



Palli Karma-Sahayak Foundation (PKSF)

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**Employment Creation through Microcredit Programmes Supported
by PKSF and Others: The Cases of TMSS and JCF**

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Executive Summary

1. Background and Objectives

Palli Karma-Sahayak Foundation (PKSF) has been working as an apex development organization for poverty alleviation through employment generation. It has been implementing its programmes through about 200 Partner Organizations (POs). Considering the scale of operation of microcredit and importance of employment for poverty reduction, The Governing Body of PKSF has decided to conduct a study on employment creation through the microcredit programmes of the largest two POs of PKSF -- Thengamara Mohila Sabuj Sangha (TMSS) and Jagorani Chakra Foundation (JCF). The main objective of the study is to assess the employment creation through microcredit and other related activities of the two POs of PKSF. Important areas covered under the study are socio-economic characteristics of the participant households, access to microcredit, types of Income Generating Activities (IGAs) and Microenterprises (MEs), contribution of different sources of fund to the IGAs and MEs, nature and types of employment, estimation of total employment likely to be generated by PKSF programmes, capital investment per unit employment, remuneration of the employees; skill training and other capacity building supports to the households, training required by them and factors contributing to employment and household income. The study covered Jagoron (earlier called rural and urban microcredit), a programme that provides support to the households in their IGAs, and Agrosor (earlier called ME), a programme that supports the households in their MEs, of TMSS and JCF.

2. Study Methods

The study was conducted on 1368 households, of which 342 were selected from each of Jagoron and Agrosor programmes of both TMSS and JCF using stratified random sampling with proportional allocation. At the first stage, a total of 36 branches, nine each from Jagoron and Agrosor programmes of the two POs were selected using stratified random sampling with proportional allocation according to the size of total number of branches. At the second stage, 38

households each from the 36 selected branches were selected using simple random sampling technique. The borrowers of the selected households were the respondents of the study. The households enrolled before December 2010 and received at least three loans from the respective programmes were considered in the survey. Data were collected through direct interview method using pre-coded structured questionnaire and case studies in September 2014. In order to ensure quality of data intensive training was imparted to the field enumerators and supervisors on data collection techniques and questionnaire. Moreover, researchers directly supervised the data collection work at field, reviewed filled-in questionnaires and provided immediate feedback to the enumerators for corrective measures. Moreover, data cleaning was done before preparing the outputs.

3. Socio-economic Characteristics

About two-thirds of the total population under the study belong to the age group of 15-64 years indicating the high potentiality of economic growth through proper utilization of population of this age group. Overall, average size of the households is 4.78 against the national average of 4.44 in 2013. Around 94 percent of the total participants are currently married and the rest are widowed, separated, divorced and unmarried. General literacy rate of the participants is nearly 69 percent -- 98 percent for male and 64 percent for female. General literacy rate of the household members is about 76 percent against the national average of 56.8 percent in 2010. About 21 percent of the Agrosor households have pucca (concrete) dwelling house while the same is about 11 percent for Jagoron with an average of 16 percent. About 65 percent of the households have hygienic toilet -- 77 percent for Agrosor and 53 percent for Jagoron. Ninety nine percent of the total households under both Jagoron and Agrosor programmes use safe water for drinking. Overall 87 percent of the total households under study have access to electricity. Of them about 81 percent use national grid, five percent solar panel and the rest use generator/battery. About 69 percent of the participants' primary activity is household work. But most of them have their secondary occupations in different types of IGAs. There are about one percent participants who are student or disabled or have no work. As primary occupation, the highest percentage of participants is engaged in business followed by agriculture, service and day laborers. Male members are mainly engaged in business, while the females are in agriculture. Per

household annual income of the Jagoron households is about Tk 2.42 lakh against Tk.6.60 lakh for the Agrosor households constituting overall average of Tk. 4.51 lakh. Thus annual income of the Agrosor households is almost three times higher than the income of Jagoron households.

