

BOOK REVIEWS

***Banking on the Rural Poor.* By David S. Gibbons and Shukor Kassim.** Kuala Lumpur and Penang: Asian and Pacific Development Centre and Centre for Policy Research, University Sains Malaysia, 1990.

A lack of satisfactory credit delivery system has long been identified as one of the principal barriers to agricultural progress and rural development in the Third World. In the last two decades, which have witnessed the increasing application of scientific inputs in the farm sector through the Green Revolution, agricultural productivity, especially in the food grains sector, has been doubled and trebled. But this process has only helped to highlight the need for institutional safety nets to provide social and economic support to those that are marginalized by this rapid commercialization of agriculture. Parallel to the variable impact of industrialization on the urban community, agricultural modernization has created not only unequal development but also persistent poverty in some rural sectors.

In *Banking on the Rural Poor*, David Gibbons and Shukor Kassim have produced a record of their Projek Ikhtiar, which was a remarkable attempt to replicate in Malaysia the Grameen Bank experiment carried out in Bangladesh to uplift the living standards of the very poor rural families. They had set up a pilot project in the north-eastern agricultural sector of the state of Selangor that, in the style of the Bangladeshi rural move-

ment, offered small amounts of credit to an initial target of 300 households previously identified as the lowest rung of poverty-stricken rural households. Although several Five Year Development Plans had poured funds into rural development schemes that were intended to alleviate and reduce the level of rural poverty in Malaysia since the 1960s, the authors argue that such macro-economic plans often failed to take account of special regions or social circumstances in individual cases which denied them access to government programmes.

The directors of Projek Ikhtiar clearly faced some major conceptual problems in the choice of the target groups for poverty alleviation. A welfare-oriented project which received grants from the Islamic Development Foundation (YPEIM) might have been devoted to the more urgent needs of the lowest strata of poverty-stricken rural households. However, the authors rationalized that they could produce more significant and visible outcomes if they chose the larger segment of the poor. As they state in the Preface, "A sizable minority of rural poor household heads need more than opportunity, they need extension, skill development, supervision, motivation and for welfare cases, financial aid ... But there is a larger group, the remaining majority of very poor households, who need only the opportunity of a small benevolent loan to pull themselves and their families out of extreme poverty."

It seems to me that this proposition is undermined by their own Projek Ikhtiar, where it is

clearly shown that many of the loan recipients could have proved more successful in their economic enterprises if more advice and even some clear mandatory directions had been given by the loan providing agency. This would also have obviated the need to distinguish between the two categories of the very poor that they mentioned in the Preface. It would be extremely foolhardy for social scientists to claim that such fine distinctions of poverty groups could be applied in the field. Even conventional banks, which had proved less than enthusiastic about rural credit, do routinely proffer some kind of advice and guidance to their borrowers. It would be remarkable if the model Grameen Bank in Bangladesh did not offer advice and counsel in addition to the loans. Perhaps the authors were guilty of paying more attention to the model of the Grameen Bank presented in the literature provided (especially evident in Chapter 4) rather than as the bank actually operated in the reality of the Bangladeshi countryside.

An important departure from the Grameen Bank model was the fact that Projek Ikhtiar failed to charge interest on its loans, allegedly because all the funds for the project came as a grant from the Malaysian Islamic Economic Development Foundation. However, in order to defray administrative expenses of the programme it was initially found necessary to add a charge of 5 per cent on the value of each loan. This was later discontinued on advice from the relevant religious authorities who suggested a more equitable uniform charge, based on the total costs of administration divided by the total number of loans given (which amounted approximately to M\$75).

While the rationality of the pricing of loans by the Projek Ikhtiar is obscure, it is indeed regrettable that such a worthy attempt to alleviate poverty among the rural poor should have been constrained by sectarian considerations. Although, as the authors maintain, the project was intended to benefit all rural poor regardless of their religious affiliation, it is hardly surprising that there were no non-Muslim borrowers. No rural household would have willingly passed up an opportunity to improve their economic conditions through such

easy credit schemes, which, despite the administrative charges, received subsidies varying from M\$25 to M\$50 (p. 3). Since the funds came from an Islamic foundation, it was understandable that those who sought to maximize their benefits chose to spread misinformation that the Projek Ikhtiar was not accessible to non-Muslims (p. 28). It is a pity that the directors of the Projek Ikhtiar failed to correct such mischievous behaviour on the part of their Sahabat (beneficiaries).

Banking on the Rural Poor is a useful record of what ordinary people outside of government financial inducements (NGOs) can achieve in the vital development task of energizing and creating self-confidence among the often neglected rural poor. It is also a good example of the benefits to be derived by the co-operation evinced by four diverse and apparently unrelated bodies: a regional development organization (Asian and Pacific Development Centre), a government agency (Selangor State Economic Planning Unit), a national university (University Sains) and an NGO (the Islamic Economic Development Foundation). It would appear that having been inspired by the success of the Grameen Bank concept the sponsors of Projek Ikhtiar have succeeded in creating an entirely local institution which, in the form of AIM (or the Akhtiar Trust of Malaysia), will become increasingly a part of the government bureaucracy.

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