The Experiences Of The Grameen And Islami Bank Microfinance On The Poverty Alleviation In Bangladesh

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ABSTRACT

The study looks into the impact of microcredit on poverty alleviation of the borrowers of Grameen Bank and Islami Bank microfinance schemes and compares the contributions between these two of MFIs in Bangladesh. Towards the achievement of its objectives, the present study has used descriptive statistical and econometric techniques as well as Foster, Greer, and Thorbecke indexes. The Foster, Greer, and Thorbecke indexes used to evaluate the incidence of poverty by comparing before-after situations and multiple logistic regression models to estimate the parameters that influenced in the lieu of poor and non-poor of borrowers. The study found that access to credit has contributed towards reducing the incidence of poverty, poverty income gap, and severity of poverty of the borrowers of both of MFIs respectively. Moreover, multiple logistic regression model output shows that there are important positive impacts of microcredit on the status of poor and non-poor of borrowers of MFIs accordingly. Furthermore, the findings revealed that Islami Bank microcredit respondents have a fuller record of giving credit for income generating activities for reducing poverty compared to the Grameen Bank microcredit respondents. The present study recommends policy considerations for the successful and effective carrying out of

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microfinance programs through the addition of proper income generating activities, sufficient amount of access to credit, create self-employment opportunity and re-emphasis on the socket based Islamic mode of funding as well as card-al-Hasan on the initiation of spiritual values as an alternative microcredit model for poverty alleviation in Bangladesh.

Keywords: *Islamic and Conventional Microfinance, Poverty Alleviation, Grameen Bank, Islami Bank & Bangladesh*

JEL classification: *G2, N3*

1.0 INTRODUCTION

Poverty has considered as the state of deprivation as well as the fundamental problem for sustainable human development, with increasing diversity in human poverty and increasing the percentage of the population living under poverty line every year in Bangladesh. In Bangladesh, the situation of poverty and the number of marginal poor people is increasing every year, from 78.2 million poor people in 1970 to 80.46 million people in 2009 (Imai and Azam, 2010, Islam, 2009).

Through the hands of Professor Mohammad Yunus, the concept of microcredit is still deficient in many faces to reduce the overall poverty level in Bangladesh (Amin et al., 2003). In the same manner, many surveys have identified that the interest rate charged by micro-finance Institutions (MFIs), which takes in a range of 15% to 20% from the institutional and 33% to 120% in non-institutional cases, as unitary of the major impediments behind the effective financing solution for the poor Bangladesh (Kabeer, 2001, Amin et al., 2003). Moreover, Conventional microcredit running out of practicing of the spiritual, moral and ethical dimensions of human socio-economic development, which is precious in sustainable human development (Ahmed, 2006, Alam, 2009).

As Islam is conceived a perfect codification of human spirit. Islamic financing is just a part human daily life among the whole region of activities where Islam wants to furnish complete and sustainable ways of human life through establishing justice and goodness in all virtues of the basic set of societal and economic institutions which should be through the ultimate satisfaction of Allah (SWT). Allah (SWT) has clearly conveyed in the Quran to help each other in righteous deeds (Al-Quran, Surah Al-Maida, Verse no. 2), where the correspondence should be written having witnesses

with faithfulness between parties where any future transaction is involved (Al-Quran, Sura Baqarah, Verse No.282). Furthermore, But Allah promises you His forgiveness and bounties (Al-Quran, 2:268). In such events, Islamic microfinance has been known as the best-fit alternative to conventional microfinance within the priorities of the spiritual, moral and ethical dimensions of human socioeconomic development where the Rural Development Scheme (hereinafter mentioned to as RDS) is the largest Islamic Microcredit program in Bangladesh (Ahmed, 2006, Alam, 2009, Habib et al., 2004, M. Mizanur Rahmana et al., 2008, Parveen, 2009, Rahman and Ahmad, 2010, Uddin, 2008).

