

Contribution of Micro Finance on Poverty Alleviation in Bangladesh

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ABSTRACT

Poverty exists through the world as a curse and a big trouble in the way of development. When people deprived of their basic needs such as food, cloth, shelter, education, treatment and so on is termed as poverty. This paper is to examine empirically the impact of micro-credit on poverty alleviation in Bangladesh. The regular growth of the micro finance concerned parties has been promoted not only by market forces but also by conscious actions of national governments, Non-Governmental Organizations (NGOs) and the donors who view microfinance as an effective tool for eradicating poverty. This paper argues that microfinance can be considered as an important element for an effective poverty reduction strategy especially in rural areas. This study is developed by descriptive analysis based on secondary data. After the analysis of collected data and information, it shows evidence that practically microcredit can be considered as an effective tool for poverty reduction in developing countries like Bangladesh. To be more ensure that how much and how the microcredit really reduces poverty, further study and research should be carried out in future.

Keywords: microfinance; poverty; MFI's; NGO

1. INTRODUCTION

Poverty is a pervasive problem for the developing countries. It exists through the world as a curse. Poverty, works as a hindrance of economic development of a country. Poverty may exist in different levels in our society. The rural people especially the poor deprived of basic needs such as food, cloth, shelter, and so on at their daily lives. They also lack on access to a proper

education, a proper treatment for ensuring a sound health. This paper is focusing on contribution of microfinance on poverty alleviation in developing countries like Bangladesh. One such poverty palliation weapon is micro finance, which is worldwide recognized since the 1990s. Besides, it is proved to have a positive impact to reduce poverty in Bangladesh (Hossain & Knight, 2008; Venkataramany & Bhasin, 2009; Chemin, 2008). Microfinance has proved to be significantly responsible for alleviating poverty within the rural areas where it has been established. While it still has a long way to go in gaining self-sufficiency and in enhancing its reach and impact, it has made a difference in the lives of many individuals. (Ashish Sharma, 2015). The effects of microfinance programs on poverty-reduction are still significant after twenty years of operation. However, it seems that for the most part, activities supported by microfinance have not been greatly diversified over time. (Khandker & Samad, 2016). The main objective of the study will be achieved throughout the various analysis and data collection. The overall study aims to evaluate and examine the role of microfinance in eradicating the poverty in developing countries like Bangladesh especially in rural areas.

2. MATERIALS AND METHODS

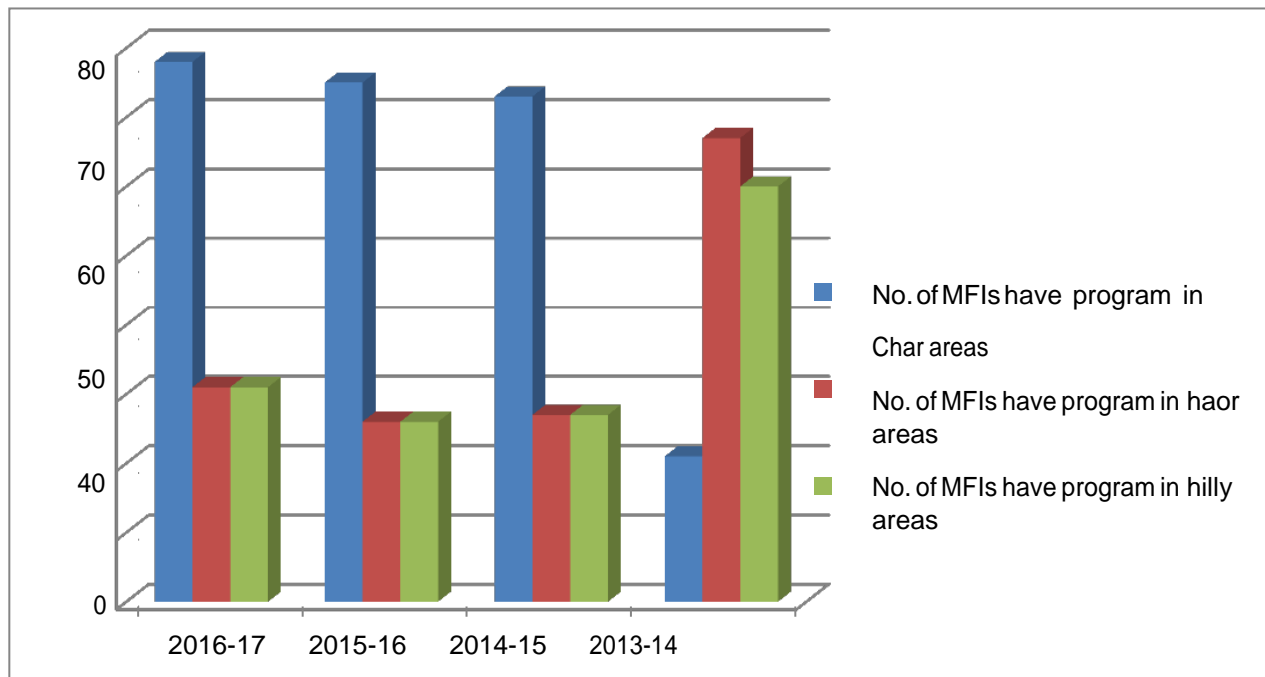
The information designed in this study has been collected from various secondary sources. To express the relationship between the rural people and the MFI's, the vital data are collected from the published report of selected sources. Moreover, other important data are collected from various books, journals, newspapers and other publications in a relation with microfinance. This study is designed by descriptive analysis based on secondary data and information. In this study I would try to follow a proper and appropriate method to collect information and analyzing them in focusing in the light of the prime objective of this study.