4. Access to Microcredit

Average number of participants per household enrolled in microcredit programme is 1.03, which is 1.02 in TMSS and 1.03 in JCF. Apart from Jagoron and Agrosor, they also participated in Ultra Poor Programme (UPP), BRAC, Grameen Bank and ASA, but their number is very few. About eight percent of the total participants under the study had ever withdrawn their membership from the present PO. Average duration of this withdrawal is more than one and a half years, which is about one-fourth of the total duration of their affiliation with the present PO. Average sizes of loan per person are Tk. 24,883 in Jagoron and Tk. 1,24,362 in Agrosor with an average of Tk. 75,096 in 2014. Exponential growth rate of loan size per year per person increased about 15 percent for Jagoron and 19 percent for Agrosor with an average of 17 percent indicating more concentration of loan to the Agrosor participants. About 92 percent of the total loan received by the participants has been utilized in economic areas and the rest in non-economic areas. Agrosor participants have utilized higher percentage of loan in economic areas than Jagoron. The highest amount of loan has been utilized in business sector followed by agriculture, land purchase, service and house repairing. Agrosor participants have used their loans more in business, while it is in agriculture by those of Jagoron.

5. Initiated IGAs and MEs with their Sources of Finance

About 86 percent of the total households under the study are currently running IGAs/MEs. Among the Jagoron households the highest 42 percent are running agriculture related IGAs while among Agrosor households the highest 60 percent running business related MEs. Most of the IGAs and MEs are undertaken by the households from their own finances. Majority of the households initiated IGAs and MEs before their membership in the POs concerned. Only 19 percent of the sample households initiated new IGAs and MEs with the financial support from TMSS and JCF after becoming member and the rest of the households initiated their

IGAs and MEs before membership. Contribution of TMSS loan to the current capital of IGAs and MEs is only about 14 percent, while the same is about 16 percent for JCF loan with an average of 15 percent. About four-fifths of the current invested capital is contributed by the own source of the households. Though the contribution of TMSS and JCF loan to the current capitals of IGAs and MEs seems to be very low, but in reality their contribution is not such low. Because a major portion of the own fund has been accumulated from the previous loan and profit from the IGAs and MEs. Considering the contribution of MFIs to the accumulation of own fund, overall contribution of TMSS is about 31percent and JCF is about 33 percent with an average of 32 percent to the invested capital under IGAs and MEs. Moreover, 52 percent of the total respondents mentioned that they could not expand their MEs and IGAs without the PO's loan. There is an increasing trend of amount of investment to the current IGAs and MEs. Current investment per household for the IGAs and MEs under TMSS and JCF is more than four times higher than the initial investment. Investment per IGA increased about three times and per ME about five times with an average of around four times compared to the initial time of investment.

6. Employment Creation in Jagoron and Agrosor Programmes of TMSS and JCF

Of the total economically active population of the participant households, around 64 percent is full-time employed against 34 percent part-time employed and the rest is absolutely unemployed. This means that absolute unemployment is not a serious problem; problem lies in part-time employment and in underemployment. Of the total full-time employees about 94 percent are employed throughout the year, while the each seasonal and irregular employee is around three percent. Overall full-time equivalent employment rate of the economically active population of the participant households is about 78 percent -- 79 percent in TMSS households and 76 percent in JCF households.

About 76 percent of the total sample households, who received loan, were able to generate employment through utilization of their loan. This was 63 percent for Jagoron and 90 percent for Agrosor households. Jagoron creates about 44 percent full-time self-employment, against 58 percent by Agrosor with an average of 52 percent. The rests are part-time self-employees in

both the cases. There are about 1.44 self-employees per household under Jagoron and 1.32 under Agrosor. In terms of full-time equivalent employment, TMSS creates 0.83 and JCF creates 0.85 with an average of 0.84 per household in Jagoron programme. The same are 0.86 for TMSS and 0.95 for JCF with an average of 0.91 in Agrosor programme.

On the whole, about 98 percent of the salaried employees are full-time and the rest are part-time. About 88 percent of the total salaried employments have been created under Agrosor and the rest under Jagoron. In case of Jagoron, there are 2.19 salaried employees per household under TMSS and 1.47 under JCF with an average of 1.84. The same under Agrosor are 2.34 in TMSS and 2.00 in JCF with an average of 2.12. This indicates that per household salaried employees in Agrosor is higher than that in Jagoron. In terms of full-time equivalent salaried employment, Jagoron creates 2.15 under TMSS and 1.40 under JCF with an average of 1.79 per household. The same figures in Agrosor are 2.29 for TMSS and 1.98 for JCF with an average of 2.09.

