

Microfinance and the Inclusion of the Poor: Bangladesh Evidence

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Outline of presentation



- Background
- Research objectives
- Concepts
 - Poverty
 - Social exclusion
 - Microfinance
- Research paradigm
- Findings



Background



Of the worldwide population:

- 1.2 billion earn less than \$1 US a day
- 1 billion are illiterate
- 2.4 billion are without basic sanitation
- 100 million children live or work on the street

Generally:

- Growing trend in poverty impedes growth
 - Depressed domestic demand
 - Lower productivity in the longer term
- Poverty is frequent in rural areas and among women



Research Questions



- Is there any relationship between poverty & social exclusion?
- How can microfinance assist in social inclusion?

Poverty - The concept



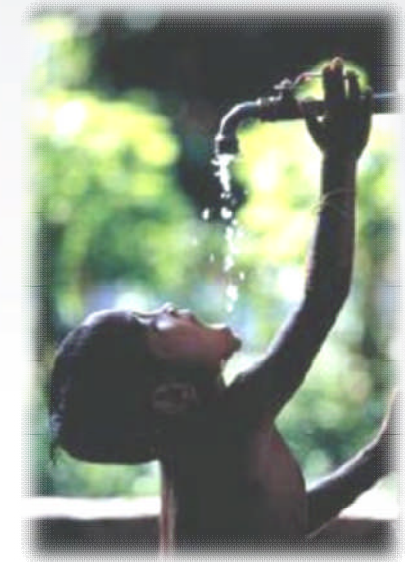
The concept of poverty has been around for centuries and has been explained in many ways:

↗ Aristotelian philosophy

- “Lack of freedom” - freedom to choose how to be and what to do

↗ Adam Smith

- “The necessaries” - in terms of its effects to live a deprived life as the ‘inability to appear in public without shame’



Poverty - Its multi-dimensional nature



Source: CGAP (2004)

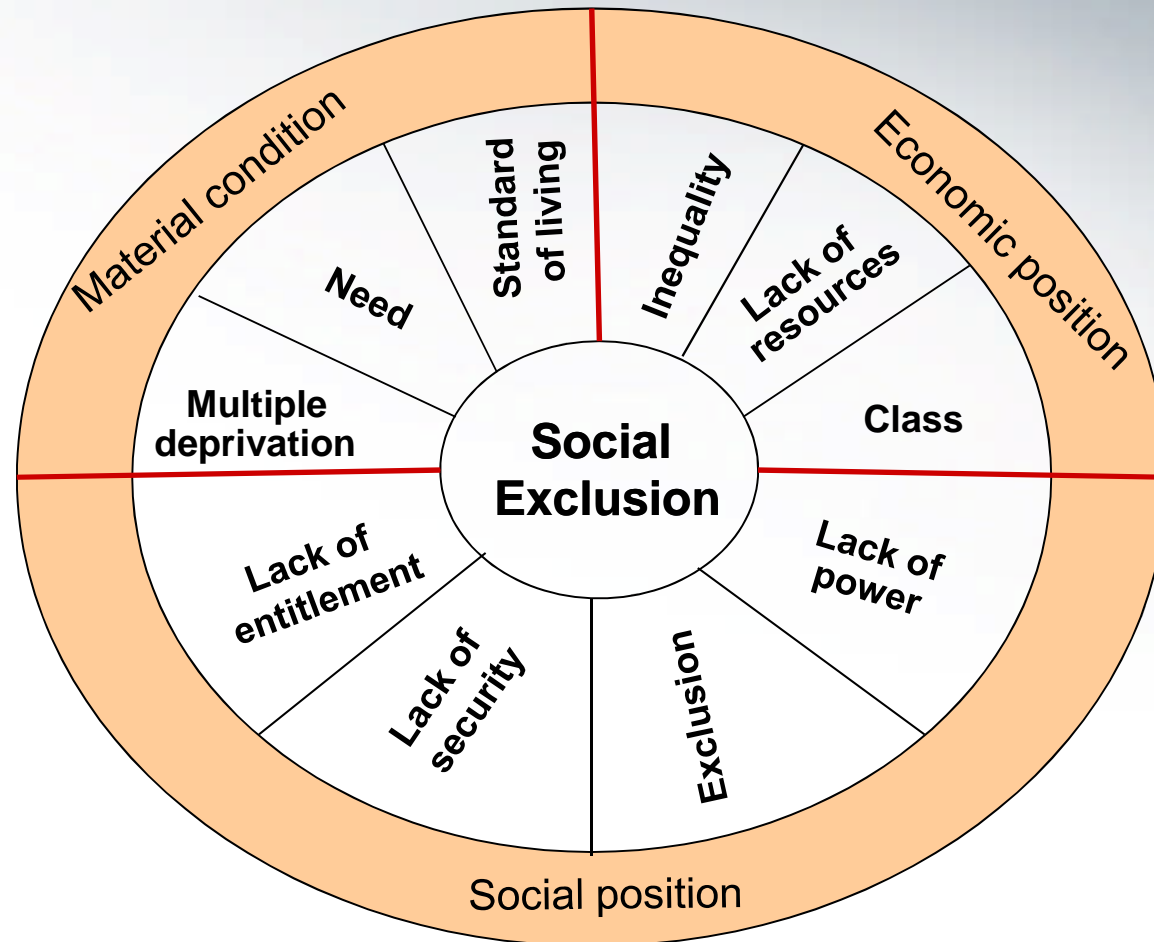
This multidimensional nature of poverty can be identified as a deprivation of well-being

