick for about 10 days during the course of the household survey. Upon recovery he continued with his survey.
9. Cohen and Manion (1989: 13) provide some of the positive aspects of the open-ended questions:

"they are flexible; they allow the interviewer to probe so that he may go into more depth if he chooses, or clear up any misunderstandings; they enable the interviewer to test the limits of the respondent's knowledge; they encourage cooperation and rapport; and they allow the interviewer to make a truer assessment of what the respondent really believes. Open-ended situations can also result in unexpected or unanticipated answers which may suggest hitherto unthought of relationships or hypotheses".

However upon recognizing that these would be more difficult to analyze than closed-ended ones, this study has limited the open-ended questions to less than 5 per cent of the total so as to be more manageable.

10. (a) The design of the questionnaire benefited mainly from:
1. Pilot testing.
  2. Review of the Ikhtiar's in-house questionnaire used by the Ikhtiar's in-house evaluation studies and through discussion with its Acting Managing Director who provided the general overview of their recent survey's experiences.
  3. The brief overview given by the District Office's staff on their recent PPRT's survey (PPRT or Development Programme for the Poorest Households) in the district. However, the PPRT's survey questionnaire and report were not provided to the author (as explained below in 10b).

However the final design of the questionnaire of this study was the sole responsibility of the author himself, after taking into consideration some of the suggestions as stated above, plus the brief experience of the pilot survey.

(b) An attempt was initially being made to get the PPRT's survey report from the District Office. However, it was noted by the officer that the detailed report was not available at that point of time. This was because all the recently completed survey questionnaires were being further scrutinized by the Implementation and

Co-ordination Unit (ICU) at the Prime Minister's Department at the Federal capital. This was confirmed when the author visited the ICU twice and had two long informal discussions with the Head of the Poverty section, who also gave a detailed overview of the general issues of poverty and the rural development scenario in Malaysia.

11. On this Deveraux and Hoddinot (1992: 26) argue that:

"delegating data collection is necessary when a large survey is undertaken...working entirely without help is not feasible unless the field workers fully comprehend the local language, and have good understanding of the local culture...also, doing all interviews personally limits the sample that the researchers can conceivably work with, even if it adds depth and colour to the data collected".

They further add that it is a good idea to get research assistants for the above purpose. Initially the author felt a bit awkward with the local dialect, but by the end of the pilot survey the author had begun to pick up the local dialect and had become quite well-versed with it, thus able to conduct the interviews smoothly throughout the fieldwork. After all, the respondents speak the same language as the author, i.e. Malay language, except for the dialect.

12. (a) INTAN or Institut Tadbiran Awam Negara, or the National Institute of Public Administration Malaysia, through its branch in Sungai Petani, in the State of Kedah, was responsible for the training of its field assistants (on a temporary basis) during the recent PPRT's survey in the district of Baling.
- (b) It has been suggested that the selection of the research assistants should be made in reference to some interview principles, such as honesty, interest, accuracy, adaptability, personality, temperament and general intelligence, with the objective of minimizing the non-sampling errors due to enumerators (Mosher and Kalton, 1974). This suggestion was taken into consideration in the selection of the assistants. The 4 assistants involved were (i) 1 with O level qualification, (ii) 1 with A level qualification, a local school teacher and (iii) 2 with social science degrees from a local University. All 4 assistants were born and brought up in Baling. Initially it was decided to employ 8 assistants so as to complete the survey much faster. However, at the suggestion of the Penghulu (in charge of recruiting and supervising the research assistants involved in the recent PPRT's survey), only 4 assistants were finally selected. These 4 assistants have a good track record (based on Penghulu's observation): easy to cooperate with, hard-working and honest. All the 4 assistants involved in this study proved to be very valuable and the author believes that had it not been for them, many of the isolated households would have been left out.
13. All 4 research assistants were given a detailed briefing and some training before they embarked on their interviewing. The research assistants were also supervised

from time to time as a means of checking and making the required information to be captured during the interview positively clear.

14. **The "Before Situation" (1989):** Bolninck and Nelson (1990) have suggested a number of steps that must be taken to handle the well-known problem of recall data which includes:

- a. The time frame must be restricted to a fairly recent estimates (around 3 years). However, it needs to be mentioned that this will nevertheless depend on the type of question being asked.
- b. Interview methods must be designed to facilitate recall.
- c. Always start asking for the current situation before putting forward the question on conditions during the previous years.
- d. If possible ask the respondents to refer to any written record or other related documents.

The above suggestions were kept in mind when the author conducted the survey in the collection of data from the control group (for the "Before" situation). Some other means were also resorted to and are discussed below:

a. The base-line data derived from M3 (specially constructed questionnaire) of the 254 samples households of the Ikhtiar members were about two and a half to three and a half years old at the time, when this study was carried out (December 1992 to May 1993). In general, members started to join the Ikhtiar Programme from around middle 1989 onward, after the programme made it debut in the District of Baling in March 1989. Based on the 254 samples of the Ikhtiar members, it was found that most of them had joined the programme in 1989 and 1990. As indicated from the M3, the majority of the members socio-economic data were that of 1989 and 1990. **FOR THE SAKE OF SIMPLICITY, THE TERM "BEFORE" SITUATION AS USED IN THIS STUDY IS TAKEN AS "1989"**. This period of time was also applicable to the control group, whereby their socio-economic data of the "before" situation, collected through the survey, were based roughly on the situations of mid 1989 to 1990. For instance, data on household incomes for the control group were based on 12 months, similar to the Ikhtiar member households' incomes as indicated in their M3 and this is discussed next.

b. One variable that is worth mentioning here is data on the household income and how the M3 contributed to estimating this. As mentioned earlier in Footnote 7, M3 contained information on income, occupation and many others. Let us take the variables income and occupation as an illustration. A good example to illustrate this is the case of rubber cultivation, which has been the most popular occupation among Ikhtiar member households. To be specific, respondent A (as one example) was a rubber cultivator and was earning a certain amount of income prior to joining the Ikhtiar Programme. Thus by reviewing several other cases of rubber cultivators from M3, a general pattern of incomes normally earned through such an occupation can be clearly seen. This has given the author some background of what to expect from the control group. M3, however also contains various other cases of members' household occupations/incomes. As mentioned,

M3 gives a monthly and 1 year estimate of income. In general the very poor rural households in the study area share almost similar socio-economic conditions. While M3 provides a good "literature review" for the author, the role of the "local boy", i.e. the research assistants, was also important and they have been very instrumental in getting fairly accurate data on income and various other required data by virtue of being residents of Baling and still fresh from their recent PPRT's household survey, (PPRT or Development Programme for the Poorest Household) which had also collected the socio-economic data on the very poor rural households in Baling.

c. The "recall data" required in this study were also limited to "easy to recall types of data" such as data on housing conditions (eg. electricity, piped water supply and roofing materials), household items (eg. radios and cupboards) and assets (land) and also some of the socio-economic background (eg. age, occupation and household size). A good example is the question when did you buy this television set? If the answer was 4 years ago, it indicated that it was the same set "Before" and "After" and thus there was no change for this particular variable. The same can be applied to other household items. A little probing was also required, such as "Do you plan to get a new television set soon?". Another good example is the question related to the housing conditions "Is there any different in the size of your house between 1989 and 1992? If the answer was YES, it indicated that the size had increased. A further probing was also required, such as "When and what have you added to the house?" It may be an extended kitchen, new verandah, new bedroom or living room being extended from the "parent" building. The same can also be applied to other related variables on housing conditions. Similarly a further related question was also necessary to ask them to relate their recent account of the house upgrading exercise.

d. However, "recall data" were supplemented by (i) direct observation as most of the interviews were conducted mostly in the respondents' houses and (ii) informal discussions after the interview were also pursued for any unclear responses. These supplementary methods were meant for cross-checking.

e. In general *the M3 was only used as a guide* as it provides some of the general socio-economic patterns of the very poor households in the district of BALING. The actual data were collected based on what the control group had to say. Nevertheless M3 provides a good source for the purpose of checking.

15. The "After" Situation (1992): The collection of data for the "After" situation for the two groups is discussed below:

**a) Ikhtiar Members**

Unlike the M3 which was collected by the Ikhtiar Organization, data and other related information for the "AFTER" situation were collected by the author and his research assistants. In general it was found that:

- (i) most Ikhtiar members have their own written or other types of records and
- (ii) in some other cases, there was the M8, which is a record on Ikhtiar loan utilization kept by members (and also by Ikhtiar office in Baling 1) and monitored



by Ikhtiar staff. M8 is another innovation of the Ikhtiar Programme as it has inculcated the habit of record keeping by its participants.

In general M8 contains the following information:

1. Income derived from activities generated from Ikhtiar loans.
2. Income derived from any other sources not related to AIM activities
3. Households' general expenditure.
4. Savings and financial borrowing records from various sources.
5. Other records related to the above 4 items.

#### **b) The Control Group**

Unlike the Ikhtiar members, only some of the respondents in the control group have their own written records. However, the information obtained were fairly accurate. A similar approach as mentioned in Footnote 14 (above) was used, such as the question on the possession of the television set for the "Before" and "After" situations. Similarly for data on income, it was cross-checked (where necessary) with the Ikhtiar member households trend of income derived from non-Ikhtiar sources (for explanation on the sources of income earned by Ikhtiar members and control group, see Footnote 1 in Chapter 9). In general the estimate of the current income was computed directly from the respondent's own information. This was also supplemented with direct observation and informal discussion (as mentioned in Footnote 14). Uncertainty over income for instance, can be reduced as noted by Riddel (1990: 25):

" visual inspection of newly purchased goods...may also indicate enhanced economic status...cross checking of different data sources should be done whenever possible, and this should make a major contribution to reducing such bias".

#### **c) The Reference Period for the collection of socio-economic data:**

(i) As noted in Chapter 5, loan disbursement to Ikhtiar members based on the group of 5 was staggered. The samples of the 254 members surveyed show that their *periods of loan utilization* (defined as the period whereby members pursue their various income generating activities and is based on 12 months) were mainly in the years of 1991 and 1992. Let us take two examples and some brief points below:

(a) **Example 1:** members 1 and 2 from GROUP 15 had received their loans in February 1991, utilized and completed the loan cycles 12 months later, i.e in January 1992. The other 3 fellow members in the GROUP may get their loans in about two or months later.

(b) **Example 2:** members 1 and 2 from GROUP 27, received their loans in August 1991, utilized and completed the loan cycles in July 1992 (12 months). Similarly their fellow members may get their loans later. This is also applicable to many other members in various other groups.

(c) As mentioned in the text, the starting point of this study was 31/10/1992 (i.e. in determining the sampling frame). By then all the 254 sample households from various groups had already for some time prior to this starting point *completed their loan utilization* (and repaid their loans).

(d) Based on the above explanation, the "after" situation for Ikhtiar members was therefore approximately from early or mid-1991 onward. Thus upon the completion of their respective cycles of loans, we will therefore be able to determine whether members household incomes have increased or not.

**(ii). FOR THE SAKE OF SIMPLICITY, THE TERM "AFTER" SITUATION, AS USED IN THIS STUDY, IS TAKEN TO MEAN AS "1992".** This period was similarly applicable to the Ikhtiar member households and households in the control group. Information on household incomes were based on a 12 month periods. While the period for the collection of information on incomes among the Ikhtiar members were based approximately from early 1991 to sometime prior to the starting point of this study (as discussed above), the period for the control group for this purpose was based approximately from around mid-1991 to mid-1992. Thus both groups have more or less a similar reference period on incomes, i.e. 1991/1992.

16. As mentioned, households serve as the sampling unit, while the unit of enquiry was the head of households, usually male. Since there are 2 groups, i.e. the participants and non-participants, the following was the outcome of the household survey:

**Participants:** The author usually resorted to interviewing both the head of household, usually male, along with their wives by virtue of being the participant of the Ikhtiar Programme (as noted Ikhtiar's membership is for women). While the husband provided a general answer, priority was given to their wives who usually provided specific answers relating to questions on the Ikhtiar Programme. The author also managed to interview:

1. 76 percent of the heads of the households together with their wives simultaneously.
2. 24 percent were the (i) wives of the heads of the households and (ii) those households headed by female members.