In replies to the above issues, a number of empirical studies have been done on impact analysis of conventional MFIs especially the part of Grameen Bank on poverty alleviation of the borrowers, but very few works have been made out of the impact of Islamic Shariah-based MFIs on the same events in Bangladesh. Thus, the primary aim of the survey is to appraise the contributions of the Rural Development Scheme (RDS) of Islami Bank Bangladesh Limited (largest Islamic Microcredit program in Bangladesh) and Grameen Bank (Pioneer of MFIs in Bangladesh) on the poverty alleviation of the borrowers as well as will compares the contributions between Grameen Bank and Islami Bank microfinance schemes on it in Bangladesh.

2.0 REVIEW OF LITERATURE

2.1 Grameen Bank Evidences on Poverty Alleviations:

There are numbers of empirical studies have discovered into the contributions of microcredit on the poverty alleviations around the globe. The present study has gone through the relevant empirical literature to justify the rationality of the objectives to measure the impacts of Grameen Bank on poverty alleviation in Bangladesh. Hossain has led a prompt study in 1984 found that both per capita income and family income were absolutely improved through the extent of credit gained from Grameen Bank. On the other hand, in 1988 he found that about 91% of Grameen Bank's participants enhanced their income as well as consumption once joining Grameen Bank (Hossain, 1988). However, Sharma, M. and M. Zeller in 1999 provides evidence that branches tend to be located in poor pockets of relatively well-developed areas than in remoter, less developed regions. Client density of established branches does not exhibit such a feature and actually tends to be better in less advantageous locations (Sharma and Zeller, 1999). Khandker revealed the microcredit program has special effects on local economies and increasing local village welfare as well as shrink thrilling poverty more

than reasonable poverty at the village level but aggregate poverty dropping effects was not pretty significant (). Moreover, Amin, S., A. S. Rai, et al. summarized that the microcredit is successful at reaching the poor, it is less successful at reaching the most vulnerable (Amin et al., 2003).

Moreover, Khandker, S. R. also examined to know the contributions of microfinance on poverty alleviations at both the participant and the aggregate levels using panel data from Bangladesh. The results suggest that access to microfinance contributes to poverty reduction, especially for female participants, and to overall poverty reduction at the village level (Khandker, 2005). On the other hand, Dowla, A. in 2006 observed that how Grameen Bank created social capital by forming horizontal and vertical networks, establishing new norms and fostering a new level of social trust to solve the collective action problems of poor people's access to capital (Dowla, 2006). However, Mahjabeen, R. found the welfare and distributional implications of microfinance institutions (MFIs) in Bangladesh in a general equilibrium framework. The major findings are that MFIs raise income and consumption levels of households, reduce income inequality and enhance welfare. This implies that microfinance is an effective development strategy and has important policy implications regarding poverty reduction, income distribution, and achievement of millennium development goals (MDGs)(Mahjabeen, 2008).

In the same way, Berhane, G. and C. Gardebroek break down that borrowing credit indeed causally increased consumption and housing improvements. A flexible specification that takes into account repeated borrowings also suggests that borrowing has cumulative long-term effects on these outcomes, implying that short-term impact estimates may underestimate credit effects (Berhane and Gardebroek, 2011). However, Imai and Azam in 2012 have applied the treatment effects model and PSM to each cross-sectional component of the panel data shows that the poverty reducing effect of MFI on poverty was significantly reduced over the years. The recommendations were suggests the need of more attention to be drawn to the primary purpose of microcredit, that is, poverty reduction, and also to monitoring loan usages in the situations where the profits of MFIs became increasingly squeezed and their activities became more commercialized under severe competitions among MFIs in recent years (Imai and Azam, 2012). Furthermore, Alam Saad in 2012 finds that female borrower are better able to allocate their income toward goods more valuable to them and make major household decisions when their income increases. This serves as evidence of increased empowerment or bargaining power of rural women in Bangladesh (Alam, 2012).