3. RESULTS

Rural people in Bangladesh in remote areas are living under the poverty line. They suffer from different level of poverty in their daily lives. Various micro finance institutions are working to recover the socio economic condition of that people by granting microcredit to them. The success of microcredit in Bangladesh has led to using it as a major tool in national

poverty reduction strategy by both the government and non-governmental organizations. NGO-MFIs have been working in the rural areas of Bangladesh addressing the poor, very poor and near poor people under their different programs both financial and social development. These areas also include remote areas and difficult terrains like char,hoar and hilly areas.

Figure No.1: MFI's in Remote Areas



The figure show that the activities of MFI's have a noticeable change in 2017 compared to 2014. The program of MFI's is popularly accepted by the rural people of Bangladesh and they viewed that as a source to improve their economic condition.

Particulars	2016-17	2015-16	2014-15	2013-14
Number of MFIs have ME loan Program	247	290	226	208
Disbursement of ME loan (Tk. in million)	361,096.99	277,884	231,408	176,952
Outstanding of ME loan (Tk. in million)	238,624.84	183,066	147,707	111,718
Number of borrowers	3,640,007	3,245,562	2,628,903	2,691,510
ME loan recovery (in %)	97.51	96.31	87.61	84.80

Table No.1: Micro-enterprise Program of NGO-MFIs

How much accepted the MF program by the borrowers, the above table shows the progress of micro enterprise program of NGO-MFI's. The progress indicates that the position of MFI's in rural areas hold a strong position by which they are being able to improve their position in those remote areas.

