Poverty eradication strategies

NEP (1970-1990)

• Provision of basic social infrastructure particularly education, health and basic services such as roads, water supply and electricity.
• Increase productivity & income through integrated agriculture development (in-situ) and new land development.
• Increase opportunities for inter-sector movements form low to higher productivity activities.

1991-2000

• Continue providing both physical & social infrastructures for access in education, health & employment mobility.
• Introduction of special hardcore poverty programs to increase std. of living with the provision of decent housing, child nutrition and maternity health.
• Micro credit scheme for the hard core poor to be involved in income generating activities.
Poverty eradication strategies

2001-2005 (8th and 9th Malaysian Plan)
• Target specific to address pocket of poverty (remote areas, indigenous minorities, urban poor)
• To increase the QOL of bottom 30% of households. i.e., RM1200 and below.
• Target: eradication of hardcore poverty and halve overall poverty by 2010.

2006-2010 (9th Malaysian Plan)
• Reducing disparities bet rural & urban population & among states and regions via sustainable income generating avenues and by improving access to basic needs such as housing, education, health care, utilities and transportation.
• Developing less developed region through regional growth centers.
• Bridging the digital divide.
• Addressing inter and intra ethnic disparities, particularly by raising incomes through the enhancement of skills and capabilities.
• Promoting equal opportunities in employment towards reducing disparities in occupation and income as well as enhancing integration among the ethnic group.
Situation of poor women in Bangladesh

- Insecure
- Divorce
- Dowry
- Abandoned
- Burden
- Take care of the children
- Last person in the family to take food
- Lack of opportunity – no dream, no vision, no hope
Origin of Grameen Bank (based on research by Muhamad Yunus 1976)

- To extend the banking facilities to the poor women
- To eliminate the exploitation of money landers
- To increase opportunities to self employment for the vast unutilized and underutilized manpower resources.
- To bring the disadvantaged people within the folds of some organizational format which they can understand and operate and can find sociopolitical and economic strength in it through mutual support.
- To reverse the age-old vicious cycle of "low income, low savings, low investment, low income" into expanding system of "low income, credit investment, more income, more credit, more investment, more income."
Grameen Bank (Bangladesh)

- Independent financial institution which owned by the poor borrowers of the bank who are mostly women and it works exclusively for them.
- The mission of the Grameen Bank is to alleviate poverty from the lives of the poor people.
Why women?

• Politically, socially and economically women are deprived. If being poor is tough, being a poor women is toughest.

• Being a poor women, she is totally insecure in her husband’s house, in her parents’ house because she is a burden to the family. The parents are just waiting her to get out.

• If a married women abandoned by their husband in case of any famine and disaster situation, it is the women who takes care of their children until death.

• Money going through a women in a household brought more benefit to the household than money entering the household through a man.

• Women not only better manager her family but also better manage her group.
Main features of GB

• Provides loan without collateral. It based on trust. No legal instrument.
• It does not wish to take the borrowers to the court in case of non repayment.
• A five members group.
• Provide service at door step of the borrower based on the principle that “people should not come to the bank, bank should go the people’.
• Loan can be received in a continuous sequence – weekly/flexible repayment/duration 3 month, 6 months or >1 year.
• Loan ceiling depends on her and group performances.
• All transaction are done openly in front of borrowers.
• Mainly for income generating activities.
Loan programs of GB

- Basic loan (Micro credit highway)
- Flexi-loan (disaster situation)
- Micro enterprise loan (special investment)
- House loan
- Higher education loan for member’s children
- Scholarship program for member’s children
- Struggling (beggars) member program.
BANKING ON THE RURAL POOR

THE EXPERIENCE OF AMANAH IKHTIAR MALAYSIA (AIM)
1986 - 2007
1. INTRODUCTION

- Amanah Ikhtiar Malaysia (AIM)
- Established on 17 September, 1987 as Registered Private Trust; a year after a launch of the pilot project in Sabak Bernam, Selangor.
- Governed by Board of Trustees (BOT)
- Members of BOT consist of Senior Officers from Government Agencies and Individuals on Personal Capacities
1.1. Government Agencies In AIM Board of Trustees

<table>
<thead>
<tr>
<th>Ministry of Finance</th>
<th>Ministry of Rural and Regional Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Planning Unit, Prime Minister Department</td>
<td>Implementation and Coordination Unit, Prime Minister Department</td>
</tr>
<tr>
<td>State Government Of Selangor</td>
<td></td>
</tr>
</tbody>
</table>
2. AIM OBJECTIVE

“.......reducing poverty among very poor households in Malaysia by extending benevolent loans to them, for the purpose of financing additional income generating activities”
3. AIM APPROACH

It is a specialized delivery system focused exclusively on the poor women, taking credit to their homes and villages with an approach based on self-improvement. The program is open to poor households regardless of race, religion, gender or political belief.
4. SPECIALISED DELIVERY SYSTEM

4.1 Exclusive focus on the poor in the rural area and priority for the poorest women

- Special means test to identify eligibility of potential clients
- Based on conditions of the house and monthly households income not more than USD66 (1986-1994), USD75 (1995-2000), USD 90 (2003), USD 200 (Current)
WHY WOMEN?

