

## Microcredit failing to lift people out of poverty

Finance minister says

### **Star Business Report**

---

The finance minister has said microcredit could not pull people out of poverty although it gave them a way for

He also questioned if 3 crore families are said to be beneficiaries of microcredit why the number of poor families in Bangladesh.

“Loan is a must for all sectors. But there must be an improvement of the borrowers' condition,” AMA Muhith said at a two-day seminar in Dhaka yesterday.

Institute of Microfinance and Microcredit Regulatory authority jointly organised the seminar on 'microfinance' at the PKSF auditorium.

The minister said, “Certainly there are some flaws in our strategies for which the result of human resource improvement is not properly in poverty reduction.”

Chaired by Prof Wahiduddin Mahmud, chairman, Institute of Microfinance, the seminar was also addressed, a Bank Governor Dr Atiur Rahman.

The minister gave a brief history of microcredit in the country. He said the system was introduced long ago, but it got limited institutional shape soon after the division of the sub-continent. In Bangladesh, Brac started microcredit Bank in a massive way in 1979.

He hailed the growth of microcredit and termed it 'unbelievable'. But the fate of the poor, the beneficiaries of microcredit,

Muhith partly blamed the less use of technology for the poor outcome of the credit. “Have we been trapped in a cycle of poverty?” he questioned the minister, who has pretty good experience in dealing with microcredit issue during his long career.

On the high interest rate charged by microfinance institutions (MFIs), the minister said it is getting down gradually. He also credited MFIs for simplification of the interest rate even before the government did it for financial inclusion expansion.

“MFIs are not loan sharks,” he asserted, turning down such allegations by many.

He however stressed price transparency of microcredit for sustainable development.

“Alleviating poverty is a big challenge in Bangladesh. And microcredit is one of the major weapons to achieve it,” the minister remarked.

Economist Wahiduddin Mahmud said MFIs should disclose the interest rates publicly for the sake of its transparency. He also urged MFIs to hide the issue from the people.

“MFIs have to assert it that that they are different from the people called loan sharks,” said the economist.

Dr Atiur Rahman said if there were no microcredit more people would have migrated to cities.