Figure No.1: Micro-enterprise Program of NGO-MFIs

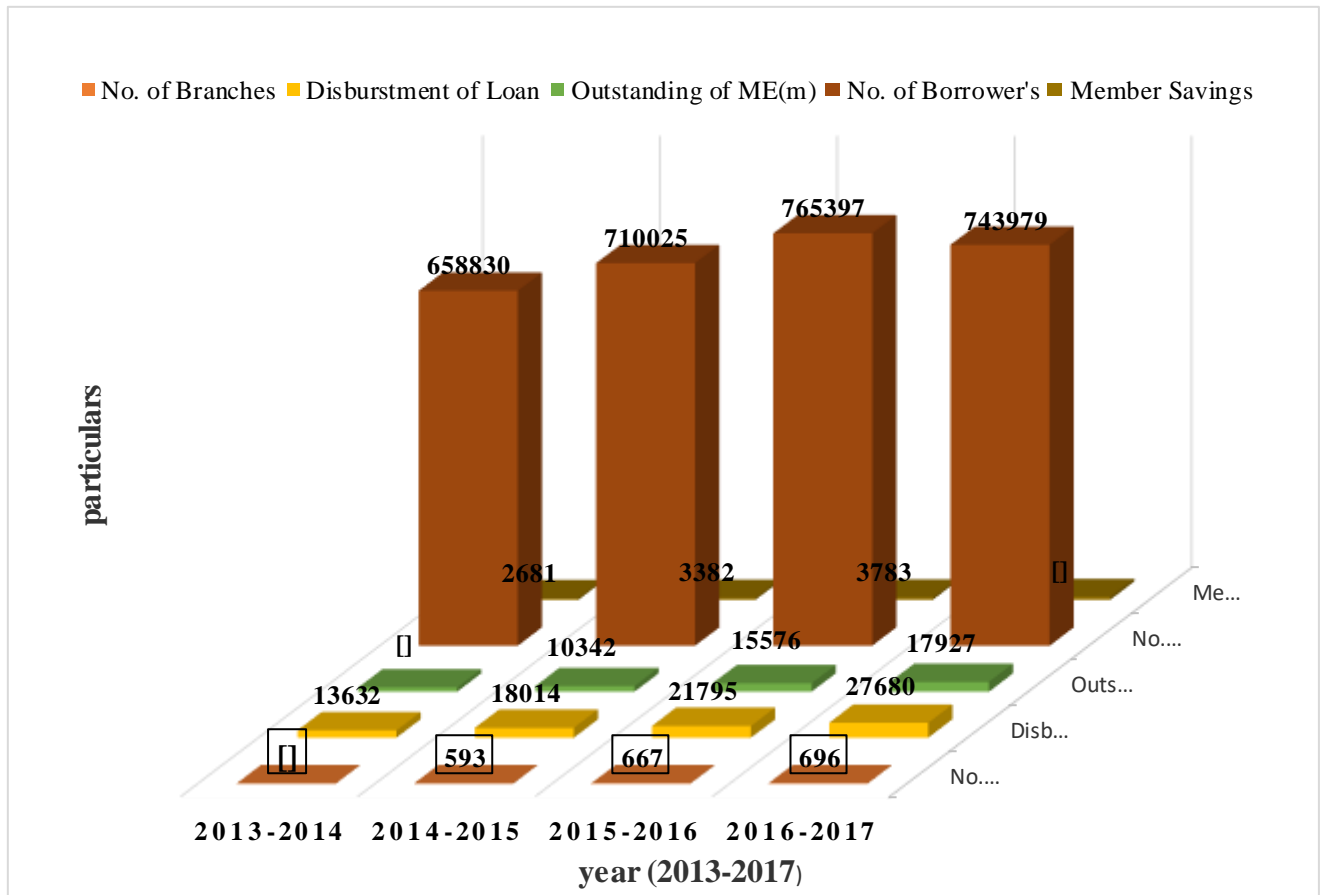


Table No.2: Disbursement, Outstanding Loan and Net-saving in Remote Areas

Remote areas	Loan disbursement		Loan outstanding		Net savings		No. of Borrowers
	TK in million	% of MFIs Total Disbursement	Tk in Million	% of MFIs Total Outstanding	Tk in Million	% of MFIs Total Net Saving	
Char areas	27679.75	2.29	17927.31	2.33	4979.32	1.43	74397
Hoar areas	25897.40	2.14	16512.40	2.14	6130.22	1.76	78633
Hilly areas	6910.76	0.57	4379.39	0.57	1683.43	0.48	20176

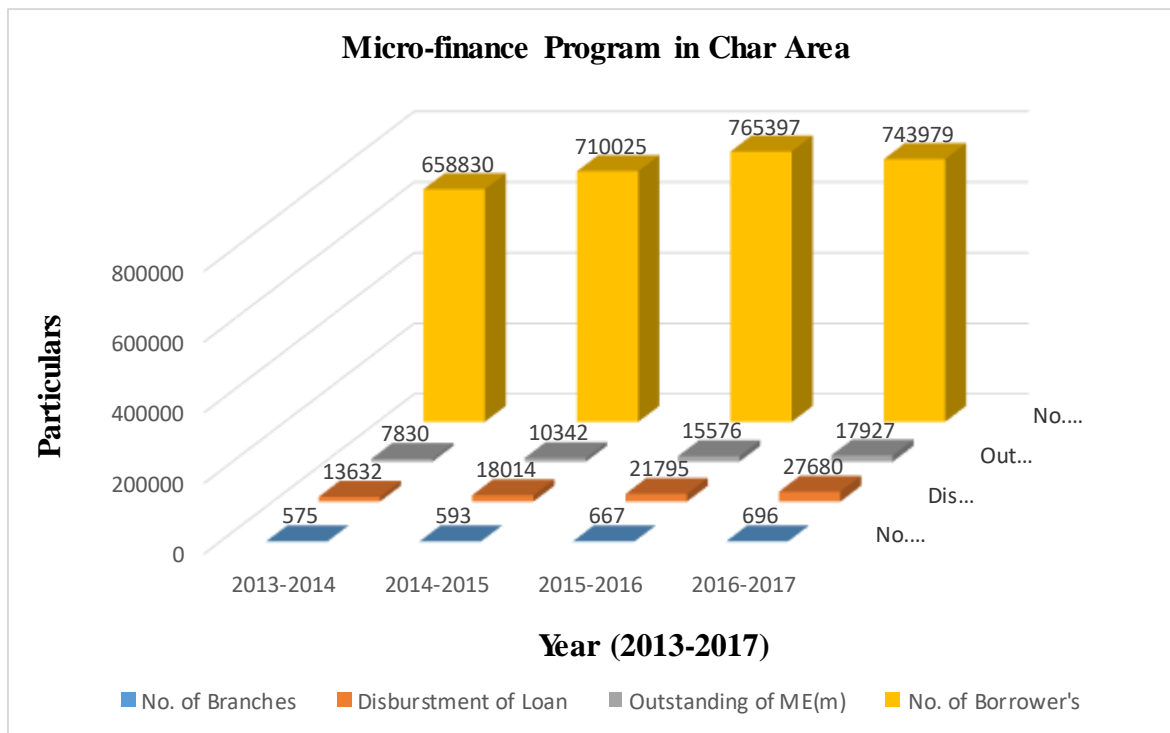
The table shows the scenario of micro credit by MFI's in the year of 2016-17. Poverty reduction has been a common concern for the society in general and one of the important visions of the microfinance sector, which can be effectively accelerated by undertaking different social services. The present review has found that a great majority of the NGO-MFIs have been implementing development initiatives under their social services, while a small portion of them are yet to provide such services.