**Non-participants:** Similarly, the author resorted to the same approach as that of the Ikhtiar member households, i.e. by interviewing both the husband and wives. The female households (or wives) were given priority, especially on questions relating to the possibility of joining the Ikhtiar programme. We managed to interview:

1. 65 percent of the heads of the households along with their wives simultaneously.
2. 22 percent of the heads of the households, all male.
3. 17 percent were the (i) wives of the heads of households and (ii) those households headed by female members.

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## CHAPTER 7 : THE DISTRICT OF BALING : A CASE STUDY AREA

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### 7.1 INTRODUCTION

An analysis of the Ikhtiar Programme effectiveness in increasing the income as well as reaching the very poor rural households in the study area is the subject of chapters 8, 9 and 10. First, however, there is a need for some understanding of the study area.

Thus a general background of the study area will be given and this includes: the location, the district administrative framework, the settlement pattern, the landuse pattern, population, availability of infrastructure and public utilities and the general strategy and development scenarios. This chapter will also highlight briefly the progress of the Ikhtiar Programme specifically in Baling, which supplements the earlier macro-level discussion in Chapter 5.

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### 7.2 BACKGROUND OF THE STUDY AREA

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#### 7.2.1 LOCATION

Baling is one of the eleven districts in the State of Kedah (See Figure 9). It is located roughly between latitudes 5<sup>o</sup> 25'N to 6<sup>o</sup> 5'N and longitudes 100<sup>o</sup> 35'E to 101<sup>o</sup> E in the South-eastern part of the State. The total area of the District accounts for 1502 per square kilometers and is the second largest district in the State after the District of Sik.

#### 7.2.2 DISTRICT ADMINISTRATION

##### 7.2.2.1 THE MUKIM (SUB-DISTRICT)

Baling is divided into eight mukims:

1. Siong (having an area of 543.9 per square kilometer).

- |                |   |
|----------------|---|
| 2. Kupang      | (having an area of 199.4 per square kilometer). |
| 3. Pulai       | (having an area of 155.4 per square kilometer). |
| 4. Bongor      | (having an area of 44.0 per square kilometer).  |
| 5. Baling      | (having an area of 38.9 per square kilometer).  |
| 6. Telui Kanan | (having an area of 126.9 per square kilometer). |
| 7. Bakai       | (having an area of 266.8 per square kilometer). |
| 8. Tawar       | (having an area of 126.9 per square kilometer). |

However as mentioned in Chapter 6, the study area is confined to only the first five mukims as listed above (See Figure 10), but the study area is discussed in the overall context of Baling district.

### **7.2.2 2 LOCAL GOVERNMENT COUNCIL**

Baling has 1 Local Government Council, namely the Baling District Council which encompasses the areas namely: Baling town (having an area of 1.399 per square kilometers), Kuala Ketil (an area of 0.218 per square kilometer), Kupang (an area of 0.622 per square kilometer), Kuala Pegang (an area of 0.21 per square kilometer), Tawar (an area of 0.337 per square kilometer), Kampung Lalang (an area of 0.414 per square kilometer), Pulai (an area of 1.787 per square kilometer), Malau (an area of 0.681 per square kilometer) and Kajai (an area of 0.440 per square kilometer). (See also Figure 12 for the location of each of the areas).

Baling has a total of about 220 villages (Ahmad, 1983), together with 148 Jawatankuasa Kemajuan dan Keselamatan Kampong (JKKK) or Village Development and Security Committees (UPP, 1989). Generally the District's administrative structural framework and its key officials [1] are as shown in Figure 11.

The general planning and implementation machinery of the District of Baling is coordinated through the Jawatankuasa Pembangunan dan Tindakan Daerah (JPTD) or District Development and Action Committee. It is chaired by the District Officer and the committee members consist of government officers representing various departments and agencies in Baling and also Baling's member of Parliament [2].

Figure 9 : The 11 Districts in the State of Kedah

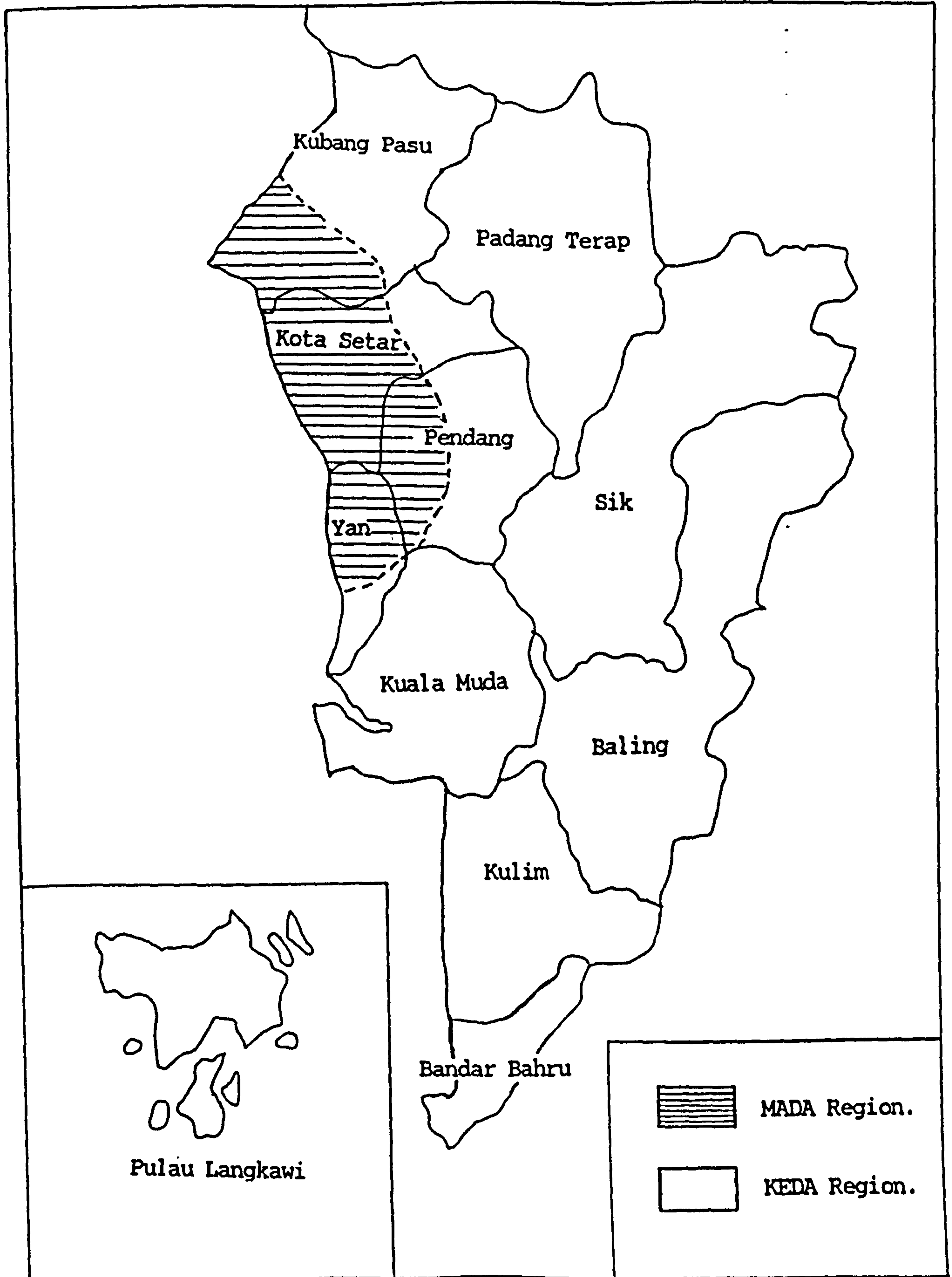


Figure 10 : Study Area in the District of Baling : The Mukims of Siong, Pulai, Kupang, Baling and Bongor

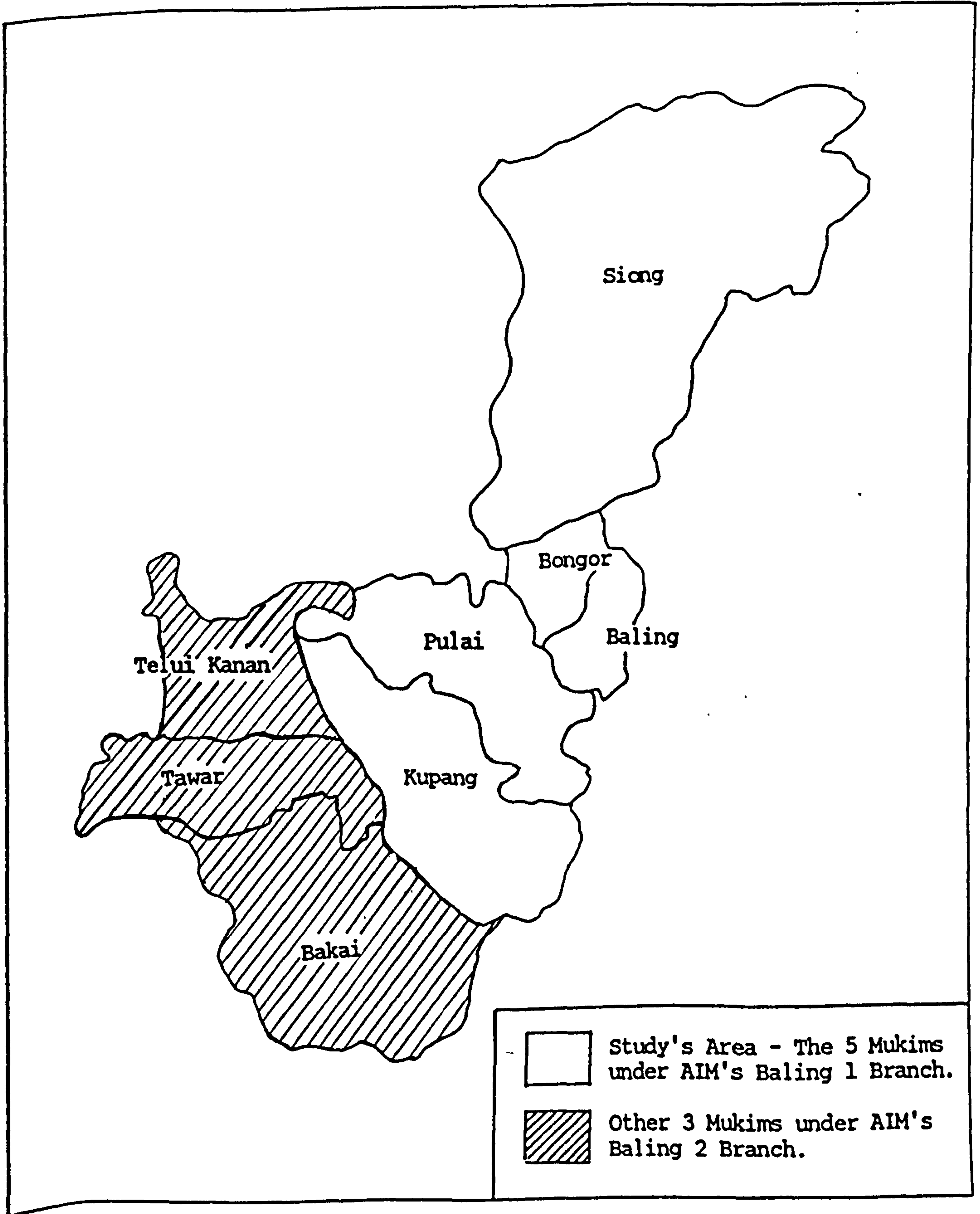
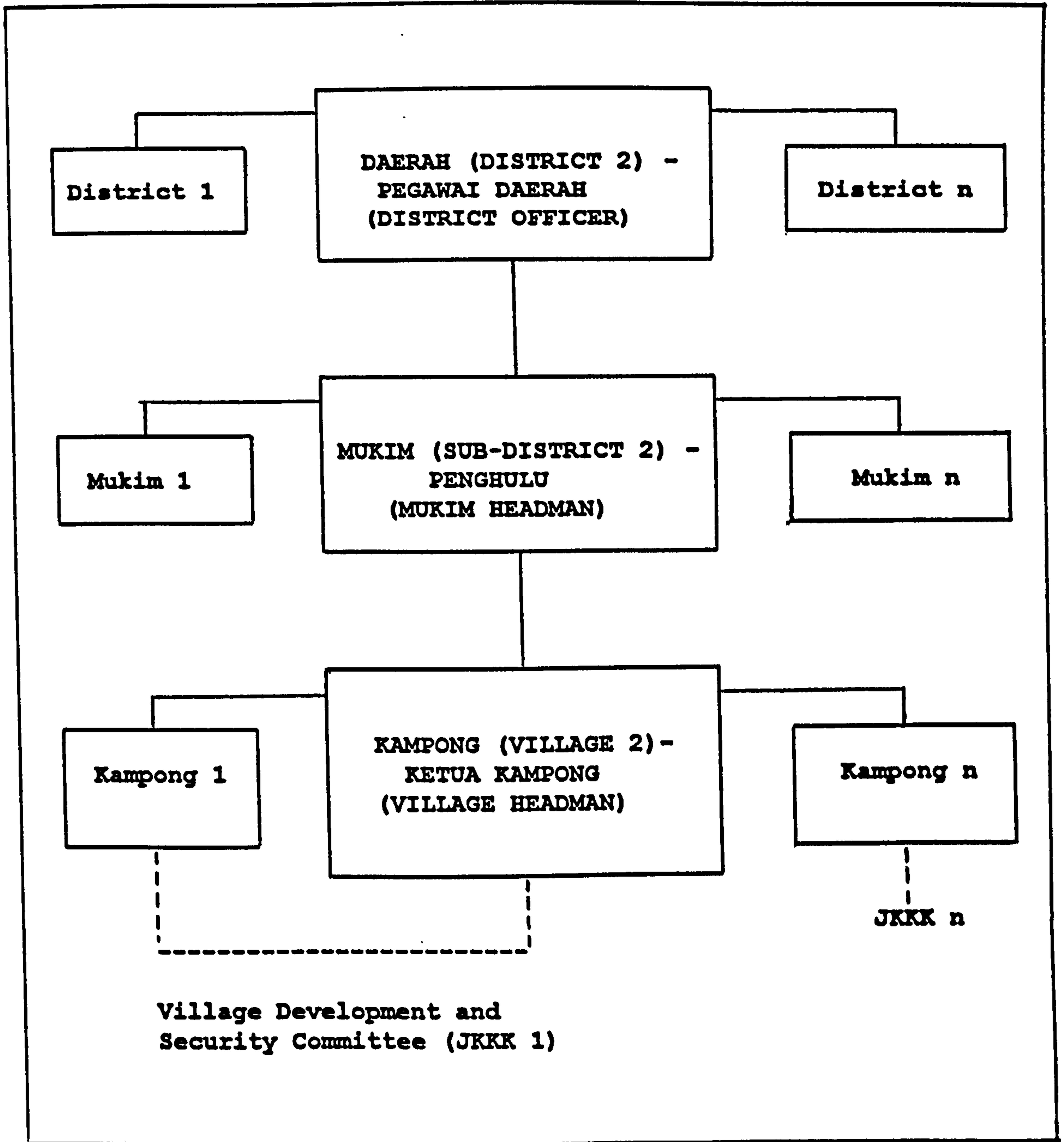