Moreover, studies identify that Microfinance appears to increase the basic rights of respondents and help improve the quality of life; the positive changes are consistently higher in non-governmental microfinance recipients (Mazumder and Lu, 2015). However, despite decades of effort, abject poverty remains a serious problem in many countries around the world. The effects of five approaches to poverty alleviation foreign aid, microfinance, social entrepreneurship, the base of the pyramid initiatives, and the establishment of property rights among the abjectly poor are briefly reviewed. While each of these approaches has some benefits, none have fulfilled their promise of poverty alleviation. Ironically, as these efforts have gone forward, international industrialization has had a more significant impact on poverty alleviation in at least some countries (Alvarez et al., 2015). In recent studies also indicate that the microfinance sector in Bangladesh exhibited 4.3 % in overall productivity progress, attributed mainly to better managerial efficiency. Further splitting the output into financial and social outreach, known as 'dual mission', this study observed 3.9 and 5 % productivity progress per annum respectively, with five best practicing MFIs being identified due to their balanced growth in both objectives. Although the depth of social outreach productivity (proxy by average loan size) recorded successive progress during the study period (2007–2012), the breadth of social outreach productivity (proxy by a number of savers) improved little due to the lack of innovative savings products. Thus, basing their designing of comprehensive savings products and development of appropriate synergies on the best five performing MFIs, the government and respective authorities should stimulate the transfer of their innovation practices to other MFIs to enhance sectoral growth and better serve the poor community (Mia and Chandran, 2016)

2.2 Islami Bank Evidences on Poverty Alleviations:

The Islamic financing is providing the complete and sustainable ways of human life through establishing justice and goodness in all virtues of the basic set of social and economic institutions towards the ultimate satisfaction of Allah (SWT). The theoretical part of the Islamic microfinance shows that there is a great potential to cater to the needs of the poor. Islamic MFIs has some inherent characteristics that can mitigate some of the problems faced by conventional MFIs. Dusuki in 2006 examined the potential of the group-based lending scheme of microfinance. It is argued that group-based lending approach is not a subject alien to Islam, as it is deeply inscribed in Ibn Khaldun's concept of 'Asabiyah' or social solidarity (Dusuki, 2006).

Moreover, Akhter et.al recognized Islamic microfinance as an important component in poverty alleviation strategies. While conventional microfinance products have been

successful in Muslim majority countries, these products do not fulfill the needs of all Muslim clients (Akhter et al., 2009). However, Obaidullah and Mohamed-Saleem in 2008 highlight the need for creativity and innovation in poverty alleviation efforts using Shariah compliant mechanisms. Contemporary mechanisms in use by mainstream Islamic banks and financial institutions may indeed be grossly inappropriate in the context of local economies and for financing micro livelihood projects (Obaidullah and Mohamed-Saleem, 2008). Finally, Kaleem and Ahmed in 2010 argue that charity-based Islamic MFIs will be financially and socially sustainable as these are to be based on the concepts of brotherhood, local philanthropy, and volunteer services. Charity-based Islamic MFIs will provide money for consumption as well as production purposes and, thus, can broadly target the economic and social needs of the poorest of the poor. They can help minimize indebtedness and reduce unequal distribution of wealth in society (Kaleem and Ahmed, 2010).

M. Mizanur Rahmana et al. analyzed many facets of the RDS and concluded that it was generally successful on the household income and expenditure where results revealed that it had increased significantly and positively influenced for the improvement of their standards of living (M. Mizanur Rahmana et al., 2008). However, Parveen examines about the institutional, financial and economic sustainability of the above model by using various indicators. The empirical analysis of the study revealed that RDS of IBBL has been treated as a sustainable MFI in the rural development and poverty alleviation of Bangladesh within a short span of time since its establishment (Praveen, 2009). Furthermore, Ahmed concluded that the success of a micro finance program depends on its impact on raising the income of its members and ultimately on improving the living standard of the poor. Identification of the contributory factors of RDS in poverty alleviation shall pave the way for diversification of RDS activities and development plans (Ahmed et al., 2006). The study also acknowledged about the quotations scholars about the potentiality of Islamic Microfinance in Muslim countries especially they mentioned that the Islami Bank microfinance has considered as a successful provider of credit to the poor borrowers(Alam, 2009, Basher, 2010, Bhuiyan et al., 2012, Habib et al., 2004, Rahman and Ahmad, 2010). Ashraf et al (2014) has comprehensively analyzed the performance of Islamic microfinance institutions around the world. Hassan et al (2012) examined the efficiencies of Islamic microfinance in the MENA countries.