“Credit has the capacity to create self employment for both men and women almost instantaneously. It brings a women into the income stream without the usual sacrifice required under wage employment situation. She does not have to leave her habitat and her children. She does not have to learn a new skill to adapt herself to a new job. She can do whatever she does best and earn money for it”
4. 2. FACILITATE PARTICIPATION FOR THE POOR

- Suitable loan condition (no collateral, no guarantor & no legal threat/legal action)
- Credit is taken to the very poor, to their village
- Simple procedures, group training and oral test on understanding of rules & regulations
- Formation of groups by potential members (five members in a group, equal social-economic status & create right peer pressure & peer support)
4.3. FACILITATE PARTICIPATION FOR THE POOR

- Collective responsibility, group & centre accept collective responsibility & to careful scrutiny loan proposal to reduce AIM’s risk
- Close supervision by field staff and leaders in centre meeting & loan utilisation check
- Availability of subsequent loan, continuous & bigger loan with good credit track record
- Open conduct of all business at clients place
5. AIM PRODUCT

- MICRO LOAN
- INSURANCE
- SAVINGS
- WELFARE FUND
## 5.1 AIM MICRO LOAN SCHEME

<table>
<thead>
<tr>
<th>SCHEME</th>
<th>PRODUCT</th>
<th>DETAIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECONOMY (GENERAL LOAN)</td>
<td>I-MESRA</td>
<td>Continuously / Normal staggered</td>
</tr>
<tr>
<td></td>
<td>I-SRIKANDI</td>
<td>Continuously / Fast Track</td>
</tr>
<tr>
<td></td>
<td>I-WIBAWA</td>
<td>Short term loan / seasonal loan</td>
</tr>
<tr>
<td>NON-ECONOMY LOAN</td>
<td>I-BISTARI</td>
<td>Educational loan for formal education (primary, secondary/tertiary level), and skill-base training.</td>
</tr>
<tr>
<td>(SOCIAL)</td>
<td>I-SEJAHTERA</td>
<td>Multi purpose loan including consumption purpose</td>
</tr>
<tr>
<td>RECOVERY LOAN</td>
<td>I-PENYAYANG</td>
<td>Provided to those who face project failure because of health / natural disaster</td>
</tr>
</tbody>
</table>
7.1 OVERALL IMPACT SHOWS THAT:

- 90% AIM’S MATURE CLIENTS (MORE THAN 6 YRS IN PROGRAM) OUT OF POVERTY
- 10% STILL POOR
- 25% INCOME RM 529 – RM 1,000
- 37.89% INCOME RM 1,001-RM 2,000
- 20.66% INCOME RM 2,001 – RM 5,000
- 5.74 % INCOME MORE THAN RM 5,000
### 7.2 POVERTY REDUCTION EFFECTS

- 92% INCREASED IN BUSINESS INCOME
- 70% ACQUIRED PRODUCTIVE ASSET
- 82% HAVE MULTIPLE INCOME
- 31% HIRING 3.3 OUTSIDE WORKERS
- 31% HIRING FAMILY MEMBERS AS WORKERS
- 30% INCREASED IN BUSINESS PRACTICE
- 84% INCREASED SAVINGS OF RM 92
  COMPARE ONLY RM 21 FOR NON CLIENT MONTHLY
9. COORDINATION WITH GOVERNMENT

- Micro credit program as a tool for poverty alleviation is most appropriate implemented by NGO.
- But to be efficient, AIM’s efforts at poverty alleviation must be co-ordinated with those of government.
- In order to maximize the use of existing services. Thus avoid costly duplication of efforts, and to prevent one program from canceling out the good achievement of another.
10. CONCLUSION

- AIM model is a rare institution with full government support and funding in line with the wealth associated with a middle income country.

- It has reached more than 2/3 of the poverty-households in the whole country. This is possible as part of the government funding strategy, that AIM is required to move to provinces with the highest density of poverty and into districts with equally high poverty density in those provinces.