Figure 11 : Baling's District Administrative Structure and Officials



### **7.2.2.3 DEVELOPMENT ALLOCATION**

In general the development allocations for the District of Baling (as of November 1992) are shown below (Baling District Office, 1993):

1. Allocation for rural development = M\$1,595,276.
2. Allocation for "PPRT" = M\$270,000.
3. Allocation for road network development = M\$2,860,364.
4. Allocation for the upgrading of village economies = M\$77,000.
5. Allocation for the Development Project (for New Village)= M\$85,500.
6. Allocation for other Socio-Economic Rural Development Programmes = M\$55,000.

Thus, in total, approximately M\$4.9 million was being allocated for the overall development of Baling.

### **7.2.3 LAND USE PATTERN**

The land use pattern in Baling is characterized by agricultural use and forest (see Table 23). Approximately 32 percent of the land area is under agriculture, with rubber being the most important crop. Rubber alone occupies nearly 77 percent of the agriculture landuse, followed by padi (19 percent) [3] and horticulture (almost 2 percent).

However the largest single land use is the forest reserve, accounting for half of the area. In addition, about 14.6 percent of the District's land is under land reserve. The other important land use is the settlement area which is comprised mainly of the villages, settlements and towns.



Table 23: :Land use Pattern in the District of Baling, 1987/88

Land use	Hectares	Percent
<b>Agriculture:</b>		
Rubber	38,561	25.29
Padi	9,574	6.27
Dusun (Horticulture)	992	0.65
Oil Palm	689	0.45
Coconut	27	0.017
Other crops	110	0.072
Kampong land (Village land)	5,277	3.46
Residential	95	0.062
Commercial	11	0.007
Industrial	10	0.006
Forest reserves	74,773	49.04
<b>Land Reserves:</b>		
Dairy land	437	0.28
Firewood	572	0.37
Aborigines	173	0.11
Hot spring	14	0.009
Public reserves	311	0.203
Other reserves	20,835	13.66
<b>TOTAL</b>	<b>152,461</b>	<b>100</b>

Source: Unit Penyelarasan dan Pelaksanaan,  
Jabatan Perdana Menteri, 1989.

## 7.2.4 SETTLEMENT PATTERN

Two distinct types of settlement can be found in Baling, namely the traditional villages [4] and small towns.

### 1. Traditional Villages

The village settlements are mainly located along the narrow river valley and spinal road network. The settlement pattern within individual villages is diverse, but the three most common patterns are dispersed, nucleated and linear (Ahmad, 1983). These patterns are as follows:

- i. **Nucleated settlement pattern:** In these villages, houses are built very close to one another, so much so that the whole housing area can be formed into one generalized built-up area.
- ii. **Dispersed settlement pattern:** the houses in these villages are found to be more widespread over the village territories. This pattern is brought about by the practise of setting up home on individual pieces of land. In general residents' houses are surrounded by their holdings or orchards.
- iii. **Linear settlement pattern:** this pattern of settlement can be seen occupying the stretch of the narrow river valley, alongside the padi fields on one side and the main access road on the other.
- iv. It is also common that every village has at least one village shop, which generally acts as a focal point for disseminating news under the Rural Development Programme.
- v. Much of the north-eastern and south-eastern parts of Baling are uninhabited due to mountainous regions.

## **2. Small Towns**

Unlike rural settlements, small towns (local business centres) in Baling sprang up mainly along the main road network. There are 9 such towns, namely Pekan Baling, Kuala Ketil, Kupang, Kuala Pegang, Tawar, Kampong Lalang, Pulai, Malau and Kajai [5]. The location of these 9 towns can be seen in Figure 12. These small towns serve all the nearby and surrounding villages and act as a local business centre.

However Pekan Baling is the "Central Business" area for this District and acts as an administrative, commercial, social and cultural centre. Most of the services such as banking, most government offices and agencies, cinema, supermarket, bus terminal and others are only found in Pekan Baling [6]. Ahmad (1983) also noted that the small towns in the districts are very lively during the weekly market [7] when traders sell their goods ranging from food, clothing to hardware, in the "open" either on the space provided or along the roadside.

These weekly market activities are currently a very common feature not only in Baling, but also throughout the country. In addition there is a new concept of "Farmer's Market", very similar to the weekly market, except that most of the goods sold are

generally farm produce and sold mainly by the rural farmers [8]. In addition to the above settlements, there are also planned settlements, chiefly confined to large plantation estates and housing schemes established by FELDA, FELCRA and KEDA [9].

### 7.2.5 POPULATION

In 1991, Baling had a total of 114,489 population (Department of Statistic, 1992), which accounts for approximately 9 percent of the total population of the State of Kedah. The trends of the population change are shown in Table 24, which shows that population has increased from 104,118 (1980) to 114,489 (1991) or around 10 percent. In terms of the ethnic composition (see Table 25), approximately 82 percent are the Malays, 8.3 percent Indian and 8 percent Chinese (UPP, 1989). Generally the Malays are mainly confined to the traditional villages, with the Chinese concentrated mainly in the local small towns. The Indians are found mainly in the rubber estates.

Table 24: Population in The District of Baling : 1970 -1990

Mukim		1 1970	2 1980	3 1991
1.	Baling	8,359	8,190	12,552
2.	Bongor	4,769	4,901	5,584
3.	Kupang	21,103	21,607	23,442
4.	Pulai	17,669	17,345	19,972
5.	Siong	10,324	11,117	11,842
6.	Tawar	18,363	16,899	18,284
7.	Telui Kanan	10,657	12,255	14,647
8.	Bakai	12,874	12,482	12,552
TOTAL		104,118	104,858	114,489

Sources: 1: Asmah, 1983  
2 and 3: Population and Housing Census of Malaysia for 1991, Department of Statistic, 1992.

Table 25 : Population In the District of Baling,  
By Ethnic Group : 1970 - 1988

Ethnic Group	<sup>1</sup> 1970		<sup>2</sup> 1980		<sup>3</sup> 1987/88	
	No.	Percent	No.	Percent	No.	Percent
Malay	81,701	78.5	83,164	77.0	106,776	82.10
Chinese	10,448	10.0	11,608	10.8	10,906	8.04
Indian	10,446	10.0	11,351	10.5	10,456	8.39
Others	1,523	1.5	1,803	1.7	1,915	1.47
<b>Total</b>	<b>104,118</b>	<b>100</b>	<b>107,926</b>	<b>100</b>	<b>130,053</b>	<b>100</b>

Sources : 1 and 2 : Asmah Ahmad, 1983.

3 : Unit Penyelarasan dan Pelaksanaan,  
Jabatan Perdana Menteri, 1989.