3.0 METHODOLOGY

The study employed quantitative research approach towards the achievement of its objectives. The descriptive statistical and econometric techniques as well as Foster,

Greer, and Thorbecke indexes used to analyze field survey data of existing microcredit borrowers both of Islamic and Grameen Bank in Bangladesh. The Purposive stratified random sample methodology was used to select samples of respondents. There is 450 sample has been collected from the survey field where as 255 samples have collected from the Grameen Bank microcredit scheme and 195 samples from Islami Bank microcredit scheme for the area of Sylhet and Chittagong Division in Bangladesh. The sample size has been also fixed on the basis of a total number of MFIs members in the respected area.

Table No 3.1: Distribution of sample collection and field area by MFIs

MFIs	Study field area		Total
	Sylhet Division	Chittagong Division	
Grameen Bank (GB)%	147	108	255
	57.60	42.40	100
Islami Bank (RDS)%	71	124	195
	36.40	63.60	100
Total	218	232	450
%	48.40	51.60	100

Source: Primary Data from Survey

The present study has been used prominent poverty measurement index which has made by Foster, Greer, and Thorbecke (FGT index) for the assessment of incidence of poverty of the respondent household on the basis of three dimension of poverty i.e. (i) incidence of poverty, (ii) intensity of poverty, (iii) severity of poverty in compare to before and after situation of both of these MFI's borrowers. Furthermore, the logistic regression model was constructed to explain how microcredit and others socio-economic and demographic factors are affecting the status of poor or non-poor of borrower's households after access of microcredit involvement. Moreover, the logistic regression model is a special form of the general log-linear model, which has been become increasingly popular for the categorical data analysis where the dependent variable is categorical (nominal or non-metric) and the independent variables are metric. The poor and non-poor households have measured on the basis of per capita income. Especially those households have daily per capita income above $1.25 in 2009 and $1 in before five years back are considered as non-poor and vice versa for poor households.

The logistic regression model for both of MFIs respondents:

$$Ln\frac{P_i}{1-P_i} = Zj = a + \beta_i X_i + \varepsilon_i \quad (5)$$

Where,

P_i = 1 if the households "Non-poor"

$1-P_i$ = 0 if poor

X = the list of explanatory variables

$L = \beta_0+\beta_1 X_1+\beta_2 X_2+\beta_3X_3 + \beta_4X_4 + \beta_5X_5+ \beta_6X_6 + \beta_7X_7+ \beta_8X_8+ \beta_9X_9 + \beta_{10}X_{10} + {}_u$

Where are,

L = Household poor and non-poor status (Dummy variables where non-poor =1, poor =0)

X_1 = Borrower Age (on January 2009), X_2 = Borrowers no education (1= No education and 0= Otherwise), X_3= Borrowers within primary education (1=up to primary education and 0= Otherwise), X_4=Respondent Occupation with Agriculture (1=With Agriculture and 0= Otherwise), X_5=Respondent Occupation with Business (1=With Business and 0=Otherwise X_6=Total Household Size, X_7 =Total Household Earning Members, X_8 = No. of loan X_9 = Total amount of Loan Received, X_{10} = Income from other sources

u = Error term βo = Constant (intercept term) $\beta_{1,2...10}$ are the coefficients of explanatory variables

4.0 FINDINGS AND DISCUSSION

4.1. The Contributions of Microcredit on Poverty Alleviation

The prime aim of this study is to assess the incidence of poverty between these two MFIs' respondents' households. Based on Foster, Greer, and Thorbecke (FGT) index, the study measured poverty in three aspects, i.e. (i) incidence of poverty, (ii) intensity of poverty, (iii) severity of poverty. From the tables 4.1 and 4.2 as well as Figures 4.1 and 4.2, the study shows that the present incidences of poverty in Islami Bank's respondents' households are 57% while it was 63% five years ago. On the other hand, the present incidence of poverty in Grameen Bank's respondents' households is 68%, while it was 71% five years ago. The finding indicates that 57% of household

members of Islami Bank borrowers are living under the poverty line of $1.25 per day and 63% of their per capita income was under $1 before joining the credit program. 68% of Grameen Bank's respondents' per capita income was under $1.25 in 2009 and about 71% of Grameen Bank's respondents' households' per capita income was under $1 before joining the credit program. In comparing the study's results, Islami Bank respondents have done better in reducing the incidence of poverty by 6% over the five-year period, but it was only 3% of the Grameen Bank respondents. Thus, the study output reveals that microcredit has contributed well in reducing the incidence of poverty among the two MFIs but it is not at the significant and remarkable level.

