

WELCOME



Role of Micro Finance in Poverty Alleviation: Experiences of Bangladesh

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Micro credit a small amount credit to the poor

- ❖ without any collateral;
- ❖ paid back in installment ;
- ❖ peer pressure and trust play the main role;
- ❖ Savings, micro insurances are some others products which is commonly called microfinance .



(RDCD 2016) The maximum amount of loan:

For an individual is \$235-\$1745

For a group or cooperative range is \$1764- \$ 11500

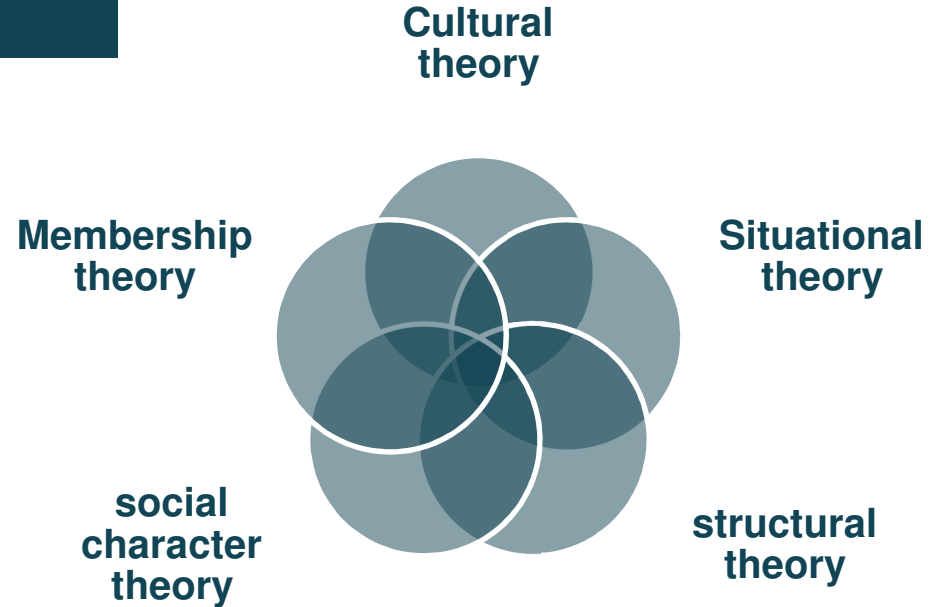
The interest rate up to 11 % on a flat rate

ASARRD sponsored by FAO advocated for financial inclusion of poor. BARD experimented in 1975 . Subsequently , The concept was institutionalized by Grameen Bank in 1976.



Concpet of Poverty

Poverty is caused due to inadequate understanding of human capabilities and failure to create enabling theoretical frameworks, concepts, institutions, and policies to support their capabilities. Yunus 1998