## 7.2.6 INFRASTRUCTURE AND PUBLIC UTILITIES

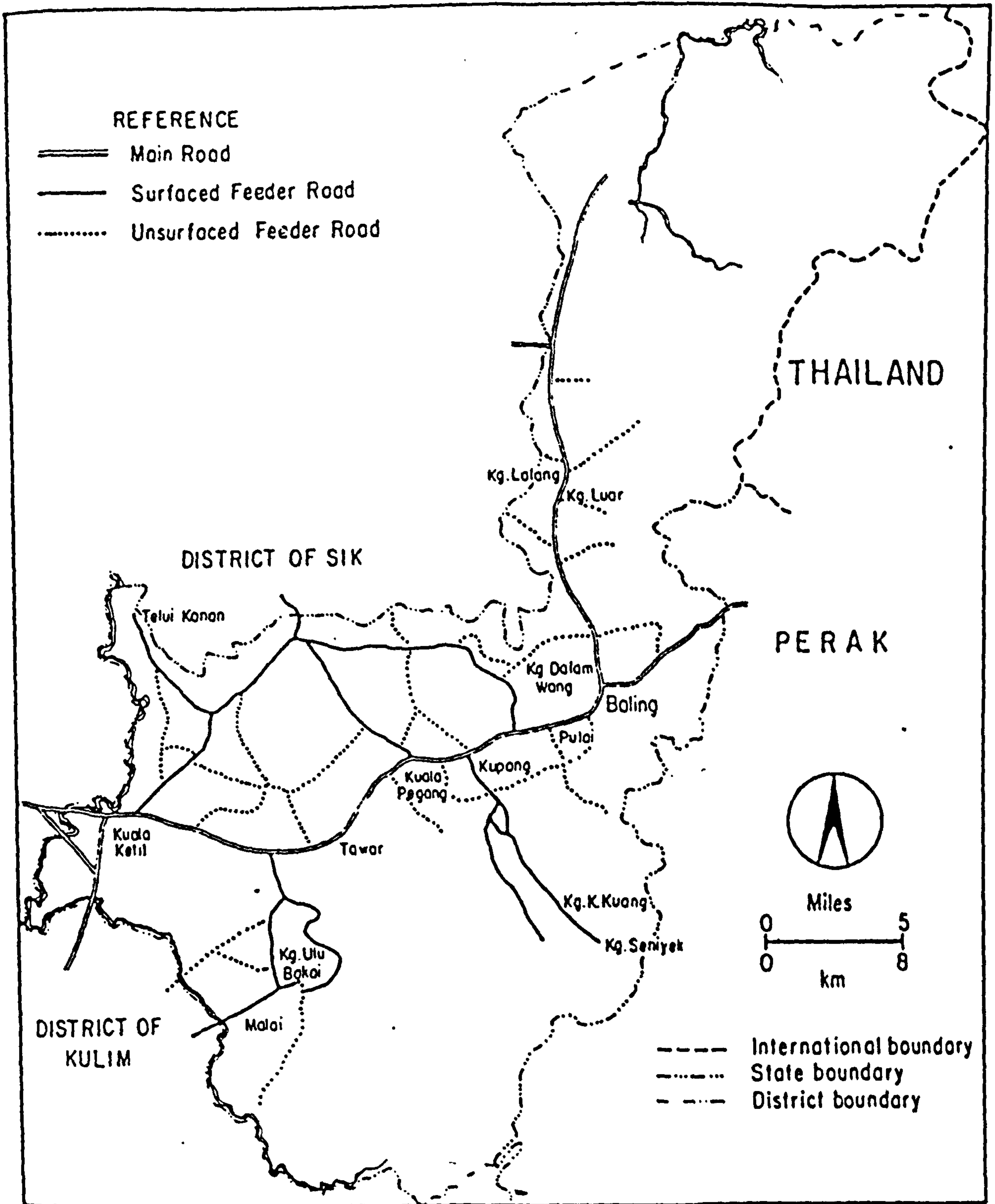
Ahmad (1983), UPP (1989) and DOA (1990) have provided summaries of the infrastructure and public utilities as follows:

### 1. Road Network (see figure 12).

The breakdown of road networks are as follows:

- |   |                     |
|---|---------------------|
| 1. Federal roads                            | 52.7 kilometers.    |
| 2. State roads                              | 267.243 kilometers. |
| 3. FELDA roads                              | 13.26 kilometers.   |
| 4. FELCRA roads                             | 2.14 kilometers.    |
| 5. Agricultural or roads leading to estates | 67.1 kilometers.    |

Figure 12 : The Road Network in the District of Baling



Source : Ahmad, A. (1983). The Nature of Poverty in Peninsular Malaysia.

Generally the interior road network in Baling is characterized by roads that lead to dead-ends such as the road up to the valley north of Baling town. It also acts as the spine road of the region as it links all the main local business centres with one another. Most of the villages are also linked with one another by secondary surfaced and unsurfaced roads. In some cases footpaths and "mini-tarred roads" serve as intra and inter-village linkages and are the main form of network that connects the more isolated villages to the access roads. The proposed East-West highway is also expected to pass through Kuala Pegang (a small town as shown in Figure 12) in Baling.

## 2. Electricity, Piped Water Supply and Toilet Facilities

In 1990, 87 percent of the farmer households had access to electricity. On the other hand, 53.7 percent farmer households had access to piped water supply. In terms of toilet facilities, approximately 58 percent of the households used the "flush-pour type".

## 3. Health Service

The breakdown of health services are shown below:

1. District hospital	- 1 (140 beds)
2. Main health centres	- 2
3. Small health centres	- 4
4. Rural clinics	-13
5. Maternity clinics	-12
6. Mother and child clinic	- 1
7. Government doctors	-11
8. Private doctor/clinics	- 9
9. Doctor to population ratio	- 1 : 6,502 (Baling)
	- 1 : 4,277 (Kedah)
	- 1 : 2,560 (Malaysia)

The health services that cater to the needs of Baling's population are regarded as average but need to be improved.

## 4. Educational Services

Table 26 shows the overall situation of the educational services in the District. It has a total of 79 schools. This does not include the private schools. Most schools in the District also provide aids in the form of food/drink under the "supplementary Food and Milk Scheme", plus a free textbook scheme for the poor students in school.

Table 26: Educational Services in the District of Baling (1989)

Type of school	No. of Primary Schools	Number of Students	Number of Teachers	Number of Classrooms
1. Primary	62	17,533	1,223	723
2. Secondary	10	8,422	573	233
3. Religious	7	3,417	138	74
Teacher : Student Ratio (Primary)			1:14	
Teacher : Student Ratio (Secondary)			1:15	
Classroom : Student Ratio (Primary)			1:22	
Classroom : Student Ratio (Secondary)			1:36	

Source: Baling's District Office File, 1989.

## 5. Telephone Service

Telephone services in Baling are generally seen as below average and are not sufficient to cater even for the investors or business people. Only a tiny portion or around 1.74 percent of farm households have access to a private telephone. In general, most people still resort to the public telephone.

### 7.2.7 STRATEGY AND DEVELOPMENT SCENARIO

#### 7.2.7.1 GENERAL SCENARIO

The economic development of Baling is based on agriculture, especially rubber and to a lesser extent padi. The development strategy is basically in-situ improvement, provision of support services and basic infrastructure.

In the field of land development, FELDA has established two schemes in Teloi Kanan (since 1962) and Teloi Timor (since 1976). These schemes have benefitted only 702 settlers. FELCRA on the other hand developed a fringe alienation scheme in Kampong Iboi Tiak 1 and Kampong Iboi Tiak 2 and also in Ulu Sedim 1 and Ulu Sedim 2 in the early 1970s and in 1980s (KEDA, 1985). These two programmes are a sort of "enclave" economy which touches only a small portion of the population.

KEDA, one of the 7 RDAs (as mentioned in Chapter 4), only entered the development scene in the State of Kedah in the 1980s, which is in line with the regional policy as stated in the Third Malaysia Plan 1976 [10], mainly to supplement and complement the on-going developments, while at the same time creating and promoting other sectors and also involving the rural households that have been left untouched. Thus it is necessary to highlight briefly the role of KEDA.

#### **7.2.7.2 KEDA : ITS ROLES IN THE DEVELOPMENT OF KEDAH DEPRESSED REGION**

Kedah is one of the poorest states in Malaysia. However within the State itself there are marked differences between the Muda Agricultural Development Authority (MADA) (which makes up 10 percent of the State area) and the non-MADA regions in terms of socio-economic development (See Figure 9).

In the MADA region, the standard of living and income of about 60,000 families are twice as high as those in the non-MADA region, which has more than 80,000 families (Bakar, 1991). It was estimated that about 70 to 80 percent of rural households in the non-MADA region were below the poverty line and mainly confined to landless labourers, small padi farmers, marginal/rubber smallholders and fishermen (KEDA, 1985). In general, the average monthly income for farming households in the MADA region was around M\$365.00 in 1986 (Mat, 1991), which was above the poverty line for the 1986/87 period which was M\$350.00. On the other hand the average monthly income for households in the KEDA region was around M\$251.00 (KEDA, 1992). However, this level of household income, in KEDA region was well below the Kedah average household income of M\$860.00 (SEPU, 1991) and the national average income of M\$1163.00 (as mentioned in Chapter 4).

Developments over the past decades have unfortunately tended to accentuate rather than ameliorate the regional difference in Kedah. In order to correct this imbalance, to eradicate poverty and to accelerate development in the non-MADA region [11], which covers almost 90 percent of the area and 60 percent of the population of the State, which as noted by KEDA, is "probably the poorest area of its size in the whole country" (ibid, 1985), led to the establishment of KEDA or Kedah Regional Development Authority in 1981 (mentioned briefly in chapter 5) (KEDA, 1992) [12].

KEDA development strategy, which aimed at the restructuring of its regional economy, was drawn up in KEDA's Operational Master Plan (1985 - 2000) that put emphasis on diversification, strengthening of the economic base and enhancing the



progress of the local population towards the development. By 1989, an allocation of M\$128,434,064 had been given to KEDA to pursue its programmes (Bakar, 1991) [13]. Unlike the regional development authorities of KEJORA, KETENGAH, KESEDAR and DARA which have been involved in developing resource frontier regions (as mentioned in Chapter 4), KEDA's role is mainly in the upgrading of existing villages and promoting growth centres from amongst the established settlements. Amongst the programmes generally implemented by KEDA that are expected to create growth impulses in the region, Baling included, are:

1. Development of local resources.
2. The creation and upgrading of townships and rural growth centres.
3. Agricultural development, basically in-situ through an integrated development approach.
4. Industrial development, especially small and medium-sized industries.

In 1992, KEDA spent about M\$30,111,600 on various projects and activities in all the area under its jurisdiction, which includes Baling. Among the projects were (KEDA, 1992):

1. Housing schemes in 4 villages, two of which are in Baling.
2. Development of traditional villages, in which 447 houses were built.
3. Various infrastructure development, such as improving the rural road networks.
4. Social and institutional development.
5. Agriculture development in which 8 projects have been implemented. These includes among others, mixed horticulture, padi, rubber, animal husbandry and durian orchards.
6. Entrepreneur development through the provision of basic facilities such as workshops, stalls, small shop-houses and arcades.

7. The most recent and still on-going is the "Development Programme For the Poorest" (Program Pembangunan Rakyat Termiskin or PPRT - as mentioned in Chapter 4), which are in various preliminary stages of implementation.

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### **7.3 THE IKHTIAR PROGRAMME IN BALING : THE GENERAL BACKGROUND**

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Table 27 provides the general background progress and coverage of the Ikhtiar Programme in the State of Kedah in general and the District of Baling, in particular. This section has to be linked to the context of the overall operational framework of the Ikhtiar Programme at macro-level which has been discussed in Chapter 5.

#### **7.3.1 THE IKHTIAR PROGRAMME - ITS COVERAGE**

In Kedah (as mentioned in Chapter 6), the Ikhtiar Programme started its operation by opening two branches in the District of Baling and Sik simultaneously in March 1989. By virtue of having the highest number of the very poor rural households, the Ikhtiar Organization has divided District of Baling into **Baling 1** and **Baling 2**.

The Ikhtiar Programme's other branches in Kedah are in the District of Padang Terap, the District of Kuala Muda, the District of Pulau Langkawi, the District of Kulim and the District of Bandar Baru, which are 100 percent in the KEDA region (See Figure 9). It also includes two districts that are largely in the KEDA region namely the District of Kubang Pasu and the District of Yan. However the Ikhtiar Programme has not established its branches to serve the two rather prosperous districts in Kedah, largely in the MADA region, i.e. the District of Yan and the District of Kota Setar (See Figure 9). It seems that Ikhtiar Programme in Kedah tends to concentrate in poorer areas within the State of Kedah.

## **7.3.2 THE IKHTIAR PROGRAMME - ITS GENERAL PROGRESS**

### **1. The Ikhtiar Members**

**Baling 1**, as shown in **Table 27**, has the highest number of Ikhtiar members not only in Kedah but also throughout the country. Its members have increased from 765 in 1991 to 1331 in 1992 and up to 1428 by November 1993. The increase from the 1992 period to 1993 has been quite slow. This was because, as mentioned in Chapter 5, the Ikhtiar Organization has in 1993 resorted to a temporary shift from fully recruiting new members towards monitoring projects undertaken by new borrowers in order to ensure success, where quality rather than quantity was stressed.

The District of Sik, on the other hand, has the second highest number of participants not only in Kedah but also throughout the country, with 1359 members (as of November 1993). The District of Pendang, with 1119 members is the third highest in Kedah and fourth in the country after the District of Barat-Laut Selangor (the oldest and first branch in the country). However, by combining Baling 1 and Baling 2, the number of Ikhtiar members increased to 2274 (as of November 1993). This figure is not likely to be overtaken by any other branch. Thus, in general, the State of Kedah also has the highest number of Ikhtiar participants, which stood at 7730 in November 1993, followed by Kelantan with 5914 members.