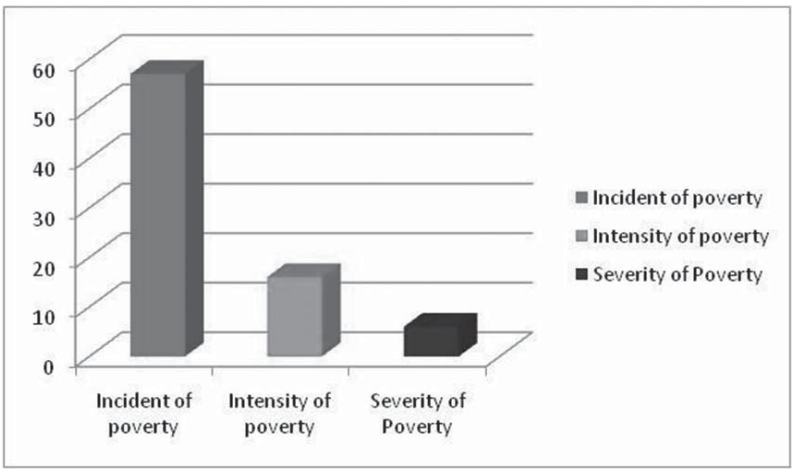
Table 4.1 Distribution of Poverty status of Islami Bank and Grameen Bank Respondents Households

Poverty status of Islami Bank and Grameen Bank Respondents Households (at present and five years back)				
	Islami Bank		Grameen Bank	
Indicators	At present	Before	At present	Before
Incident of poverty (%)	57	63	68	71
Intensity of poverty (%)	16	23	26	27
Severity of Poverty (%)	6	10	13	14

Source: Primary Data from Survey

Present poverty status of Islami Bank respondent's households:

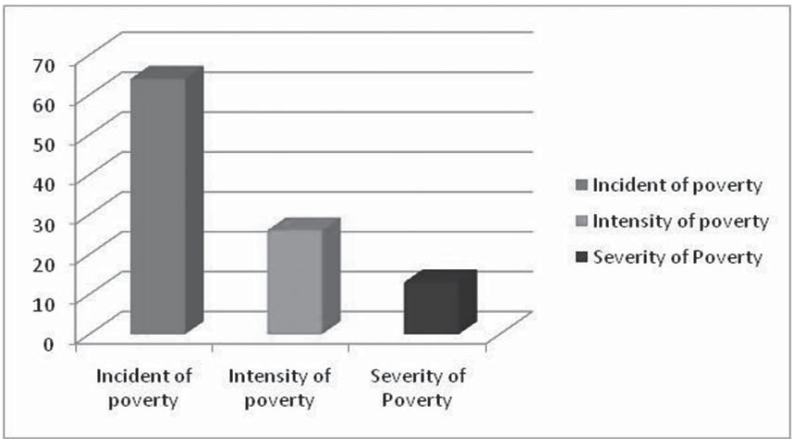
Figure 4.1 Distribution of the present poverty status of Islami Bank respondent's households



Source: Primary Data from Survey

Present poverty status of Grameen Bank respondent's households

Figure 4.2 Distribution of the present poverty status of Grameen Bank respondent's households.



Source: Primary Data from Survey

In terms of Poverty gap or intensity of poverty, 16% of Islami Bank respondents' households are still making a distance of the poverty line per capita income from the poverty line standard which is also called an average poverty gap, or the amount of income necessary to bring everyone in poverty right up to the poverty line, divided by total population but it was 23% over the last five-year period. On the other hand, 26% of Grameen Bank respondents was in the poverty gap at present and 27% five years ago. The study indicates that if Islami Bank borrowers are able to increase 16% of their per capita income then poverty would be fully alleviated whereas Grameen Bank respondents still require a 26% increase in their per capita income to move out of poverty. However, in comparing both MFIs, Islami Bank respondents have done well to reduce the intensity of poverty by 7% over the five-year period, but it was only 1% of Grameen Bank respondents accordingly.