Micro Finance in Char Areas

Chars are highly vulnerable areas and prone to sudden and forceful flooding. Frequently

river erosion occurs resulting in loss of land, physical assets and crops. Most of such areas are located in the north-western part of the country, where diversity of markets, healthcare facility, education and other essential services.

Figure No.2: Micro-Finance Program in Char Area

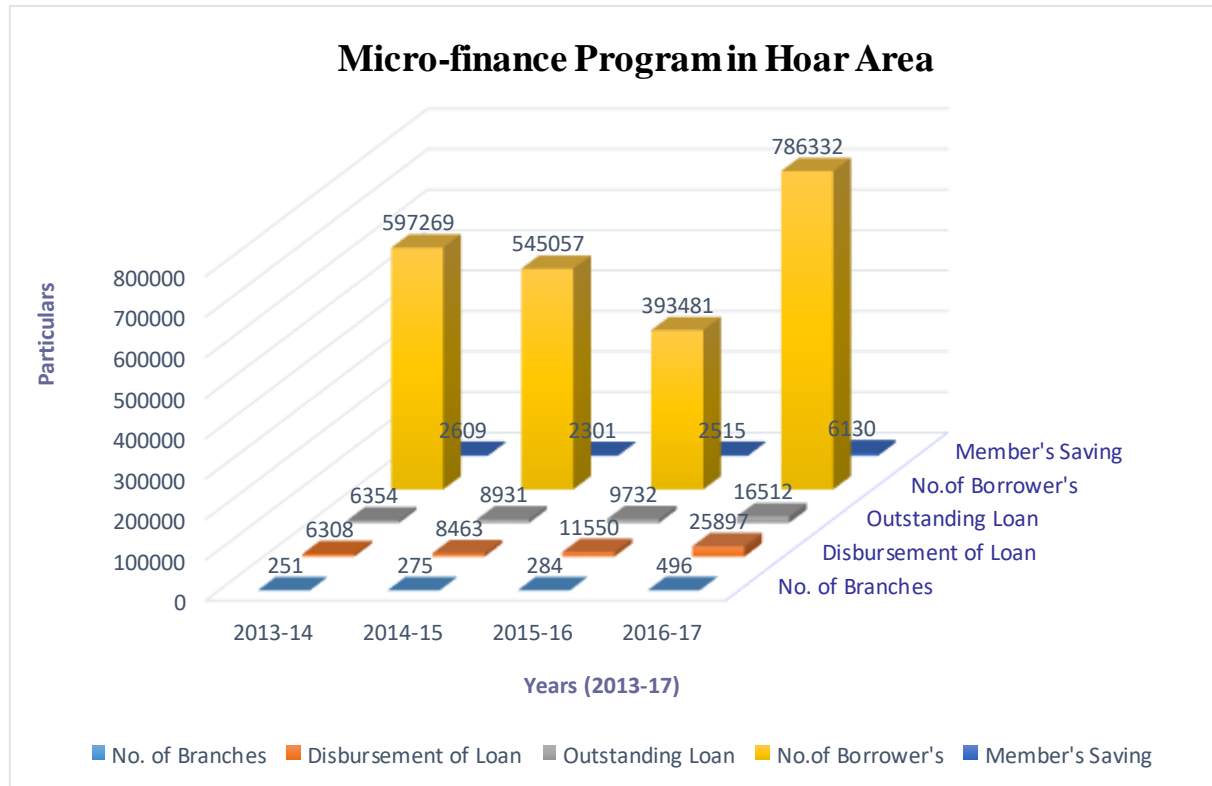


The graph (**Micro-Finance Program in Char area**) shows that the programs by MFI's in remote areas like char areas gradually increasing step by step. During 2014 the position of different activities of MFI's was as low as compared to the year of 2017.