Poverty Situation in Bangladesh

Fig.01 HCR of Poverty using Upper Poverty Line

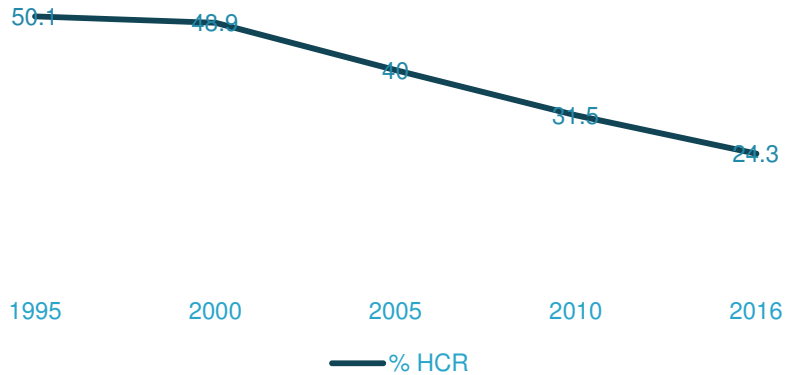


Fig. 02 HCR of Poverty Using Lower Poverty Line

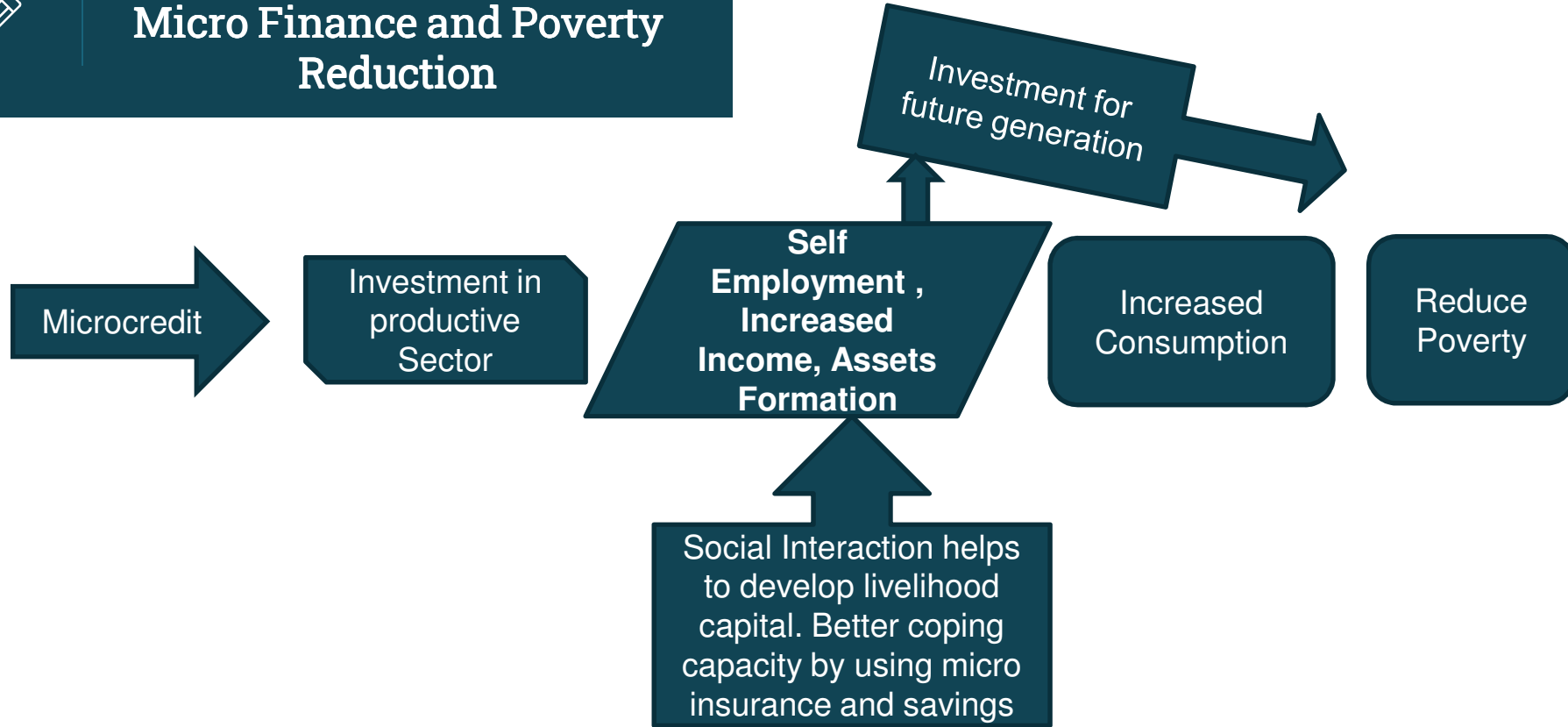


Growth in **rural labor income** (e.g., real wage), declined **dependency ratio**, greater **non-farm income opportunities**, and **wider safety net program**.

Microcredit encouraged self employment in non farm sector



Conceptual Framework of Micro Finance and Poverty Reduction





An overview of micro finance Sector in Bangladesh

- 724 MFIs, GB, Bank and GO operate Micro Finance
- In 2018-19 a total of **35.39 million borrowers** out of **42.91 million** beneficiaries got loan an amount of **BDT. 16,96,240 million**
- Proportion of borrowers from **MFIS and GB** is **72.79%** and **23.48%** while their share of total loan distribution is **82.72%** and **14.81** percent respectively.
- Large MFIs has major Share in market
- Flagship Program of the government **My House My Farm**



Empirical Findings

- Microcredit provide stereotyped credit for promoting **survival and subsistence-level** economic activities, especially of the **poor female clients**;
- Micro-credit has a positive impact on **income, employment generation, having better coping capacity against adverse effects of shocks, and reducing poverty**, thereby improving the standard of living of borrowers.



Empirical Findings

- **Self-employment supported by credit has more potential to increase assets than wage employment. Credit creates economic power which translates later into social power.**
- **Continuous participation** in the microcredit program has helped participant's households to **earn higher income and consume more**, thereby **lifting many of them out of poverty**. But a culture of **regular repayment of the loan**, **entrepreneurial quality** and a favorable local economy are prerequisites



Empirical Findings

- **Microfinance can protect households from shocks, contribute to changing societal norms about the role of women in society and lead to some households moving out of poverty.**
- **Cumulative household borrowing is significantly and positively influences household per capita income and asset holding**

Findings related to little impact on poverty

- **High rate of interest, inflexible repayment schedule, the multiplicity of credit** by different organizations, inadequate amount of loan against investment requirements, and **overemphasize on financial viability** create problems of livelihood improvements and reducing poverty.
- Women have little **control over credit** and sometimes they are forced to take credit.
- The amount of dowry is increased.

- The **organizational structure, management pattern, and working culture** of MFIs hardly feasible to attain the mission of poverty reduction.
- Field workers want to give credit to comparatively better poor.

Conclusion

- **The concept proved that the poor are bankable.**
- **There is scope for further improvement.**
- **Replicating the model in other countries it needs to be contextualized**
- **The new experimentation of micro saving will open new opportunities for increasing the financial inclusion of the poor.**

THANKS!