### **2. Group, Centre, Repayments and Savings**

In **Baling 1**, there are a total of 299 groups which were federated into 63 centres, located in some of the 89 villages. Approximately 37 percent of the 63 centres are full centres, i.e. having 30 members (5 per group x 6 groups = 30 members, which constituted a centre). However, in the Ikhtiar approach, each centre does not necessarily have 30 members. On average, each centre in **Baling 1** has 22 members and this figure is the highest in the country. Kuala Terengganu's AIM branch, for example, only has 5 members per centre.

**Baling 1** has, over the last 3 years, been able to maintain a near-perfect repayment record of around 99.9 percent (see **Table 27**). The group savings fund on the other hand has registered a total savings of M\$208,791 as of November 1993 (as indicated in **Table 27**), saved by all its 1428 members.

Table 27 : Comparison of Consolidated Statements : The Overall Progress  
in the State of Kedah (November 1993)

Particulars	Baling 1	Baling 2	Baling	Sik	Pendang	Padang Terap	Kuala Muda	Kubang Pasu	Langkawi	Kulim/Bandar Baru	Kedah (Total)
1. Estimated no. of very poor households.	3556	3000	6556	2634	2371	2459	2462	4302	821	1916	21,059
2. Date of Branch Establishment.	March 1989	September 1990	—	March 1989	July 1989	July 1990	September 1990	September 1990	February 1991	November 1991	—
3. Total Loans Disbursed (M\$) ILS 1, 2 and 3.	1,353,640	650,080	2,003,720	1,464,110	1,156,480	754,500	365,060	524,400	183,400	84,000	6,535,700
4. Total no. of Members.	1428	750	2178	1359	1119	846	480	657	270	193	7102
5. Total no. of Members Who Had Borrowed.	1382	710	2092	1323	1065	781	447	587	245	156	6696
6. Total Amount Repaid.	965,556	445,282	1,410,838	1,037,897	781,024	529,355	236,232	332,478	101,096	38,322	4,467,252
7. Total Loans Outstanding.	388,084	204,798	592,882	426,243	375,456	225,145	128,828	191,922	82,304	45,668	2,068,448
8. Arrears.	0.01%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
9. Total Savings in Group Fund	208,791	96,481	305,272	210,213	157,650	104,958	49,346	68,878	27,431	10,984	934,732
10. Total Loans From Group Fund.	115,042	79,389	194,431	156,253	170,933	140,024	17,605	61,963	9,519	2,800	753,528
11. Total no. of Group.	299	156	455	284	237	174	99	136	57	39	1481
12. Total no. of Centre.	63	38	101	68	58	42	29	34	14	14	360
13. Total no. of village.	89	83	172	76	130	89	74	69	42	55	707
14. Total Administrative Charges Collected.	73,810	35,373	108,353	77,887	59,779	41,309	19,166	26,743	8,323	4,172	345,932

Source : AIM (1993). Consolidated Cumulative Statement (November). Amanah  
Ikhtiar Malaysia.

Table 28 : Types of Activities Financed By Ikhtiar Loans  
in the District of Baling 1, based on 1215  
borrowers (by April 1993)

Name of activities	No.	Percent	Amount (M\$)	Percent
<b>AGRICULTURE ACTIVITIES</b>				
Agricultural Related (i.e as in items 1 to 4)	737	58.6	408,504	63.6
1. Padi cultivation	120	9.5	74,513	11.5
2. Tree crop cul'vation	347	27.6	211,970	33.1
3. Other crops	265	21.1	119,141	18.5
4. Fishing activities	5	0.4	2,880	0.5
5. Animal Husbandary	521	41.4	231,357	36.4
<b>Total</b>	<b>1,258</b>	<b>67.1</b>	<b>639,861</b>	<b>68.1</b>
<b>NON-AGRIC. ACTIVITIES</b>				
6. Selling/distribution of foods	175	28.1	81,817	27.3
7. Selling of agricultural goods	85	13.8	48,043	16.0
8. Selling of non-agricultural goods	281	45.5	134,021	44.7
9. Repair/services of vehicles	39	6.3	21,208	7.1
10. Workshop/services activities	9	1.5	4,880	1.6
11. Other non- agricultural	29	4.7	9,610	3.2
<b>Total</b>	<b>618</b>	<b>32.9</b>	<b>299,579</b>	<b>31.9</b>
<b>Total Activities</b>	<b>1,876</b>	<b>100%</b>		
<b>Total Loans</b>			<b>939,440</b>	<b>100%</b>
<b>Total Borrowers</b>	<b>1,215</b>			

Note : Some borrowers may have two types of activities, i.e both  
in the agricultural and non-agricultural activities.

Source : AIM Official Data, 1993: District Of Baling 1 Branch.

### **3. Activities Financed by Ikhtiar Loans in Baling 1 [14]**

**Table 28** shows the main activities financed by Ikhtiar loans in **Baling 1**. It shows that the agriculturally-related activities and animal husbandry are the most popular, which account for around 67.1 percent of the total activities. On the other hand, the non-agricultural activities account for around 32.9 percent. However, as noted by Ikhtiar staff in Baling, non-agricultural activity is slowly becoming popular and is expected to increase in the very near future.

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## **7.4 CONCLUSIONS**

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This chapter has generally highlighted the background of **BALING 1** as the study area, which was described in the overall context of the District of Baling. The background reviews ranged from the locational aspects to the strategy and development scenarios of the District. It also described the progress of the Ikhtiar Programme in **BALING 1** in particular and Kedah in general. With the benefit of this general background, it is now to turn to the analysis of the findings in the next few chapters.

<b>FOOTNOTES</b>
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1. The Penghulu (Mukim Headman) is directly under the supervision of the District Officer and responsible for the general development of the Mukim. Ketua Kampong (Village Headman) is appointed generally to assist the Penghulu for the overall development of the village. However, the District Officer and Penghulu are directly under the control of the Menteri Besar of the State of Kedah (Chief Minister).
2. Among the members are: Baling's member of Parliament, district engineers from various departments and agencies, The education officer, The information officer, The KEDA officer, The RISDA officer, The district Council Secretary, The agriculture officer, The FELCRA officer, The FELDA officer, Penghulus and other officers or related members appointed by District Officers.
3. Padi was traditionally grown as a single crop and it was not until sometime in the 1970s that Baling was able to double crop its first 81 hectares of rice land in Kampong Tawar (Ahmad, 1983). Recently, UPP (1989) stated that 5 irrigation systems, involving 435 hectares of land have been planned in Baling District to further increase the double cropping areas (like that of the IADP's in the MADA region) and these includes:
  1. Kampong Banggol Berangan.
  2. Kampong Padang Geh.
  3. Kampong Bongor.
  4. Kampong Asam Jawa.
  5. Kampong Tanah Periok.

However, these planned programmes have been scrapped off because according to UPP (1989), the IADP's authority has placed more emphasis in the rice growing areas of the MADA region. .
4. Traditional kampongs (village) are the original settlements, mainly found along the narrow river valleys, the spinal and main roads. This is a very common feature of the Malaysian's rural village pattern.
5. These small towns have a population ranging from 1053 (Tawar) to 4986 (Pekan Baling). Thus in general 'small town' refers to those small business centres with a population size ranging between 1000 to 10,000 (KEDA, 1985).
6. Pekan is a Malay word for small town.
7. Some of the examples of the weekly market days are as follows:
  1. Kampong Lalang (every Tuesday).
  2. Malau (every Friday)

3. Kupang (every Saturday)
  4. Pekan Baling (every Sunday)
8. The main Farmers' Market is in Pekan Baling, every Wednesday, near the Integrated Farmer's Complex (Komplek Geraktani).
  9. There are 47 rubber estates belonging to private companies or individuals, mainly Chinese and European. None belong to the Malays (Ahmad, 1983).
  10. For details of the main elements of the Malaysian's regional policy, see pages 209 - 214, The Third Malaysia Plan (1976). In general, within the broad framework of the regional policy, there are four main strategies: resource and new land development strategy; in-situ rural development; industrial dispersal strategy; and rural urbanization and growth centre strategy. These have been discussed in Chapter 4.
  11. **MADA and KEDA regions:** The State of Kedah is divided into eleven Administrative Districts within the context of the KEDA and MADA regions as follows:
    - (i) Seven districts: Pulau Langkawi, Padang Terap, Sik, Baling, Kulim and Bandar Bahru - all of which are 100 percent in the KEDA region.
    - (ii) Two districts: Kubang Pasu and Pendang - largely in the KEDA region and only some small parts are in the MADA region.
    - (iii) Two districts - Kota Setar and Yan - largely in the MADA region
  12. The main functions of KEDA are (KEDA, 1992) as follows:
    - a. To promote, stimulate, facilitate and undertake economic and social development.
    - b. To promote, stimulate, facilitate and undertake residential, agricultural, industrial and commercial development.
    - c. To control and co-ordinate the performance of the aforesaid activities.
  13. Bakar (1991) noted that there is yet no empirical study on the impact of the KEDA performance
  14. (a) For activities in the weekly group/centre meeting of the Ikhtiar participants in the study area, see PLATE A to D in Appendix 7.
    - (b) For the types of activities financed by Ikhtiar loans among the member households, see PLATE E to H in Appendix 8.



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## **CHAPTER 8 : SOCIO-ECONOMIC CHARACTERISTICS OF THE SAMPLE HOUSEHOLDS AND BACKGROUND OF IKHTIAR MEMBERS IN RELATION TO LOAN UTILIZATION**

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### **8.1 INTRODUCTION**

As the title suggests this chapter is divided into two main sections. Section One gives a general picture about certain socio-economic characteristics of the sample population (including both the Ikhtiar members and the control group) as mentioned in the Chapter 6. Section Two highlights specifically the background of the Ikhtiar members in relation to the utilization of loans: size of loans, level of loan cycle, type of activities carried out and other related matters.

With this background, the reader can understand the sample population better, but more importantly it also provides the background of the Ikhtiar members with regard to the general pattern of loan utilization, which will be subjected to detailed analysis and to the testing of hypotheses in the next two chapters.

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### **8.2 SECTION ONE : SOCIO-ECONOMIC CHARACTERISTICS OF THE SAMPLE POPULATION**

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#### **A. SOCIAL CHARACTERISTICS**

As mentioned in Chapter 5, the Ikhtiar Programme memberships was mainly comprised of women (female households). In the District of Baling, 100 percent of the Ikhtiar members are women. In discussing the social characteristics of the sample households, we will therefore:

- (i). First and foremost focus on the Ikhtiar members (i.e., the female households) and compare them with the control group female members (i.e. the potential or future members of the Ikhtiar Programme) [1] in terms of each of the following variables (a) age structure, (b) educational background and (c) occupational background.

- (ii). Secondly, we will highlights the Ikhtiar households' male members (i.e. the husband) and compare it with the control group male members (i.e. the husband) for similar variables.

It is interesting to note that AIM prefers to give priority to the adult females of the households to become its members, but this does not preclude the husbands from using the loan money (but only for income generation purposes). Female members or wives can become its representatives and take loan on their husband's behalf. Out of 254 Ikhtiar members interviewed in the household survey, 96.5 percent (245 respondents) were married and 3.5 percent (9 respondents) were widowed. Thus 96.5 percent of the Ikhtiar members were not the head of a household, since they have a husband as the head (i.e. men headed household). This also suggests that 3.5 percent of Ikhtiar members were women headed households.

On the other hand, from the 265 samples of the control group female members (Ikhtiar potential/future members) involved in the survey, 93 percent (248 respondents) were married and 7 percent (17 respondents) were widowed. Thus 93 percent of the control group female members were not the head of a household, since they also have husband as the head. This suggests that 7 percent of the female members in the control group were therefore women headed households.

The above analysis shows that:

1. The male member of a household in the Ikhtiar group and control group was the husband (i.e. as the head of a household) and
2. The female member of a household in the Ikhtiar group and control group were the (a) wives and (b) from households headed by women (i.e. widowed households). The female members in both groups were therefore made up of the Ikhtiar current and future/potential members.

