

# **IMPACT OF MICRO FINANCE ON ECONOMIC HARDSHIP**

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## **Economic Hardship defined**

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- Economic hardship is defined as the state of difficulty in which poor households find difficult to maintain consumption of normal time
- Households are in economic hardship when they go on occasional starvation or consumption rationing

# Economic hardship classified in terms of poverty

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- Better-off Poor: Households that enjoy three meals on regular basis
- Moderate Poor: Households that remains on consumption rationing in normal time but may move down to occasional starvation or maintain consumption rationing in monga time
- Extreme Poor: Households that remain on occasional starvation both in normal time and monga time

## **Data and Methodology**

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- Census Data of poor households in Lalmonirhat, Kurigram, Gaibandha and Nilphamari.
- Household heads were interviewed
- Propensity Score Matching Method used to assess impact of micro credit and micro finance membership on economic hardship

# Consumption Ordering during monga

	Lalmonirhat	Kurigram	Gaibandha	Nilphamari
● Households with occasional starvation during monga	26.17	53.52	47.71	48.26
Households with consumption rationing during monga	60.36	44.69	50.94	49.25
Households with three full meals during monga	13.47	1.79	1.35	1.35
Households with three full meals a day during normal time	64.78	27.35	49.33	30.61

# Basic Household Characteristics

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	Lalmonirhat	Kurigram	Gaibandha	Nilphamari
Day Labourers	83.0	78.14	66.88	86.51
Households with land up to 5 decimal	58.17	63.32	54.48	48.56
Access to VGD	17.02	1.47	5.49	1.61
Advance sale of labor and crops	6.21	2.68	3.97	19.54
Migration	24.75	40.78	40.20	49.77

# Access to Micro Finance Services

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	Lalmonirhat (N=102,936)	Kurigram (N=154,609)	Gaibandha (N=126,025)	Nilphamari (N=75,063)
Memberships with Micro Finance Institutions	37.54	33.36	45.58	25.66
Borrowers of MFIs	32.76	29.05	39.82	24.0
Non-participant	62.46	66.64	54.42	74.34

# Classification of Poor Households by Consumption Ordering Based Poverty

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District	Extreme poor (%)	Moderate poor (%)	Better-off poor (%)	Total
Lalmonirhat	0.97	35.01	44.02	102,936
Kurigram	6.25	61.22	32.53	154,609
Nilphamari	10.25	53.77	35.98	57,011
Gaibandha	0.91	48.41	50.68	126,105
Total	4.01	50.47	45.52	440,661

# Effect of Micro Finance – PSM Results

District	Effect of	Extreme poor	moderate poor	Better-off poor
Kurigram	Micro credit	-0.005 (-1.566)	-0.06 (-8.838)	0.080 (13.327)
	MFI membership	-0.013 (-7.432)	-0.069 (19.14)	0.089 (0.003)
Lalmonirhat	Micro credit	0.000 (0.235)	-0.021 (-2.751)	-0.008 (-0.950)
	MFI membership	0.003 (3.165)	0.021 (5.290)	-0.064 (-14.863)
Nilphamari	Micro credit	0.032 (8.087)	-0.049 (-7.39)	0.021 (3.394)
	MFI membership	0.031 (7.964)	-0.063 (-7.39)	0.035 (5.964)
Gaibandha	Micro credit	-0.007 (-3.939)	-0.021 (-2.579)	0.071 (8.759)
	MFI membership	-0.000 (-0.139)	-0.084 (21.74)	0.067 (17.74)

# Effect of Coping Mechanism on Economic Hardship in Kurigram and Lalmonirhat

District	Effect of	Effect on extreme poor	Effect on moderate poor	Effect on better-off poor
Kurigram	VGD	0.011 (1.588)	-0.012 (-0.89)	0.036 (2.876)
	Advance sale	-0.003 (-1.650)	0.028 (6.843)	-0.001 (0.646)
	Migration	-0.017 (-9.187)	0.007 (1.777)	0.048 (14.85)
Lalmonirhat	VGD	-0.003 (-2.484)	0.102 (18.652)	-0.089 (-15.564)
	Advance Sale	-0.001 (-1.203)	0.001 (2.421)	-0.004 (-0.726)
	Migration	a	a	a

# Effect of Coping Mechanism on Economic Hardship in Gaibandha and Nilphamari

District	Effect of	Extreme Poor	Moderate Poor	Better-off Poor
Nilphamari	VGD	-0.013 (-1.117)	-0.051 (-2.371)	0.074 (3.512)
	Advance sale	0.189 (39.415)	-0.006 (-0.949)	-0.015 (-25.518)
	Migration	0.041 (12.431)	0.033 (5.564)	-0.06 (-11.124)
Gaibandha	VGD	0.004 (1.874)	0.097 (11.55)	-0.093 (-11.26)
	Advance Sale	-0.005 (-5.166)	0.064 (12.279)	-0.043 (-8.371)
	Migration	0.006 (8.854)	0.002 (5.403)	-0.027 (-6.751)

# Major Findings

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- Micro finance works better for relatively better off and moderate poor households in Lalmonirhat, not for extreme poor
- Micro finance reduces hardship of participating moderate and extreme poor households in Kurigram and Gaibandha, but more than four times for moderate poor
- Relatively very small impact of micro finance for extreme poor due to negligible asset base and no ability to use opportunities.

## **Major Findings: Is VGD well placed?**

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- VGD benefits better off poor in Lalmonirhat.
- VGD reduces hardship of moderate and extreme poor (more for moderate group) in Nilphamari, and only for moderate group in Kurigram and Gaibandha
- Extreme poor seems to have less access to VGD/VGF

## **Migration: Who are benefited most?**

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- Migration largely benefits relatively better off poor households in Nilphamari and Gaibandha
- It benefits moderate and extreme poor in Kurigram
- There is no difference between migration and non-migration in Lalmonirhat

# Conclusion

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- Extreme poor not targeted. However, micro finance is not fully effective as well.
- Case of Zarina Begum – failure with single occupation and informal loan burden
- Case of Karimunnesa – Success only with multiple income sources
- Redesign micro finance policy with humane face for the extreme poor