Micro Finance in Haor Areas

Hoar area is a wetland ecosystem found in the north-eastern part of Bangladesh. In hoar areas diversity of markets, healthcare facility, education and other essential services are scanty. The MFIs that work in the Hoar areas include ASA, BRAC, BURO Bangladesh, TMSS, HEED Bangladesh, POPI, DSK, PBUS, YPSA, PMUK and others.

Figure No.3: Micro Finance in Haor Areas

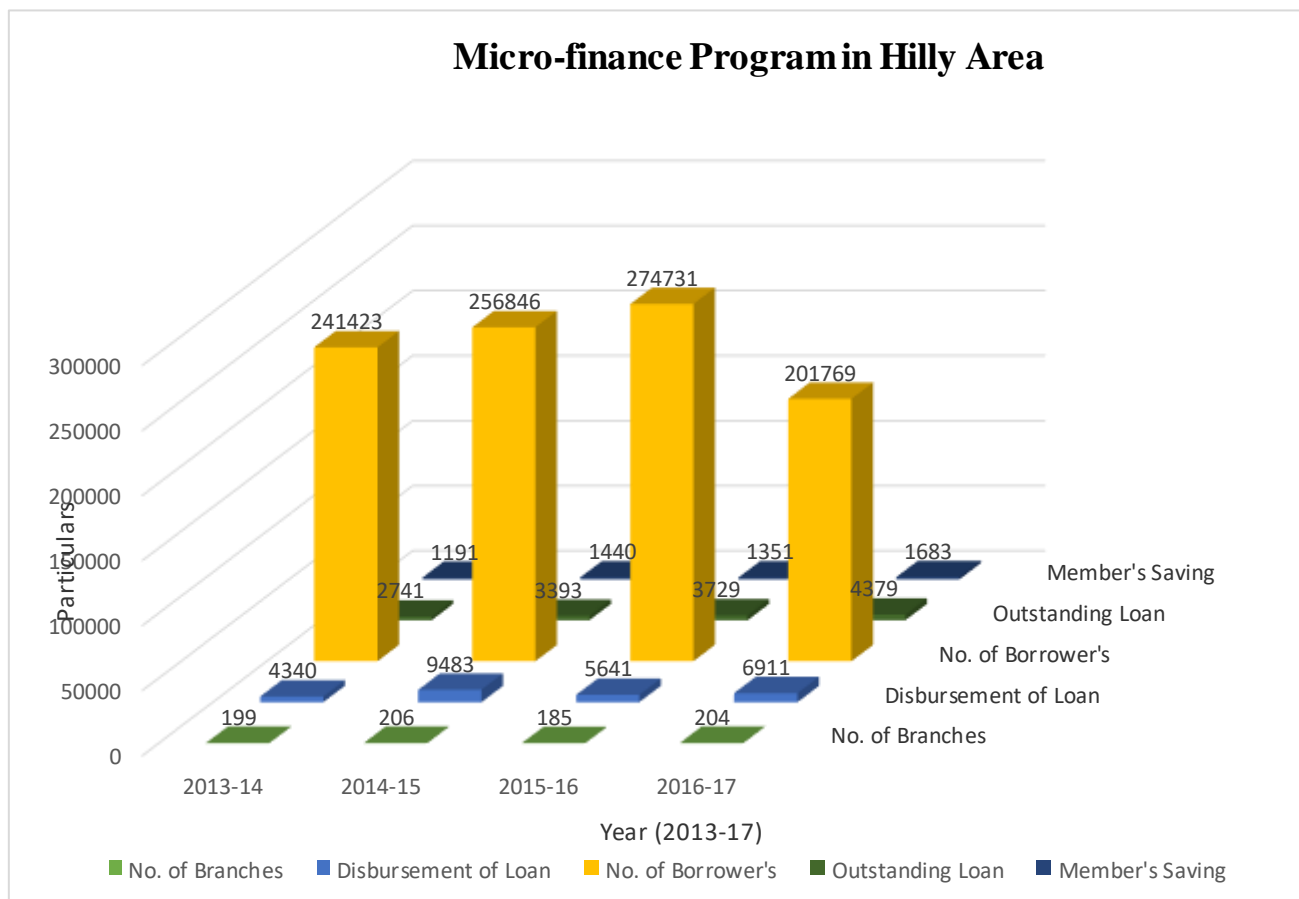


Microfinance in haor areas, to examine the progress of activities we need to look at the various sectors from 2014 to 2017. Disbursement of loan and outstanding loan amount indicates that how much popularity the microfinance has to the borrowers.