### **8.2.1 AGE STRUCTURE**

- 1. Ikhtiar Members and Control Group Female Members (wives /women headed households) (see Table 29)**

Table 29 gives the age structure of the Ikhtiar members and compares it with that of the control group female members at the time of the household survey. As indicated

the average age of the Ikhtiar members was 39.3 years and the control group female members had an average age of 38.4 years. Further analysis shows that 89.4 percent of the Ikhtiar members were below 50 years old and the figure for the control group female members stood at 92.8 percent.

On average the combined age of the two groups was around 38.8 years. Thus the two groups of households were not within the older age groups. They were, in fact, in the economically very active or active age groups [2]. They are thus able to contribute to the household economy not only at the present time but for many more years to come.

## **2. Male (husband as the head of household)**

Table 30 gives the age structure of the heads of households of the Ikhtiar group (usually husbands) and compares it with that of the control group. As indicated the average age of the Ikhtiar heads of households was 42.6 years. On the other hand the control group heads of households have an average age of 41.3 years. Further analysis shows that 80 percent of the Ikhtiar heads of households were below 50 years and the figure for the control group stood at 82.9 percent.

On the whole, the combined average age of the two groups was around 41.9 years old (i.e. derived from the total age of the sample population divided by sample size of the two sample households). Thus the two groups heads of households were in their early 40s in terms of their age and, like their female partners, they were also in the economically very active and active age groups (and as will be discussed in sub-section 8.2.4, also play a major role in the household economy).

## **8.2.2 EDUCATIONAL BACKGROUND**

### **1. Ikhtiar Members and Control Group Female Members (wives/women headed households) (see Table 31)**

Table 31 gives the educational background [3] of the Ikhtiar members and compares it with that of the control group female members. As indicated, 61.8 percent of the Ikhtiar members had received formal primary education compared to 49.4 percent among the control group female members. With this level of education, respondents could do little more than read and write.

Table 29 : Age Structure : Ikhtiar Members and The Control Group Female Members (Wives/Women Headed Households)

Age Group (Year)	Ikhtiar Members		Control Group	
	N	Percent	N	Percent
20 - 29	32	12.6	38	14.3
30 - 39	107	42.1	129	48.7
40 - 49	88	34.7	79	29.8
50 - 59	24	9.4	18	6.8
60 and Above	3	1.2	1	0.4
Average age	39.3		38.4	
Total (N)	254		265	

Source : Field Data

Table 30 : Age Structure : Husbands of the Ikhtiar Group and Control Group

Age Group (Year)	Ikhtiar Group		Control Group	
	N	Percent	N	Percent
20 - 29	14	5.7	8	3.2
30 - 39	83	33.9	89	35.9
40 - 49	99	40.4	108	43.6
50 - 59	39	15.9	35	14.1
60 and Above	10	4.1	8	3.0
Average age	42.6		41.3	
Total (N)	245		248	

Source : Field Data

Table 31 : Education Background of the Sample Households :  
Ikhtiar members and Control Group Female Members  
(Wives/Women Headed Households) (Percent)

Level of Education	Ikhtiar Members	The Control Group (potential members)
1. Never attended school	28.4	43.7
2. Primary school	61.8	49.4
3. Lower secondary	5.1	4.5
4. L.C.E	3.5	2.4
5. Upper secondary	1.2	-
6. M.C.E	-	-
Total (Percent)	100	100
N	254	265

Source : Field Data

Table 32 : Education Background of the Sample of the Males  
(Husbands) : Ikhtiar Group and The Control Group  
(Percent)

Level of Education	Ikhtiar Group	Control Group
1. Never attended school	20.4	30.2
2. Primary school	73.5	66.1
3. Lower secondary	4.1	2.5
4. L.C.E	2.0	1.2
5. Upper secondary	-	-
6. M.C.E	-	-
Total (Percent)	100	100
N	245	248

Note: L.C.E = Lower Certificate of Education denotes those who had passed the lower secondary level exam.  
M.C.E = Malaysia Certificate of Education, equivalent to O level, denotes those who passed the exam.

Further analysis shows that 43.7 percent of the control group female members did not receive any form of formal education compared to 28.4 percent among the Ikhtiar members. 71.6 percent of the Ikhtiar members had therefore been educated compared to 56.3 of the control group female members.

## **2. Male (husbands as the heads of households) (see Table 32)**

Table 32, on the other hand, gives the educational background among the husbands for both the Ikhtiar group and control group. The analysis of the education level reveals that approximately 73.5 percent and 66.1 percent of the husbands in the Ikhtiar group and control group had primary education. The findings of this study also show that, husbands who never attended primary school made up a larger part of the control group (30.2 percent) compared to only 20.4 percent among the husbands in the Ikhtiar group. This finding is quite similar to the study conducted by Md Nor (1992) who noted that 88 percent of the JENGKA Felda settlers (who prior to joining Felda's scheme were also from poor rural households) and 67 percent of the traditional kampong heads of households (mainly husbands) had received some formal primary education.

Based on the above discussion, it is clear that the incidence of literacy is slightly higher among the Ikhtiar households. This situation perhaps can lead us to suggest that the very poor rural households with some educational background are keen to take advantage of the opportunities provided by the Ikhtiar Programme. Hossain (1988), in his study of the Grameen Bank in Bangladesh, found that more people with some functional education were coming forward to take the income earning opportunities provided by the GB compared to the illiterates. Thus we can conclude that education seems be one of the variables for making people more receptive to new ideas and opportunities. In general, education (Lipset and Bendix, 1967; Kasim, 1986; Ahluwalia, 1990) is regarded as a powerful instrument for reducing poverty and (Nafzinger, 1990) a major indicator of skill and (Burki, 1990) can improve agricultural productivity. It is also noted (Golingi and Chua, 1989) that education can enable the rural community to become rational, help to create changes in attitude and is one driving force behind the nation's economic development.

### **8.2.3 HOUSEHOLD SIZE**

Table 33 provides information on the respondents' household size. As indicated, the average household size for the Ikhtiar members and the control group, are 6.3 and 6.1,

respectively for the "after" situation (1992), representing a slight rise from the situation before (1989) joining the programme. These figures are higher than the national household size, which is 5.2 members per household.

Table 33 : Household Size : The Ikhtiar Group and Control Group : "Before" and "After" Situations (Percent)

Size of Household	Ikhtiar Group		Control Group	
	"Before" (1989)	"After" (1992)	"Before" (1989)	"After" (1992)
1	-	-	-	-
2	2.0	1.6	-	-
3	4.3	4.3	0.4	-
4	11.8	11.8	15.5	11.3
5	14.2	13.8	29.4	29.1
6	23.2	20.5	21.5	21.9
7	18.5	20.1	20.4	18.9
8	17.3	17.3	9.1	10.2
9	6.7	6.7	1.9	5.7
10	2.0	3.1	1.5	2.3
11	-	0.8	0.4	0.8
Mean Size of Household	6.22	6.34	5.90	6.17
N	254		265	

Source : Field Data

SERU's (1990a) study on the socio-economic profile of the poor found that the average household size of very poor households in the District of Pendang and Sik (Baling's neighboring districts) were also large (5.8 and 6.4 respectively). The figures are even higher for the Districts of Kemaman (in the State of Trengganu) (7.0) and Kota Bahru (in the State of Kelantan) (7.5). Two other studies that also showed a similar pattern were: Md Nor's (1992) who found that the household size among JENGKA Felda settlers was 6.2 persons and Abdul Ghafar's (1992) in the case of KESEDAR where settlers household size was 7 persons.

The above findings seem to suggest that in general, the very poor households (poorest of the poor) in Malaysian's rural sector have a large family size. A large family is seen as providing a good source of family labour.

## **B. ECONOMIC CHARACTERISTICS [4]**

### **8.2.4 OCCUPATIONAL BACKGROUND [5]**

#### **1. General Pattern in Malaysia**

In 1970, 49.6 percent of the labour force in Malaysia was engaged in agriculture, the single largest employment sector. However the situation has now changed. In 1990, 27.8 percent of the labour force was engaged in agriculture, a decline from 31.3 percent in 1985. As the economy becomes more industrialized and broadly based, more employment has been available in other sectors which, as of 1990, including: manufacturing (19.5 percent of the labour force), construction (6.4 percent of the labour force), non-government services (32.9 percent of the labour force) and government services (12.8 percent of the labour force). Thus, the employment contribution of the agricultural sector is declining (Malaysia, 1991). A study by ILO (1988) shows that rural employment in the non-farm activities has been increasing based on evidence in Africa, Latin America and Asia (including Malaysia). However it has been noted that despite the relative accent on industrialization, the agricultural sector has continuously been accorded a high priority in the Malaysian's national development planning (Abdul Rahman, 1992).

The Farmers' Census in 1990 revealed that there were 63,851 farmers in the State of Kedah. Out of this number 96 percent were Malays, who thus form the majority of farmers in Kedah. In the District of Baling, there were 12,869 farmers (or about 20 percent of all farmers in Kedah). The figure of 12,869 is also the highest, in terms of the number of farmers in Kedah as a whole (Jabatan Pertanian, 1990). Thus agriculture still forms the backbone of Kedah's economy.

#### **2. Ikhtiar Members and Control Group Female Members (See Table 34)**

Looking at the figures among Ikhtiar members, as indicated in Table 34, quite significant changes in terms of employment have occurred. About 64.6 percent of the members were found not to have any productive employment prior to joining Ikhtiar. After joining the programme, the proportion who were unemployed has been reduced to 35.4 percent. On the other hand, it was found that 62.7 percent of the control group female members did not have any productive employment for both the "before" and "after" situations, as indicated in Table 34. This suggests that there were no major changes in terms of employment for the control group.



Further analysis among the Ikhtiar members (see Table 34) also indicated that the increase in the employment in both sectors has been quite impressive. The figure for non-agricultural employment (non-farm employment) went up from 4.3 percent ("before") to 15.4 percent ("after") and from 36.2 percent ("before") to 49.2 percent ("after") for the agricultural employment. Thus as new members are added to the labour force, total family income is also likely to go up by the extent of the earnings of the new members. This finding thus gives an indication of the generation of employment following Ikhtiar loans for female members. This has also been confirmed through informal discussions with the Ikhtiar member households. Ikhtiar has therefore provided a mechanism of drawing women out of their traditional female confinement within households and providing a changed social organization capable of providing opportunities for female self-employment. In general Ikhtiar loans were also taken by the wives on behalf of their husbands.

### **3. Male (husbands as the heads of households) (see Table 35)**

An analysis among the Ikhtiar heads of households (husbands) and control group heads of households (husbands), based on Table 35 revealed, the following situations:

- i. The majority of the heads of households for both groups were employed in the "before" and "after" situations and the figures for both groups were quite similar, approximately 99.5 percent [6].
- ii. The figures among the Ikhtiar heads of households suggests that there was a changing pattern of employment with regard to the "before" and "after" situations. While the agricultural employment for the Ikhtiar heads of households had declined from 86.9 percent ("before") to 77.5 percent ("after"), the non-agriculture employment had increased from 12.7 percent ("before") to 22.1 percent ("after"). Informal discussions with the Ikhtiar heads of households revealed that one of the factors that has contributed to the changing pattern of employment was the availability of Ikhtiar loans that enabled heads of households to switch to non-farm employment activities. In general Ikhtiar loans as mentioned earlier were also taken by the wives (by virtue of being Ikhtiar members) on behalf of their husband. AIM does not preclude the husband from using loan money for any income-generation purpose (see also Footnote 9)

Table 34 : Employment Pattern : Ikhtiar Members and the Control Group (Wives/Women-Headed Households) Members, "Before" and "After" Situations (Percent)

	Ikhtiar Members		Control Group	
	"Before" (1989)	"After" (1992)	"Before" (1989)	"After" (1992)
Unemployed	59.5	35.4	62.7	62.7
Employed	40.5	64.6	37.3	37.3
<b>Employed in Agric.</b>				
1. Animal Husbandry	0.8	8.2	0	0
2. Padi Planting	6.7	7.5	2.3	2.3
3. Rubber Tapper	27.5	25.6	31.3	31.3
4. Other Crops	1.2	7.9	3.7	3.7
5. Labourer (Agriculture)	0	0	0	0
Sub-Total	36.2	49.2	37.3	37.3
<b>Employed in Non-Agric.</b>				
6. Business * (such as petty trading/hawking)	3.5	14.2	0	0
7. Other Non-agriculture activities	0.4	0.8	0	0
8. Services	0.4	0.4	0	0
9. Labourer (Non-agriculture)	0	0	0	0
Sub-Total	4.3	15.4	0	0
Total Employed	40.5	64.6	0	0
Overall Total	100%	100%	100%	100%

Note: \* Business is taken to include (i) selling/distribution of food, (ii) selling of agricultural goods and (iii) selling of non agricultural goods.