Table 4.2 Distribution of reduction of poverty after involvement with credit

Reduction of poverty		
Indicators	Islami Bank	Grameen Bank
Incident of poverty (%)	6	3
Intensity of poverty (%)	7	1
Severity of Poverty (%)	4	1

Source: Primary Data from Survey

In case of the square of poverty gap or severity of poverty, at present 6% of Islami Bank respondents' household are living in the situation of the squared poverty gap or severity of poverty where it was 10% over five years back but the Grameen Bank respondents is 13% at present and 14% in the last five years ago. Moreover, in comparing both MFIs' respondents, Islami Bank respondents have reduced the severity of poverty by 4% over the five-year period but it was only 1% of Grameen Bank respondents.

4.2 Multiple logistic regression outputs of microcredit contributions on poor and non-poor

Multiple logistic regression models are a special form of the general log-linear model, which has become increasingly popular for the categorical data analysis where the dependent variable is categorical (nominal or non-metric) and the independent variables are metric. The logistic regression model was constructed to explain how microcredit and others socio-economic and demographic factors are affecting the status of poor or non-poor borrowers of both of two MFIs after access to microcredit.

Table 4.5 the combined results of Grameen Bank and Islami Bank's logistic regression analysis

Variables	Grameen Bank			Islami Bank		
	B	S.E.	Wald	B	S.E.	Wald
Constant ()	-.413NS	1.986	.043	-16.966***	3.923	18.706
X_1 = Borrower Age (on January 2009)	-.085***	.037	5.461	.072NS	.051	2.001
X_2 = Borrowers without education 1= No Education 0= Otherwise	2.643**	1.144	5.340	-1.736NS	1.181	2.163
X_3 = Borrowers within primary education 1= up to primary education 0= Otherwise	1.679NS	1.054	2.540	1.461**	.813	3.230
X_4=Respondents Occupation with Agriculture 1= Agriculture 0= Otherwise	-.927NS	.666	1.937	.155NS	1.158	.018
X_5=Respondents Occupation with Business 1= Business 0= Otherwise	.843NS	.914	.852	1.970***	.820	5.768
X_6= Total Household Size	-2.101***	.406	26.833	.066NS	.205	.104
X_7= Total Household Earning Members	2.365***	.613	14.862	1.635***	.501	10.640
X_8= No. of loan	-.623***	.220	7.992	.285NS	.225	1.610
X_9=Total Amount of Loan Received	.0001***	.00002	21.259	.0001***	.00003	15.639
X_{10} Income from the other sources	0.001***	.00014	28.381	.0003***	.00014	5.415

Number of Observations	255	195
Chi-square	231.753	208.294
Wald Chi-Square	29.724	30.187
Cox and Snell R- Square	0.597	0.656
Log Likelihood	90.026	58.819
Nagelkerke R- Square.	0.833	0.880
Hosmer and Lemeshow Chi-Square	at 0.001% Level	at 0.990 % level
Overall Percentage Correct of predicted	92.2 %	92.8

Note: *** Indicate significant at 99% level, ** Indicate significant at 95% level and NS Indicate significant at 90% level respectively.

Source: Primary Data from Survey

The summarized findings reveal that overall estimated result of logistic regression analysis of Islami Bank and Grameen Bank microcredit borrowers has a significant relationship between dependent variables and independent variables. In particular, Islami Bank microcredit has shown a much better satisfactory level where the Cox and Snell R2 are 0.656 and Cox and Snell R2 Nagelkerke is 0.880 which is at 0.000 level of significance. Grameen Bank microcredit borrowers showed an acceptable coefficient between dependent and explanatory variables where the Cox and Snell R2 are 0.597 and Cox and Snell R2 Nagelkerke are 0.833 which is at 0.000 level of significance. The R^2 value indicates that the status of poor and non-poor respondents' households could be explained by all the independent variables in the model. Thus, the study concludes that there is a significant relationship between reduction of household's status of poverty and microcredit loan of both Islami Bank and Grameen Bank respondents including other socio-economic and demographic characters.