Micro-finance in Hilly Area

Chittagong Hill Tracts, Chittagong, Habigonj and Moulavibazar districts are known as Hilly areas that constitute about 12% of the total area of Bangladesh. These areas are mostly poverty prone and are having inadequate literacy and other development facilities. During 2016-17, a total of 240 branches of different MFIs are working in the hilly areas of some districts of Bangladesh. The number of branches operating in the hilly areas represents 1.06% of the overall branches in the country.

Figure No.:4 Micro-finance in Hilly Area



The graph shows that, the people in rural remote areas like the hilly areas have a great deprivation and it rapidly reducing by the programs taken by MFI's. Their operating number of branches, disbursement of loan, outstanding loan, number of borrowers and member savings are going to a high position because of the acceptance of MF program.

Table No.6: Foreign Remittance Program of NGO-MFIs

Particulars	2016-17	2015-16	2014-15	2013-14
Number of NGO-MFIs involved	21	21	19	-
Number of banks involved	14	10	16	-
Number of money exchange companies involved	38	21	20	-
Number of clients served	556,278	669,852	678,500	-
Amount delivered to clients (Tk. in million)	14,921	17,079	17,752	-
Percentage of total NGO-MFIs involved	4.12	3.96	3.75	-

Table No.6: Foreign Remittance Program of NGO-MFIs

In 2014 there has no program of foreign remittance of NGO-MFI's. But to obtain such a strong position, they started this type of program during 2015 and till now continue it. From 2015 it was simply 3.75% but now in 2017 it is extended to 4.12%.

Particulars	2016-17	2015-16	2014-15	2013-14
Number of NGO-MFIs have SDP	379	386	364	375
Percentage of total NGO-MFIs have SDP	74.31	72.83	71.94	73.39

Number of members received social Services	24,482,388	24,797,720	19,100,604	27,919,865
Percentage of total members	62.43	65.85	52.72	82.02
Number of non-members received social services	30,829,781	122,640,811	105,944,286	107,886,199

Table No.7: Social Development Program of NGO & MFI's

Different types of social development program carried out by NGO-MFI's from 2014 to 2017. Simply it express how much change occurred from the previous year to the current year.

Types Of Social Development Service	Service Providing NGO-MFI's		
	No.	%Of Total	% Of Total MFI's
Educational And Academic Assistance	286	75.46	56.08
Water And Sanitation	211	55.67	41.37
Forestation	150	39.58	29.41
Health And Medication	275	72.56	53.92
Women Empowerment And Development	210	55.41	41.18
Rehabilitation Of Disabled	109	28.76	21.37
Housing	139	36.68	27.25
Agricultural Equipment Assistance	128	33.77	25.10
Good Governance And Legal Assistance	130	34.30	25.49

Prevention Of Women And Children Trafficking	97	25.59	19.02
Environment And Disaster Management	104	27.44	20.39
Prevention Of Child Marriage	181	47.76	35.49
HIV/AIDS And Family Planning	100	26.39	19.61
Relief	101	26.65	19.80
Other (Food & Food Processing, Human Rights, Etc.)	75	19.79	14.71
Rehabilitation Of Destitute & Unemployed	102	26.91	20.00
All	379	100	74.31

Table No.8: Different Social Development Services of MFIs

Different social development services carried out by MFI's during the year of 2017 to have a contribution on poverty.

Particular	2016-17	2015-16	2014-15	2013-14
Number of NGO-MFIs have training Program	273	274	266	272
Percentage of total NGO-MFIs have TP	53.53	51.70	52.57	53.23
Number of members received training	1,077,345	974,728	708,335	781,725
Percentage of total members	2.75	2.59	1.95	2.30
Number of non-members received Training	807,601	433,703	751,573	196,466