Note : N = 254 for the Ikhtiar members and 265 for the control group female members

Table 35 : Employment Pattern : Husbands of the Ikhtiar Members' Group and Control Group : "Before" and "After" Situations (Percent)

	The Ikhtiar Group		The Control Group	
	"Before" (1989)	"After" (1992)	"Before" (1989)	"After" (1992)
Unemployed	0.4	0.4	0.8	0.8
Employed	99.6	99.6	99.2	99.2
<b>Employed in Agric.</b>				
1. Animal Husbandry	2.4	5.4	0	0
2. Padi Planting	5.7	7.0	2.4	2.4
3. Rubber Tapper	73.5	63.0	66.1	64.5
4. Other Crops	0.4	0.4	1.7	1.7
5. Labourer (Agriculture)	4.9	1.7	10.5	12.1
Sub-Total	86.9	77.5	80.7	80.7
<b>Employed in Non-Agric.</b>				
6. Business * (such as petty trading/hawking)	7.4	15.2	12.0	12.0
7. Other Non-agriculture activities	0.4	0.8	0.8	0.8
8. Services	0.4	1.6	1.2	1.2
9. Labourer (Non-agriculture)	4.5	4.5	4.5	4.5
Sub-Total	12.7	22.1	18.5	18.5
Total Employed	99.6	99.6	99.2	99.2
Overall Total	100%	100%	100%	100%

Note : \* Business is taken to include (i) selling/distribution of food, (ii) selling of agricultural goods and (iii) selling of non-agricultural goods.

Note : N = 245 for Ikhtiar group and 248 for the control group

Source : Field Data

- iii. On the other hand, the employment figures for the control group heads of households suggests that no significant changes had taken place among them either in agricultural and non-agricultural employment for the "before" and "after" situations (see Table 35). The employment figures remained unchanged and stood at 80.7 percent for the agricultural employment and 18.5 percent for the non-agricultural (or non-farm) employment for both periods, i.e. "before" and "after".
- iv. An analysis based on Table 35, reveals that agricultural -related activities have been the main occupation for both the Ikhtiar and control group heads of households for the "before" situation, where the figures stood at 86.9 percent for Ikhtiar heads of households and 80.7 percent for the control group heads of households respectively. Three of the most popular occupations were rubber cultivation, padi farming and agricultural labourers among both groups of the households. However, with the emergence of the Ikhtiar Programme intervention, the pattern of occupations has changed slightly among the Ikhtiar heads of households. They have switched their occupations from agricultural employment to non-farm employment, as discussed in item (ii) above.

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### **8.3 SECTION TWO : GENERAL BACKGROUND OF THE IKHTIAR PROGRAMME MEMBERS IN RELATION TO THEIR LOAN UTILIZATION**

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This section focuses only on the general background of the Ikhtiar members in relation to their utilization of Ikhtiar loans, based on the types of activity and levels of loans.

#### **8.3.1 IKHTIAR LOANS : TYPE OF ACTIVITY FINANCED AND CYCLE OF IKHTIAR LOANS**

##### **1. Definition**

In this study:

(a) The type of activity financed by Ikhtiar loans is taken to mean:

- (i) agricultural and
- (ii) non-agricultural activity.

(b) The cycle of Ikhtiar loans is taken to mean:

- (i) first loan (first-time borrower) and
- (ii) second loan (second-time borrower).

(c) Ikhtiar Loans: By type of activity and cycle of loan are further described as follows: As mentioned in Chapter 6, 254 Ikhtiar member households were interviewed in the household survey.

By further breaking down the 254 Ikhtiar members based on the types of activities and cycles of loans, the categories are as follows and will be discussed in detail in Chapter 9:

**(i) Ikhtiar Loans : By Types of Activities (See also Table 37)**

- 1. Agriculture activities = 160 members.
- 2. Non- agriculture activities = 94 members.

**(ii) Ikhtiar Loans : By Cycles of Loans (See also Table 38)**

- 1. First-Time Borrowers/first cycle of loan = 215 members
- [7]
- 2. Second-Time Borrowers/second cycle of loan = 39 members.

**(iii) Ikhtiar Loans : By Types of Activities and Cycles of Loans (See also Table 38)**

- 1. Agricultural activities/First-time borrowers = 136 members.
- 2. Non-agricultural activities/First-time borrowers = 79 members.
- 3. Agricultural activities/Second-time borrowers = 24 members.
- 4. Non-agricultural activities/Second-time borrowers = 15 members.

## 2. Sizes of Loans

The breakdown of loan sizes is provided in Table 36. As indicated the average loan size for the first loan is M\$484.23 and M\$937.00 for the second loan.

Table 36 : The Breakdown of Loan Sizes : First and Second Loans

<b>A. First Loan</b>		
Loan Size (M\$)	N	Percent
300 and Below	2	1.0
301 - 400	25	11.6
401 - 500	188	87.4
<b>Sub-Total (First Loan)</b>	<b>215</b>	<b>100</b>
<b>B. Second Loan</b>		
500 and Below	2	5.1
501 - 600	2	5.1
601 - 700	1	2.5
701 - 800	1	2.5
801 - 900	1	2.5
901 - 1000	32	82.3
<b>Sub-Total (Second Loan)</b>	<b>39</b>	<b>100</b>
<b>Overall Total (215 + 39)</b>	<b>254</b>	

Source : Field Data

## 3. Actual Activities Financed by Ikhtiar loans

Table 37 and Table 38 provide the detailed breakdown of the actual activities (such as rubber cultivation, padi farming, petty trading, hawking and others) carried out by the Ikhtiar member households within the context of agricultural and non-agricultural activities (Table 37) and by the levels of loan (Table 38). Tables 37 and 38 provide the following summaries:

Table 37: Utilization of Ikhtiar Loans By Types of Activities:  
Agricultural Versus Non-Agricultural

A. Agricultural Activities		
Actual Activities	N	Percent
1. Animal Husbandry	43	16.9
2. Padi cultivation	17	6.7
3. Tree crop (rubber)	48	18.9
4. Other crops	37	14.6
5. Mixed agriculture	15	5.9
Sub-Total (Agriculture)	160	63.0
B. Non-Agricultural Activities		
Actual Activities	N	Percent
6. Selling/distribution of food	18	7.1
7. Selling of agricultural good	14	5.5
8. Selling of non-agricultural good	50	19.7
9. Other non-agricultural activities	6	2.4
10. Services	4	1.6
11. Mixed non-agriculture activities	2	0.8
Sub-Total (Non-agriculture)	94	37.0
Overall Total (All Activities)	254	100

Note : N is the number of participant in each of the activities 1 to 11.

Source : Field Data

Table 38 : Utilization of Ikhtiar Loans : By Activities  
and Cycle of Loans

Agricultural Activities				
Actual Activities	First Loan		Second Loan	
	N	Percent	N	Percent
1. Animal Husbandry	38	27.7	5	20.8
2. Padi Cultivation	14	10.6	3	12.6
3. Tree Crop Cultivation (Rubber)	43	31.6	5	20.8
4. Other Crops Cultivation	31	22.8	6	25.0
5. Mixed Agriculture	10	7.4	5	20.8
Sub-Total (160) (136 + 24)	136	100	24	100
Non-Agricultural Activities				
Actual Activities	First Loan		Second Loan	
	N	Percent	N	Percent
6. Selling/ distribution of Food	14	17.7	4	26.7
7. Selling of Agricultural Good	12	15.2	2	13.3
8. Selling of Non- Agricultural Good	41	51.9	9	60.0
9. Other Non- Agricultural Act.	6	7.6	-	-
10. Services	4	5.1	-	-
11. Mixed Non-Agric. Activities	2	2.5	-	-
Sub-Total (94) (79 + 15)	79	100	15	100
Overall Total (254) (215 + 39)	215		39	
Note : N is the number of participants in each of the activities 1 to 11.				
Source : Field Data				



- i. 63 percent of the member households used loans to finance agriculturally-related activities and can be grouped under five broad sectors (a) animal husbandry, (b) padi cultivation, (c) tree crop cultivation (rubber), (d) other crops (such as vegetable and tobacco) and (e) mixed agriculture.
- ii. On the other hand, 37 percent were in the non-agriculturally-related activities and similarly can be grouped under six broad sectors: (a) selling/distribution of food, (b) selling of agricultural goods, (c) selling of non-agricultural goods, (d) other non-agricultural activities, (e) services and (f) mixed non-agricultural activities.

These findings seem to be quite close to AIM's official data for the District of Baling I. According to AIM's Branch Manager, agricultural activities financed by Ikhtiar loans accounted for around 65 to 70 percent of the total activities. On the other hand the non-agriculturally-related activities accounted for around 30 to 35 percent of the total activities. The Branch Manager further added that the non-agricultural activities are slowly gaining in popularity and are likely to be prominent in the near future.

- iii. Animal husbandry (16.9 percent of all loans), rubber cultivation (18.9 percent of all loans) and other crop cultivation (14.6 percent of all loans) were the three most popular agricultural activities. Among the non-agricultural activities, the three most popular activities were selling of non-agricultural goods (19.7 percent of all loans), selling/distribution of food (7.1 percent of all loans) and selling of agricultural goods (5.5 percent of all loans).
- iv. Looking at the type of activities by the cycle of loans (as shown in Table 38) we can see a similar pattern where animal husbandry, rubber cultivation and other crops were the most dominant in the agricultural sectors. Similarly the three most dominant non-agricultural activities were the selling of non-agricultural goods, selling of agricultural goods and selling/distribution of food. However, selling of non-agricultural goods alone accounted for more than half of the non-agricultural activities where the figures stood at 52 percent for first-time borrowers and 60 percent for second-time borrowers.
- v. Loans taken from the Ikhtiar Programme were utilized as mentioned earlier in various activities. In general, loans were utilized by members themselves, utilized together (i.e. involving both husbands and wives or other family members) or taken on behalf of the husband [8]. In general, the utilization of

loans for various income-generating activities is basically a family affair and is a complex phenomenon [9].

### 8.3.2 OWN CAPITAL AND UTILIZATION OF SKILLS IN THE IKHTIAR-FINANCED PROJECT ACTIVITIES

#### 8.3.2.1 SUPPLEMENTARY CAPITAL

"Amount of capital" here is taken to mean a person's own capital which can be injected into the income generating activities financed by Ikhtiar loans or by the Ikhtiar members themselves to supplement the capital provided by the Ikhtiar Programme. Table 39 provides the above-related information.

Table 39: Own Capital Injected into Ikhtiar Activities as Supplementary Capital by Ikhtiar Members

	N	Percent
1. Members who did not inject the capital.	219	86.2
2. Members who had injected the capital (a to f)	35	13.8
Amount (M\$)		
a. 50.00 and below	21	8.3
b. 51.00 - 100.00	8	3.1
c. 101.00 - 150.00	2	0.8
d. 151.00 - 200.00	2	0.8
e. 201.00 - 250.00	2	0.8
f. 251.00 and above	0	0
Sub-Total (N)	35	13.8
Overall Total (N)	254	100

Source : Field Data

It will be noted from Table 39 that only 35 member households (or 13.8 percent of the total members) had injected personal capital into their Ikhtiar project activities. From these 35 Ikhtiar members, 8.2 percent had injected personal capital amounting to no more than M\$50.00. Meanwhile 3.1 percent of the members had injected between M\$51.00 to M\$100.00. The remaining 2.4 percent of the members had injected a

supplementary capital of between M\$101.00 to M\$250.00 into the Ikhtiar-financed project activities.