In case of wage employment, Jagoron creates about 82 percent part-time employment against Agrosor 70 percent and the rest are full-time wage-employment under both the programmes. This indicates that wage employment creates mainly part-time employment. Per household full-time equivalent wage employees become 1.50 in TMSS and 1.08 in JCF households with an overall average of 1.38 in Jagoron. In case of Agrosor, it is 3.89 in TMSS households and 1.92 in JCF households with an average of 3.16. This indicates that per household full-time equivalent wage employees in Agrosor is more than double than that in Jagoron.

On the whole, Jagoron creates 2.88 gross employments per household and Agrosor creates 4.30 with an average of 3.72. This means that on an average Agrosor creates about 49 percent higher number of gross employments than Jagoron. In case of per household full-time equivalent employments, Jagoron creates 1.34 and Agrosor creates 2.65 with an average of 2.11. This implies that net employment creation in Agrosor is about double than that in Jagoron. Average number of gross employees per IGA/ME is 2.84 in Jagoron and 2.93 in Agrosor with an average of 2.46, while the number of full-time equivalent employees per IGA/ME is 0.85 in

Jagoron and 1.85 in Agrosor with an average of 1.40. On the whole, Agrosor creates about 68 percent of the total employments and the rest by Jagoron. Among the different sectors of employment, agriculture creates the highest number of employment in Jagoron and the same is business in Agrosor. In terms of number of full-time equivalent employees per household or per IGA/ME, agriculture holds the lowest position in both Jagoron and Agrosor; the highest position is occupied by industry in both the programmes, which is followed by processing.

Percentage of overall female employees is 19 in Jagoron and 13 in Agrosor with an average of 15, which is five percentage points higher under TMSS than JCF. TMSS achieved higher participation of women in employment than JCF. Overall percentage of full-time employees to the total gross number of employees is 34 in Jagoron and 49 in Agrosor with an average of 45. This means that full-time employment in Agrosor is 15 percentage points higher than that in Jagoron. Among the different sectors, business generated the highest 56 percent of the total full-time equivalent employment -- 54 percent under TMSS and 59 percent under JCF. Current average number of gross employees increased about 18 percent per household and 12 percent per IGA/ME compared to the time of becoming member. Average number of employees increased in Agrosor is significantly higher than that in Jagoron. Currently the average number of full-time equivalent employees per household and per IGA/ME increased about 17 and 11 percent respectively, those are very close to the changes in gross number of employees. About 21 percent of the households created new employments and newly created employments are about 43 percent higher than that of the time of becoming member.

Including the contribution of MFIs to the formation of own capital of the households under IGAs and MEs, TMSS and JCF create 0.73 and 0.60 additional full-time equivalent employments per household respectively with an average of 0.67. Overall, PKSf and MFIs individually create 0.68 and 0.70 additional full-time equivalent employments through their microcredit programmes. The projected figure shows that PKSf through its Jagoron and Agrosor programmes creates about 2.11 million full-time equivalent employments. The study reveals that average amount of capital investment for one full-time equivalent employment is Tk. 95 thousand under Jagoron and Tk. 3,44 thousand under Agrosor with an average of Tk.

279 thousand. Though the investment per unit of employment under Jagoron is significantly lower than that under Agrosor, the employment under Jagoron is not sustainable and is low productive, whereas employment under Agrosor is more sustainable and remunerative.

On an average, each of the employees is employed around 19 person days per month -- 18 person days in Jagoron and 21 person days in Agrosor. Thus, on an average Agrosor employees work three days more per month than Jagoron employees. Between TMSS and JCF, JCF employees are employed two days more than the employees of TMSS. Perception based method implies that there are 53 percent underemployed in Jagoron and 38 percent in Agrosor with an average of 43 percent. Underemployment rate is about 15 percentage points higher in Jagoron than the rate in Agrosor. Weekly 35 hours based method reveals that overall underemployment rate is about 37 percent. Perception based method provides about six percentage points higher underemployment rate than the weekly hour based method.

