

A Seminar on
How Far Can Microfinance Take Us to
Economic Growth?

Presented by

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Micro Finance PKSF

- **My perspective: 7%**
- **Experience with BIDS study 1987**
- **Experience with Rickshaws---no real change**
- **MF has a long history---Ireland and earlier—Swift and Berkeley**
- **What BD, and Dr Yunus in particular, has shown by *systematic institutionalisation* is the promise of MF as a tool against poverty**

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- **Micro Finance: Aim low**
Achieve low

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- **German assistance for roads—
‘locking in ‘ to semi-subsistence if
there is nothing further to look
forward to.**

What are permanent results?

- 1) "Small Loans, Big Talks: A critical Appraisal of The BRAC Clienteles" -Farah Hasin, Social Science Review (Dhaka University Studies,Part-D),2005
- 2) QK Ahmed, Socio-Economic and Indebtedness-Related Impact of Micro-Credit in Bangladesh (UPL Dhaka,2007)
- 3) LFE Reports from Independent University Bangladesh, Manikgonj---1997-2007
- 4) "Micro Finance: does it holds its promises?" Khawari on potential S-curve of impact, HWWA Discussion Paper
- 5) "**Microfinance** Misses its Mark," Aneel Karnani art agst Microfinance----Stanford Social innovation Review, 2007

“Small Loans, Big Talks: A critical Appraisal of The BRAC Clienteles” -Farah Hasin, Social Science Review

Concluding Observations

Several important findings emerge from the portfolio analysis of BRAC loan utilization.

First, in both the economically vibrant and the economically stagnant districts, most individual loans are used for traditional activities.

Second, a significant number of respondents were found to be using their loans on housing/housing improvements and household consumption rather than to be investing in income generating activities (IGA). Our study also demonstrates that some borrowers are using their loans to repay earlier debts and for on-lending in the informal rural money market.

Third, out of all the activities carried on in both the districts, investments in housing, petty trading, crop production and food processing were found to be the dominant patterns of loan use.

Fourth, the result of the data analysis on successive loan users reveals that the types of activities financed by BRAC loans have been similar for first to fifth round borrowers, with main investments concentrated in housing, petty trading, food processing and crop production. Other important activities or areas of investment include: livestock, rural transport, loaning out, household consumption and loan repayment. Only a few of successive borrowers were found to have been engaged in fish cultivation, handicrafts, land mortgages, land purchase and poultry.

Fifth, there has been an increasing tendency to use a major share of credit in housing/housing improvement in the case of successive borrowers.

Sixth, on-lending was found to be increasingly popular among successive borrowers. Rural transport, which was very popular among initial borrowers, declined as a priority among successive loan users. Successive loan users were found to be increasingly investing in other income generating activities such as already existing workshops, saloons, tailoring, and commercial housing, etc.

Seventh, irrespective of borrower categories, loan diversions to household consumption and repayment were found to be quite prevalent.

QK Ahmed, Socio-Economic and Indebtedness-Related Impact of Micro-Credit in Bangladesh

TABLE 2.4
Economic activities undertaken by using micro-credit

Activity*	Frequency of responses	
	No.	%
Poultry	25	0.9
Goat rearing	23	0.8
Cow rearing	238	8.7
Puffed rice	15	0.5
Agro-support and agro-based activities	341	12.5
Fish culture	37	1.4
Trading (in some cases with some processing)**	1,008	36.9
Rickshaw pulling	241	8.8
Pay up previous loan	176	6.4
Rent in agricultural land	351	12.9
Lend money on interest	19	0.7
Meet medical expenses	28	1.0
Meet educational and marriage expenses	215	7.9
Others	14	0.5
Total	2,731	100.0

QK Ahmed, Socio-Economic and Indebtedness-Related Impact of Micro-Credit in Bangladesh

TABLE 2.8

Type of training provided by the MCIs to the clients

Type of training	Frequency of responses		% of all respondents
	No.	%	
Loan taking, repayment and related matters	1,920	88.1	103.1
Work to be undertaken with the credit received	260	11.9	14.0
	2,180	100.0	117.1

QK Ahmed, Socio-Economic and Indebtedness-Related Impact of Micro-Credit in Bangladesh

TABLE 3.6
Access of the borrowers' households to health services

Access to health care	At present		Before enrollment	
	No. of respondents	%	No. of respondents	%
Cannot/could not afford to go to doctors; don't/did not go to quacks	1,056	42.2	1,504	60.1
Treatment taken from quacks	722	28.8	892	35.7
Treatment taken from qualified doctors	589	23.6	68	2.7
Treatment taken from qualified doctors and health centres	122	4.9	32	1.3
No comment	12	0.5	5	0.2
Total	2,501	100.0	2,501	100.0

QK Ahmed, Socio-Economic and Indebtedness-Related Impact of Micro-Credit in Bangladesh

TABLE 3.8

Status of latrines in the borrowers' households

Status of sanitary latrine	Frequency	%
Sanitary latrine before and also now enrollment	884	35.3
Non-sanitary latrine before but sanitary latrine now	707	28.3
Sanitary latrine before and now	476	19.0
No latrine of any type before and now	193	7.7
Non-response	241	9.6
Total	2,501	100.0

QK Ahmed, Socio-Economic and Indebtedness-Related Impact of Micro-Credit in Bangladesh

TABLE 3.14

Overall living conditions at present compared to before enrollment

Living conditions at present compared to before enrollment	Frequency	%
Much better	37	1.5
Somewhat better	865	34.6
No change	596	23.8
Somewhat worse	648	25.9
Much worse	349	14.0
Non-response	6	0.2
Total	2,501	100.0

QK Ahmed, Socio-Economic and Indebtedness-Related Impact of Micro-Credit in Bangladesh

TABLE 3.15

Taking everything into consideration are the respondents satisfied or not with their present living conditions?

Satisfaction level	Frequency	%
Very satisfied	18	0.7
Satisfied	658	26.3
Neither satisfied nor dissatisfied	568	22.7
Dissatisfied	883	35.3
Very dissatisfied	372	14.9
Non-response	2	0.1
Total	2,501	100.0

QK Ahmed, Socio-Economic and Indebtedness-Related Impact of Micro-Credit in Bangladesh

TABLE 3.16

Future socio-economic prospects relying primarily on micro-credit

Perceived prospect	Frequency	%
Very good	16	0.6
Good	875	35.0
Neither good nor bad	472	18.9
Bad	618	24.7
Very bad	241	9.6
Non-response	279	11.2
Total	2,501	100.0

Consistent point is that there is +ve impact, *but is it of the required strength and duration to take us to economic growth?*

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- Earlier attempt at IRDP and Comilla
 - MicroFinance instead based on individuals in small groups
 - Even the larger GC's scale is too small---
 - GC's based on agricultural growth as economic base.
 - GC's based on making current agriculture productive

Hati hati pa, pa

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- **So what is the value of MF?**
 - **Let us look at the social prerequisites of the market?**

Knowledgeable and self-interested individuals. But long run self interest—widespread myopia kills capitalism. But it is a systemic feature: rickshaw drivers in Dhaka and taxis in NYC

Use the Abed- Matin article and
assumption of knowledge and self-
interest

- JEP art on health and education---need for non economic motivation
- Bannerjee-Duflo on Lives of the poor
- The poor pay more---TV's and pets

Not to judge the poor ,but to
understand them

But we are now well past this stage,
however extensive it may have
been

Let us gear up for 7% per capita growth.

**Anything less is not
worth
having....InshAllah**