As indicated from Table 39, the majority of the Ikhtiar members (86.2 percent or 219 cases) did not inject any supplementary capital into their Ikhtiar-financed project activities. This is understandable as most of the Ikhtiar members did not have enough savings to set aside for the project. Had their position been otherwise, they would not have joined the programme in the first instance. The findings show that most of the members who had managed to inject their own capital into an activity were mostly those on the second loan. This was due to the fact that the second-time borrowers generally have the advantage of setting aside some savings by virtue of having completed the first loan cycle.

#### **8.3.2.2 UTILIZATION OF SKILLS BY IKHTIAR MEMBER HOUSEHOLDS IN THE IKHTIAR FINANCED PROJECT ACTIVITY**

96 percent of the sample households reported that they had utilized their available skills in the Ikhtiar-financed project activities. In general, the skills they possess were mainly related to farming, animal husbandry, small business (such as petty trading or selling of agricultural and non-agricultural goods) and also various other skills such as tailoring and repairing of domestic electrical appliances [10]. It was found that about 4 percent of the Ikhtiar members did not utilize their available skill in the various Ikhtiar income as they had ventured into a "new" area with no previous skills. For instance a member had started a small business (selling of non-agricultural goods ) but had no skill in such activity. His previous skill was in farming. Similarly, there were few cases of members who had taken up animal husbandry, but not having skills in such area. On the whole, the majority of the member households had utilized their available skills in the Ikhtiar activities.

It has been noted that many of the rural poor have survival knowledge and practical skills which are acquired by their daily search for income (Banking With the Poor, 1992) and gathered over the years (Jazairy et al, 1992). These skills and knowledge, if capitalized can create self-employment and also result in an increase in household income (Kasim, 1992). Chamber (1983) also noted that the rural poor in developing countries are knowledgeable and skillful in farming. As such they can use the skills they already have. Hossain (1988) observed that in Bangladesh, the very poor rural households use their skills to organize non-farm enterprises in "partnership" with the rich whose only involvement in the activity is contribution of capital. Thus the income

obtained by the poor in such activity may not be high. Similarly, as in the case of Malaysia, Md Nor (1992) noted that rural people in the traditional villages of JENGKA in the State of Pahang had certain types of skills, such as tailoring, carpentry and handicrafts. These had been exploited as a source of additional income for them.

The above findings seem to suggest that most of the respondents' households have some form of skill. With the availability of capital, they are capable of applying their existing skill to the best possible use. As observed by Getubig and others (1991: 20):

"The poor have tremendous innate capacity to help themselves and are able to demonstrate this time and again, given the opportunity to do so. To tap their existing skills and productive capacity, they need credit for productive assets to complement their labour resources".

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#### 8.4 SUMMARY

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The information presented in this chapter indicates that the majority of the Ikhtiar members and control group female members (future or potential members of the Ikhtiar Programme) were in the active age groups and most of them were between 30 to 45 years. This was the pattern observed for both groups. Similarly the heads of households (i.e. husbands of both the Ikhtiar and control groups) were also in the active age groups as most of them were between 30 to 49 years.

In terms of education, the Ikhtiar Programme has managed to attract households with some formal education. Findings shows that 71.6 percent of the Ikhtiar members, had attended school. On the other hand, 56.3 percent of its counterpart, the control group female members had attended school. The educational background for the heads of households of both groups (i.e. husbands), show that 79.6 percent of the Ikhtiar heads of households had attended school, while the figure for the control group stood at 69.8 percent. In terms of household size there was no major difference between the two groups, as the Ikhtiar households' average size was 6.3 persons and that of the control group was 6.1 persons.

It is interesting to note that it is only with the emergence of the Ikhtiar Programme that the female members of the very poor rural households have been "transformed" from

unpaid domestic workers to certain self-employed activities that generate income. The findings show that the number of Ikhtiar members who were unemployed has been reduced from 59.5 percent to 35.4 percent before and after joining the programme. Thus, the Ikhtiar Programme has made a positive contribution in tackling the problem of unemployment.

In terms of activity carried out by the Ikhtiar members, agriculturally-related activities are more popular than the non-agricultural activities. Among the popular activities were animal husbandry, rubber cultivation, other crop cultivation and the selling of agricultural and non-agricultural goods.

Generally this chapter has given a clear picture of the socio-economic characteristics and background of the Ikhtiar members and the control group households. Additionally, some general background of the Ikhtiar members pattern of the activity pursued and cycles of loans utilized have also been presented. This background information is relevant for the analysis in the next two chapters.

<b>FOOTNOTES</b>
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1. Whether these 265 sample households of the control group in Baling 1 will be joining the Ikhtiar Programme in the very near future are discussed in Chapter 10.
2. In general, an economically active population is one in the 15 to 64 age group. However, in this study the (i) active age group is defined as those in the 15 to 59 age group. This is because, as noted by Ahmad (1983), the expectation of life at birth in the Malay community is, on average, 66.8 years for males and 69.8 years for females. (ii) The very active age in this study is defined as those between the 15 to 45 years. Recent statistics (Utusan Malaysia, July 1994) suggest that the expectation of life at birth has increased for the Malaysian females and males and the figures stood at 69 for males and 73 for females.
3. In the Malaysian context, the educational system is basically aimed at achieving three levels of educational attainment, namely primary, secondary and tertiary. It takes six years to complete a primary education, three years to complete upper secondary education and three or more to complete tertiary education.
4. The economic data about household income and background of borrowing behavior for the Ikhtiar Programme members group and the control group are discussed in Chapter 9 and data on the amount of landholdings of the two groups are discussed in Chapter 10.
5. No attempt has been made in this study to examine the detailed impact of the Ikhtiar Programme on the creation of employment among the members' households due to time and financial constraints. As such, this section will discuss, in a very general way, the occupational pattern of the members' households.
6. In general, nearly all the heads of households (and to a certain extent their partners, usually their wives) were employed, either in self-employment or working for another party at the time of survey. However, in the District of Baling, self-employment among the very poor rural households is a major form of livelihood and includes all those people who have to earn their living without being in regular and salaried jobs and this is the distinguishing feature of the households under study. In Baling the broad categories of the various types of self-employed and to a certain extent, those who work for another party, can be generally divided into the following groups:
  - i. Ordinary farmers (padi, rubber, vegetable growers, tobacco, fruit, livestock rearing and other) earned cash income from:
    - a) selling their own agriculture produce for those who owned the land (owner-cultivator) and
    - b) sales of the produce, but minus deductions for rent. In the case of sharing system (share-cropper), the income is generally divided between the worker/operator and the landlord or landowner .

ii. In non-farm activities, it includes 4 broad categories of self-employed workers:

- a) small-scale vendors, petty traders, small traders (opening of a small provision or sundry shop) and hawkers (selling goods ranging from non-agricultural to agricultural goods such as vegetables, fish, eggs, cooked foods and other staple household goods, garments and similar types of products);
- b) home-based produce such as processed agricultural produce, collecting and packaging (such as betel-nut and others);
- c) providers of services, such as repairing of motor-cycles, electrical appliances and tailoring and similar activities and
- d) non-agricultural labourers (*see number iii(b) below*).

iii. Labourer- There are two types:

- a) agricultural labourers are workers involved in agricultural occupations and they are paid wages for the work they do and
- b) non-agricultural labourers (involved in non-agricultural occupations) which include construction workers in housing and building industries and similar industries, cleaners, cooks and other providers of services.

iv. In addition to the above 3 main groups, a much larger proportion of the households reported having multiple sources of income. This is because a single member is often employed in more than one job. In general the emergence of the Ikhtiar Programme has also created this pattern, whereby a particular household has been able to create additional self-employment with the credit for financing income generating activities (*See also Footnote 9 below*). In general, as observed by Remenyi (1991) and Jazairy et al (1992), in many developing countries many rural workers may be engaged in multiple activities, capable of moving by the season and also the time of day between occupations. This makes it difficult to classify them by occupations. Nevertheless, as rightly stated by Remenyi (1991: 13):

"In many senses the poor are the true 'permanent part-timers' in the workforce of the Third World, choosing this mobile lifestyle in order to minimize risk and maximize capacity to take advantage of changes, possibly very sudden changes in market conditions and opportunities".

7. (a) As mentioned in Chapter 6, there were 613 member households included in the sampling frame. From this figure, 567 were the first-time borrowers and 46 were the second-time borrowers. All the 46 respondents (second-time borrowers) were included in the household survey. On the other hand, 215 samples were selected from the first-time borrowers (39 percent of the total first-time borrowers' population). It was initially decided to separate the 567 first-time borrowers into 2 groups based on the types of activity financed by Ikhtiar loans which consisted of (i) agricultural and (ii) non-agriculture. From these two categories a certain percentage of almost equal proportions would have been selected based on random sampling. However, during the preliminary preparation of the household survey, i.e. prior to the actual execution of the fieldwork or survey proper, a detailed breakdown of activities financed by Ikhtiar loans amongst the 567 first-

time borrowers having completed their first loan was not readily available from Ikhtiar Programme's files because it was in the process of updating and rechecking this information. Thus the selection of the two groups based on activities of an equal percentage could not be carried out.

(b) It was noted by the Baling Branch Manager that around 60 to 70 percent were engaged in agricultural activities, while 30 to 40 percent were in non-agricultural activities.

(c) As result of this, from the 567 first-time borrowers' population and an observed sample of 215 respondents, based on random sampling, it was found that there were yielded (1) 136 agricultural activities or 63 percent of the total borrowers, and (2) 79 non-agricultural activities or 37 percent.

8. The involvement of family members in the economic activities is basically in the form of family labour assisting their parents. Labour is normally exploited in every aspect of family economic activities such as farming.

9. The general broad patterns of income-generating activity undertaken by the Ikhtiar member households in relation to the availability of the Ikhtiar loans are crudely highlighted below, based on one of the most popular occupations among the rural poor in Baling, i.e. rubber cultivation:

i. The head of household's (the male member) previous and current occupation is rubber tapper. With the availability of capital, his wife decided to start up petty trading activities selling vegetables and other agricultural goods in the local market. The husband also provides a helping hand when necessary. They thus helped each other out.

ii. The head of household's (male member) and his wife's, "before" (1989) and "after" (1992) occupations were as rubber tappers. However, there is now a slight differences in terms of the whole operation. Previously the tapping was done on a sharing-basis (share-cropper), where income from rubber was divided based on 50 to 50 basis with the landlord. With the Ikhtiar loan they now rent the land from the land-lord and retain all the income from the sale of rubber (*This pattern of arrangement in leasing of rubber land is discussed again in Chapter 9*).

iii. The head of household's (male member) previous and current occupation is rubber tapping. With the availability of capital his wife has taken up chicken rearing activities, with some assistance from the husband (normally in the evening after his morning tapping). Rubber tapping thus still forms the main occupation of the head of household.

iv. In one case, however, the head of household has moved out of rubber tapping. With an Ikhtiar loan the husband has switched totally to non-farm employment, that is, by opening an eating stall, with assistance from his wife.

Thus with the availability of capital, the very poor rural households have found the opportunity to create various types of working arrangements in order to generate



an income in a rather flexible way (such as tapping in the morning and tending to livestock rearing in the evening and many other patterns of arrangements).

10. An illustrative example is the case of one particular member who, prior to joining the Ikhtiar Programme, had been involved in the tailoring business on a part-time basis, operating in her own house. Her old sewing machine had not been providing good service and lack of capital had prevented her from replacing the machine, which could have led to expanding her business through attracting more customers. After joining the Ikhtiar Programme, and with the availability of capital, she bought a new machine and other necessary materials such as the cloth and thread required. As a result, her business has expanded.