7. Periodic Terms and Remuneration of Employment

The households surveyed employ 2453 hired persons in their economic activities. It is 63 percent of the total employees involved in the economic activities of the households. Among the hired employees, about 89 percent are male and the rest are female.

Of the total hired employees, around 68 percent employed on daily basis, 16 percent on monthly basis, five percent on hourly basis, four percent each on yearly and weekly basis. The rests are on contract and seasonal basis.

The average remuneration per employee per month is Tk 7592; Tk 7820 for a male and Tk 4643 for a female. The remuneration for a male is about 68 percent higher than that for a female. The highest remuneration is for a seasonal male employee at Tk 10400 and the lowest is Tk 1500 for a yearly employee under Jagoron. The remuneration in the TMSS households is 28.63 percent higher than that in JCF.

Allowances for festival, overtime working, medical reasons, housing or accommodation, food and refreshments, and others alike are in force, meager in frequencies and small in amount.

Overall, the highest about 26 percent employees get festival allowances, whereas in TMSS households 23 percent and in JCF households about 31 percent. These percentages in Jagoron are about 18 percent and in Agrosor more than 29 percent.

About 41 percent of the external employees enjoy a holiday or leave. A greater number of Agrosor employees get leave or holiday than the Jagoron employees, and a greater number of JCF employees get leave than their counterparts. About 13 percent eligible women get maternity leave, majority of them are without pay.

8. Training and Assistance to the Employees

Frustratingly, a little more than three percent of the total employees received training. The rate of utilization of training is around 78 percent and this rate is higher in TMSS households than those in JCF households. About 51 percent households informed their training needs. Important areas of training required by the respondents are tailoring, driving, embroidery, crop cultivation, livestock and poultry rearing, business management, repairing, etc.

9. Factors Contributing to Employment Creation and Household Income

The regression coefficient implies that the larger the size of capital investment the larger is the number of employment. Remaining the other factors as constant, investment of Tk.10 lac, on an average creates nearly one additional full-time employment. Contribution of Agrosor programme to the full-time employment is about more than double than that of Jagoron. Contribution of TMSS to the full-time employment is a little higher than that of JCF, but not statistically significant. Number of employment per household is significantly higher in Bogura region than the number of employment in other regions of the study. Bogura region is mainly covered by TMSS. Geographic characteristics of this region are also in favor of employment creation. This is one of the reasons for higher number of employments under TMSS than JCF. Female borrowers are more efficient than male borrowers to create employment through utilization of microcredit.

Contribution of employment in person days per month to the household income shows the highly significant and positive. Years of schooling of the participants has also significant contribution to the household annual income. Male members have about 10 percent higher income against the income of females. This happened mainly due to the higher participation of male members in Agrosor programme. Contribution of Agrosor to the household income is about 80 percent higher than the contribution of Jagoron, which is mainly due to Agrosor households are better off from the time of their enrolment and having larger size of investment.

10. Recommendations

- i. Since the Agrosor programme is more conducive to create full-time employment than the Jagoron, more emphasis should be given on expansion of this programme. In employing external people under this programme, employment of ultra-poor should be ensured. For making them employment worthy their skill should be enhanced.
- ii. In order to create full-time employment as well as to reduce poverty more emphasis should be given to create employment in non-agriculture sector.
- iii. Demand led training to the population of economically active age group should be provided through POs. This will help unemployed economically active population enter into the employment market as well as derive demographic dividend.
- iv. Though, in the most cases, the loans are provided to women, but their participation in employment is only 15 percent. MFIs need to ensure women's participation either as entrepreneur or employee through proper monitoring, supervision, motivation and promoting skill.
- v. To increase the number of employment per IGA or ME, amount of investment per IGA or ME should be increased. In this regard, based on utilization capacity of the participants, appropriate amount of loan should be disbursed to them.
- vi. There are some economic activities initiated by the participant households provide higher return, but do not create long term employment like non-agriculture land purchase, house construction for renting, etc. Therefore, PKSf should encourage the POs to provide loan and relevant inputs to employment intensive areas, e.g. commercial agriculture with particular focus on livestock, industry, business, processing, etc.