Table No.9: Training Program of NGO & MFI's

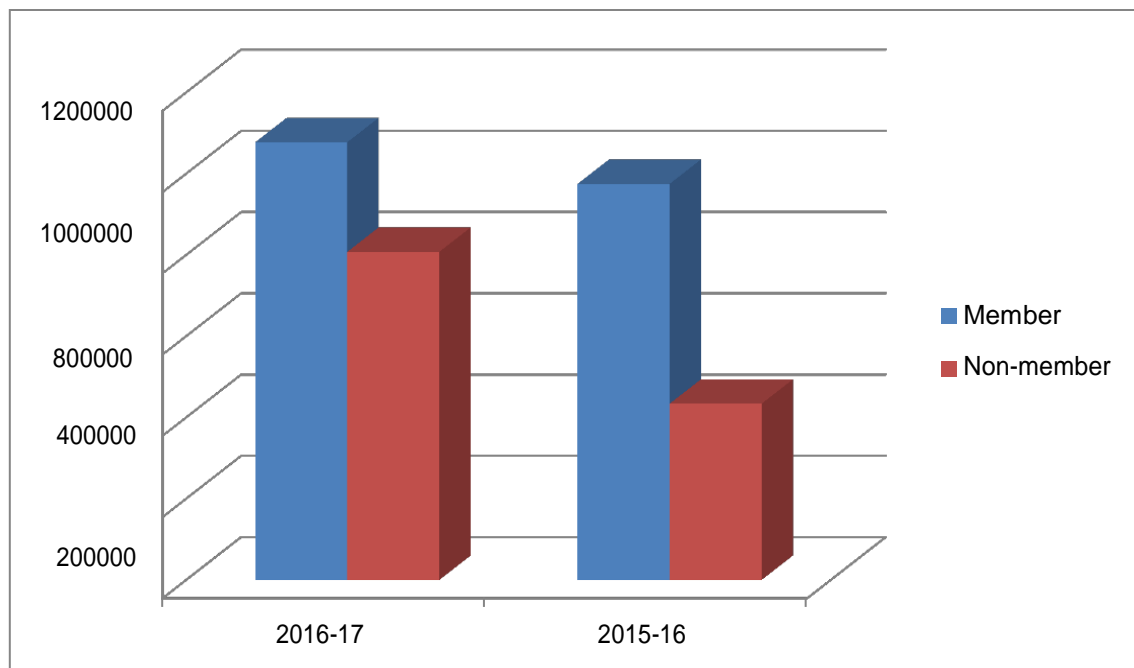
The overall picture of training program of MFI's from 2014 to 2017. It going at a crazy rate and the receivers both member and nonmember highly received it.

SL NO	Types of Training Program	Types of Training Program (2016- 17)		Types of Training Program (2015-16)	
		NO.	% of total MFIs	NO.	% of total MFIs
1	Agriculture	163	31.96	161	30.38
2	Livestock and Poultry Rearing	202	39.61	200	37.74
3	Nursery	84	16.47	97	18.30
4	Tailoring	157	30.78	160	30.19
5	Driving	33	6.47	22	4.15
6	Handicrafts	87	17.06	100	18.87
7	Entrepreneur Development	111	21.76	106	20.00
8	Other	63	12.35	65	12.26

Table No.10: Different training programs of MFIs in 2016-17, 2015-16

Different types of training program carried out by MFI's in 2017 and 2016. Those programs aim to improve the productivity and the efficiency to use the obtained loan from the MFI's. By properly utilizing the resources the borrowers can have a strong fight with poverty. The above table shows the much important training programs for rural people. The programs are in a greater amount in 2017 compared to 2016.

Figure No.5: Member & Non-member Receiver of Social Training & Development Services



During 2016-17, the total receivers of training & development services included 1,884,946 that included member receivers 1,077,345 (57%) and non-member receivers 807,601 (43%), among the most important programs. During 2015-16, the total receivers of training & development services included 1,408,431 that included member receivers 974,728 (69%) and non-member receivers 433,703 (31%).

The figure express that the total number of both member and nonmember, has been rapidly increased in 2017 than 2016, because of the effectiveness of the training programs of

