

# WELCOME



## Role of Micro Finance in Poverty Alleviation: Experiences of Bangladesh

Ranjan Kumar Guha  
Director In charge, BARD



## 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**

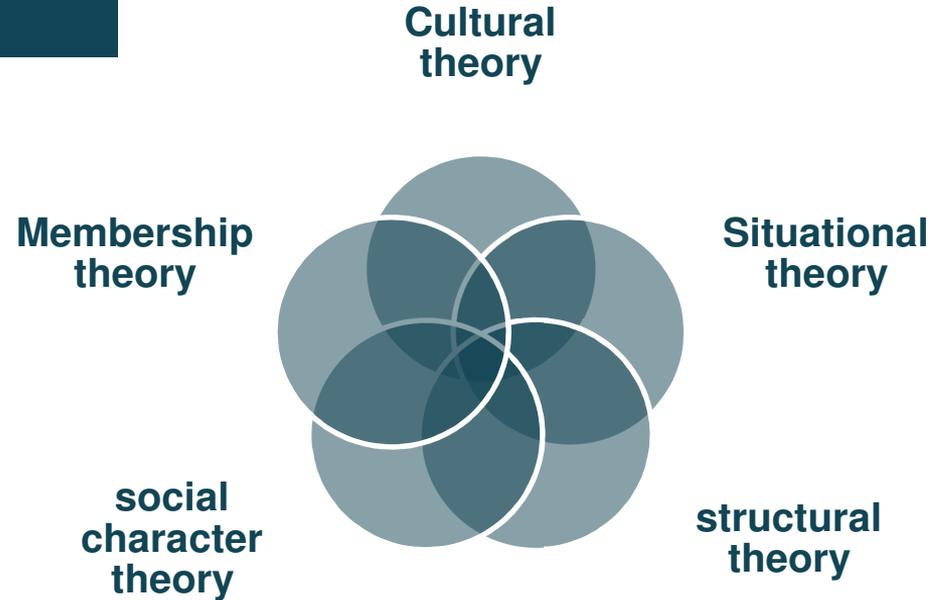
**The interest rate up to 11 % on a flat rate**

**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**



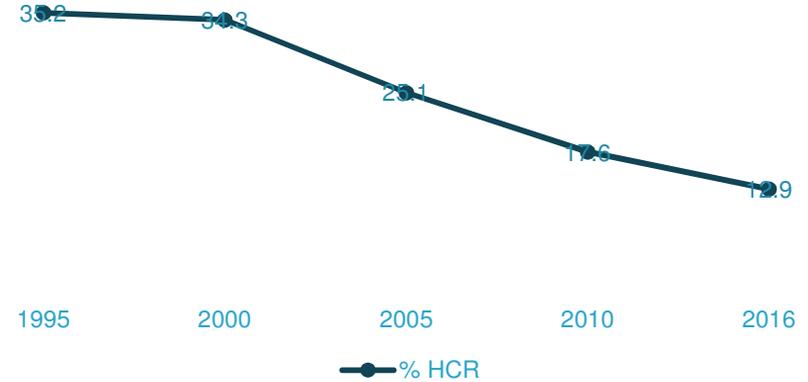


## Poverty Situation in Bangladesh

Fig.01 HCR of Poverty using Upper Poverty Line



Fig. 02 HCR of Poverty Using Lower Poverty Line

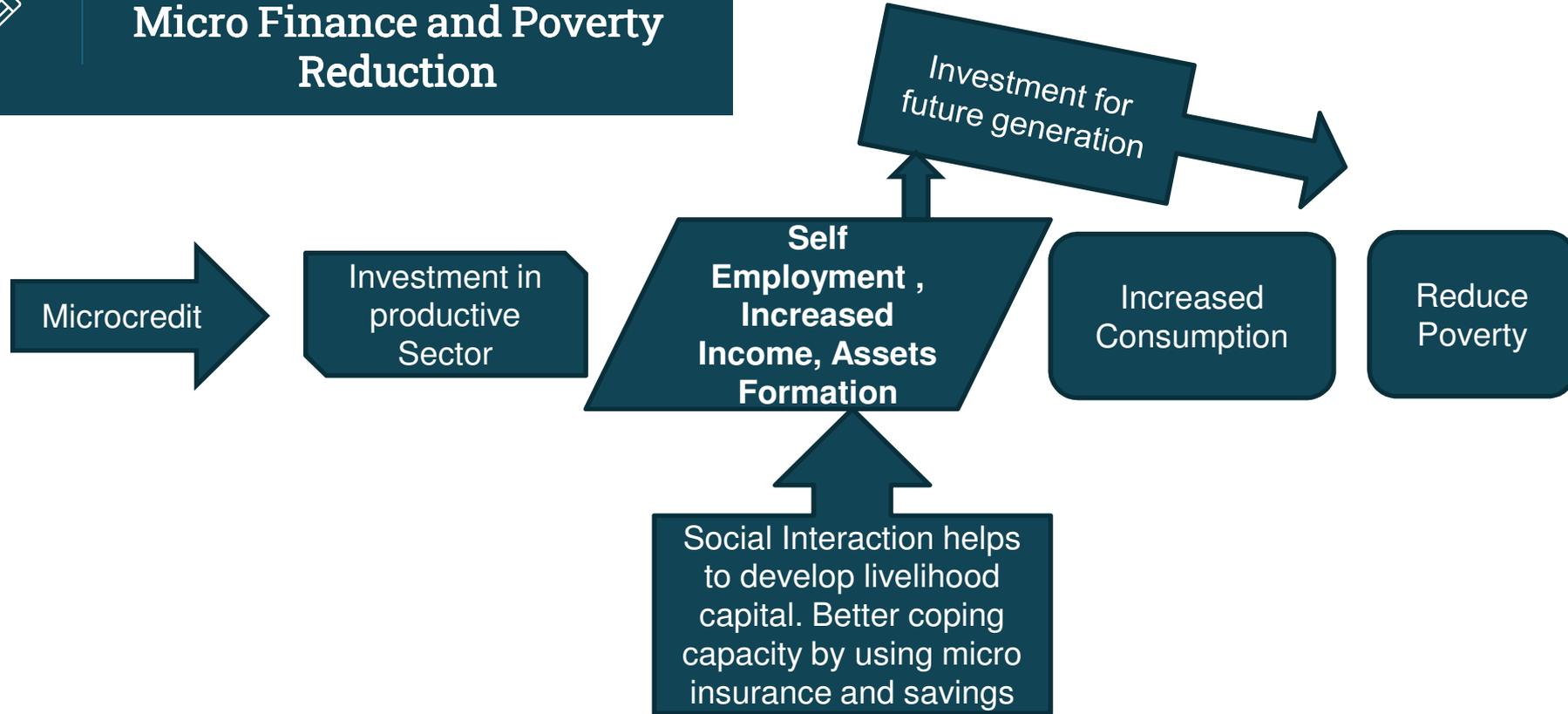


Growth in **rural labor income** (e.g., real wage), declined **dependency ratio**, greater **non-farm income opportunities**, and **wider safety net program**.

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!**