4.3 Determinants of Influence of Variables

4.3.1 Age of respondents

The variable age of respondents has shown mixed influence on the status of poor and non-poor Islami Bank and Grameen Bank respondents where Grameen Bank respondents show a negative effect at the significant level. In the same way, Islami Bank respondents show a positive effect on it but not in the significant level. Thus, age is not an important matter for poor borrowers in income generating activities by using credit properly because they have fewer opportunities to use the borrowed money for income generating activities since it needs education, skills to operate businesses, occupation, access to sufficient credit, earning family members and available opportunity to run an income generating activity. However, results of this negative coefficient sign can be supported by the fact that most of the respondents are aged within 35 years old with 56% participating in the microcredit programs in Grameen Bank and Islami

Bank. In the same way, the study found that the most common age range was 25-35 years old respondents with 46% in both MFIs. The study also found that 31.30% of the respondents' age group was between 36 to 45 years, at the same time 10% of respondents' age group is between 25 and less year's age group, 9.8% is 46-55 and 2.9% is 56 or more age group.

4.3.2 Respondents level of education

In this model, Islami Bank and Grameen Bank microcredit respondents without education also show a mixed relationship with the respondents for improvement of poverty status where Grameen Bank respondents show significant positive relationship at 5% level and Islami Bank respondents show negative coefficient but not in the level of significance. On the other hand, the respondent's education up to primary level and above shows positive coefficient on the status of poor and non-poor. In particular, Islami Bank respondents show significantly positive coefficients at the 5% level while Grameen bank respondents also show positive relations. Thus, these findings revealed that respondents who have received a high level of education are likely to make more income in their family and move out from poverty compared to respondents who do not have primary education. Thus, it can be concluded that higher educated respondents are able to lead high livelihood status in Bangladesh

4.3.3 Respondent occupation in agriculture

The respondents' occupation in agriculture has also shown mixed relation i.e. positive and negatively affecting the respondents' monthly income for both Grameen Bank and Islami Bank. In particular, Islami Bank respondents' occupation has positive coefficient but not significantly influencing and Grameen Bank respondents have negative coefficient and also statistically not significant in the status of poor and non-poor of both MFIs' respondents. The study result indicates that occupation in the agricultural sector is not an important and potential sector for earning more income compared to operating businesses or any other income generating activities.

4.3.4 Respondent occupation in business sectors

The variable, respondent's occupation in business or income generating activities (IGAs) shows positive coefficient on the status of poor and non-poor of both MFIs' respondents. In particular, Islami Bank respondents show significantly positive coefficient at the 1% level while Grameen bank respondents also show positive relations but not in the significant level. If the other factors remain, the study output revealed

that respondents who have invested their borrowed credit in a business or any form of income generating activity, they are earning more income rather than agriculture or other occupations. When the income has increased, then it is easy to spend more money to meet their basic needs and this is a way out of poverty.

4.3.5 Total number of household members

The variable, total number of household members shows the statistically mixed effect on the status of poor and non-poor status for both MFIs' respondents. In particular, Grameen Bank respondents show statistically significant negative influence at the level of .01% and Islami Bank respondents show positive coefficient but not significant. In the general sense, if there are more family members, then there is more opportunity to engage in income generating activities to increase the amount of income. The study result indicates that the Grameen Bank respondents' households have less opportunity to engage their family members for income generating activities while Islami bank respondents do well; that's why a number of family members has positively influenced at a significant level to increase their income. As the study found, the average number of GB household members are 5.97 persons while RDS household members are 5.19.

4.3.6 Total number of earning members

The variable of the respondents earning family members as a determinant has positively influenced the status of poor and non-poor of both Islami Bank and Grameen Bank Microcredit borrowers. Both MFIs respondents have shown the 1% significant level of influence on the determinant of the status of poor and non-poor. These findings revealed that significant positive coefficient indicates that with more earning members in the family, the amount of the respondents' family income is also higher while other relevant factors remain constant. Moreover, the study shows that the average number of earning members for Islami Bank respondents' family is only 2.01 persons and Grameen Bank respondents' have 2.14 persons.