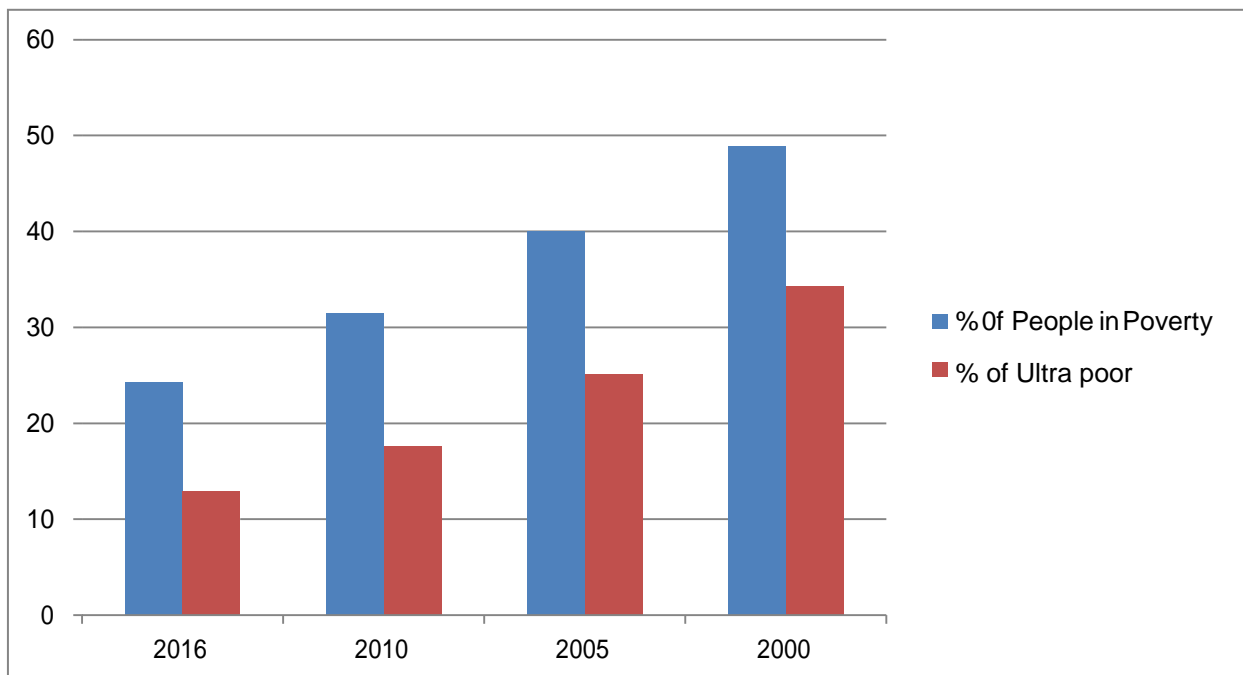
MFI's, at a changing rate.

Current situation of poverty in Bangladesh

Poverty exists in Bangladesh at a lower rate compared to before. The percentage of poverty has gradually decreasing day by day through various activities.

The yearly average rate of poverty reduction has dropped from 1.7 percent, between 2005 and 2010 to 1.2 percent, between 2010 and 2016. The average poverty reduction rate has been calculated from the data to be revealed through a flagship of BBS (Bangladesh Bureau of Statistics). According to BBS' preliminary household income and expenditure survey report 2016, 24.3 percent of the population is now living in poverty, down from 31.5 percent in 2010. And the percentage of ultra-poor also dropped from 17.6 in 2010 to 12.9 now.

Figure No.6: Poverty Situation in Bangladesh



However, poverty alleviation was faster during the previous five years and that was evident in the previous HIES (Household Income and Expenditure Survey) reports done in 2005 and 2010.

4. DISCUSSION

Microfinance is considered as an effective tool of poverty alleviation as stated above. Microfinance institutions work and their initiative towards removing the darkness of poverty, is growing up a noticeable rate especially in rural and remote areas of Bangladesh. Various data and information are collected and analyzed. In data analysis part it is shown that various activities of microfinance have gradually decreasing the poverty rate in Bangladesh. In spite of that, the various activities of Microfinance Institutions (MFIs) shown in the data analysis part can lead poverty reduction. Data analysis part shows that MFIs have been working in the rural areas of Bangladesh since inception %0f People in .Poverty % of Ultra poor addressing the poor, very poor and near poor people under their different programs both financial and social development includes remote areas and difficult terrains. Disbursement, outstanding loan and net savings of the borrowers of MFIs are satisfactory. The contribution of MFI's in remote areas is going in a rapid increase as well it reduces the condition of borrowers. From various analysis and calculation it is found that poverty is decreased around 6.2% in total by various activities of MFI's and others.

5. CONCLUSION

Microfinance has become a very accepted and popularly used tool to eradicate poverty in developing countries like Bangladesh. In rural area the living standard of people lying below poverty level. Poverty is a major considerable threat to vulnerable people as they hardly carried out their daily basic needs. Today microfinance has viewed by people in several ways. Some strongly support that yes, microfinance has a great role in reducing poverty but on the other hand some people and parties oppose that microfinance has a fewer impact on poverty alleviation. This study has been carried out to evaluate and examine as how much the microfinance can change the socio economic condition of rural people. To identify as does microfinance really contribute in poverty reduction? Several information has been collected and a descriptive analysis is designed. This study also examines the formation of

small capital by households from microfinance institutions. This study illustrates that micro finance has a great impact on poverty reduction. The borrower should use properly the obtained loan and the microfinance institutions also should have appropriate policy and implication to have a role more on poverty reduction

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