4.3.6 Number of loan

The number of loan shows mixed coefficient for both MFIs respondents' status of poor and non-poor. In particular, Islami Bank respondents have shown positive coefficient but not in the significant level. On the other hand, Grameen Bank respondents have shown negative influence but also not in the significant level. The mixed output indicates that the borrowers who increased their family income were those who took large amounts of the loan rather than more number of loans from MFIs and used that amount of loan in income generating activities.

4.3.9 Total amount of credit

The variable of the borrower's total amount of credit has shown statistically positive significant relation on the status of poor and non-poor of both Islami Bank and Grameen Bank Microcredit borrowers. Both Islami Bank and Grameen Bank respondents have influenced at the level of 0.01% in the status of poor and non-poor. The statistically significant positive coefficient indicates that borrower's total amount of credit has strongly influenced income generating activities by using the credit money. This finding summarizes that if other factors remain the same, respondents having large amounts of credit and use that credit in income generating then they are able to increase their family income and move out from poverty as well as improve their sustainable livelihood.

4.3.10 monthly income of other sources

The variable of the monthly income of other sources of the household has also shown statistically positive significant influence on the total household income at 0.01% level for both MFI respondents. If others factors remain constant, these findings also indicate that income from other sources also influences the total income of the family and helps to improve the standard of living in the sustainable stage. It also revealed that other earning members of the family have also a strong contribution to the family's livelihood to move out from poverty.

5.0 CONCLUSION

The study aims to assess the impact of microcredit on poverty alleviation. This study has conducted assessment of poverty in three aspects i.e. (i) incidence of poverty, (ii) intensity of poverty, (iii) severity of poverty. The result indicates that the present incidence of poverty of Islami Bank households are 57% compared to 63% in the last five years and Grameen bank households is 68% compared to 71 % in the last five years. Furthermore, in terms of poverty gap or intensity of poverty, 16% of Islami Bank respondents' households are still making distance of poor per capita income from the poverty line income compared to 23% over the last five years. At present Grameen Bank respondents' is 26% and 27% compared to five years ago. In the case of the squared poverty gap or severity of poverty, at present 6% of Islami Bank respondents' households are living in the situation of the squared poverty gap or severity of poverty at 10% compared to Grameen Bank respondents with 13% at present and 14% five years ago.

Moreover, in comparing the results of poverty on the basis of the above three dimensions, Islami Bank respondents have done well in reducing poverty status incidence by 6%, intensity of poverty by 7% and severity of poverty by 4% while Grameen Bank respondents have reduced poverty status only by 3% for incidence of poverty, 1% for intensity of poverty and 1% for severity of poverty over the five years period accordingly. Thus, study output reveals that microcredit is contributing to the reduction of poverty status among respondents of the two MFIs.

The summarized findings reveal that overall estimated result of logistic regression analysis of Islami Bank and Grameen Bank microcredit borrowers has a significant relationship between dependent variables and independent variables. In particular, Islami Bank microcredit has shown a much better satisfactory level where the Cox and Snell R2 are 0.656 and Cox and Snell R2 Nagelkerke is 0.880 which is at 0.000 level of significance. That proves the goodness of fit of the model. Grameen Bank microcredit borrowers showed an acceptable coefficient between dependent and explanatory variables where the Cox and Snell R2 are 0.597 and Cox and Snell R2 Nagelkerke are 0.833 which is at 0.000 level of significance. This proves the goodness of fit of the model. The R^2 value indicates that the status of poor and non-poor respondents' households could be explained by all the independent variables in the model. Thus, the study concludes that there is a significant relationship between reduction of household's status of poverty and microcredit loan of both Islami Bank and Grameen Bank respondents including other socio-economic and demographic characters. Finally, from the above findings, the study revealed that all the explanatory variables are influencing the reduction of poverty status of the respondents of Grameen Bank and Islami Bank especially in achieving education, operating income generating activities, total number of earning members, borrowing credit and income from other sources to improve the livelihood status from the poverty level.

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