Social exclusion - The concept



- Whereas poverty derives from distributional issues (such as a lack of resources), social exclusion denotes relational issues, which include:
 - Inadequate participation in society
 - Lack of integration in society
 - Lack of power
- Thus, social exclusion is a part of capability deprivation and instrumentally a cause of diverse capability failures
- The notion of deprivation is broader than the concept of poverty and undoubtedly multi-dimensional

Social exclusion - Its multi-dimensional nature



(Gordon & Spicker 1999, p. 159)

Social exclusion - The concept *(continued)*



➤ Social exclusion caused by the failure of one or several social systems:

- ❶ Civic integration - Legal system
- ❷ Economic integration - Labor market
- ❸ Social integration - Welfare system
- ❹ Interpersonal integration - Access to social contact



Walker (1995) refers to social exclusion as the platform from which poverty begins its journey

Social exclusion - Recognisable patterns



↗ Some of the recognisable patterns of social exclusion include:

- Material deprivation
- Labour market exclusion
- Credit market exclusion
- Human rights exclusion

**POVERTY GOOD FOR
THIRD WORLD SAYS
BANK BOSS**

**KEEP 'EM LEAN
KEEP 'EM KEEN**

Haslam had him straight back out
was. It was sad for me.
Especially not as an adult and
not kept smiling him a standard.
was very much so on his budget
over the last year in the region.
The world was the way it is. The
new market demands. Not miss.
His thinking was to make and
profit was over 10% income ratio
Law's who expelled him on yr.



Microfinance - The concept

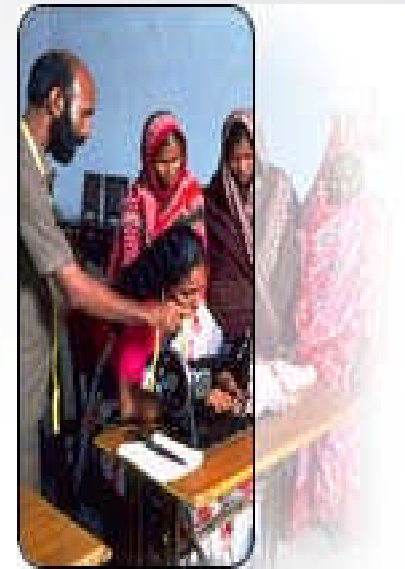


Banking Perspective:

- Financial services
- Uncollateralized small loans
- Small savings (CBUs)
- Micro-insurance services

Social development Perspective:

- **NOT Just** financial services
- Two Bottom line
 - Financial
 - Social



Microfinance - Impact

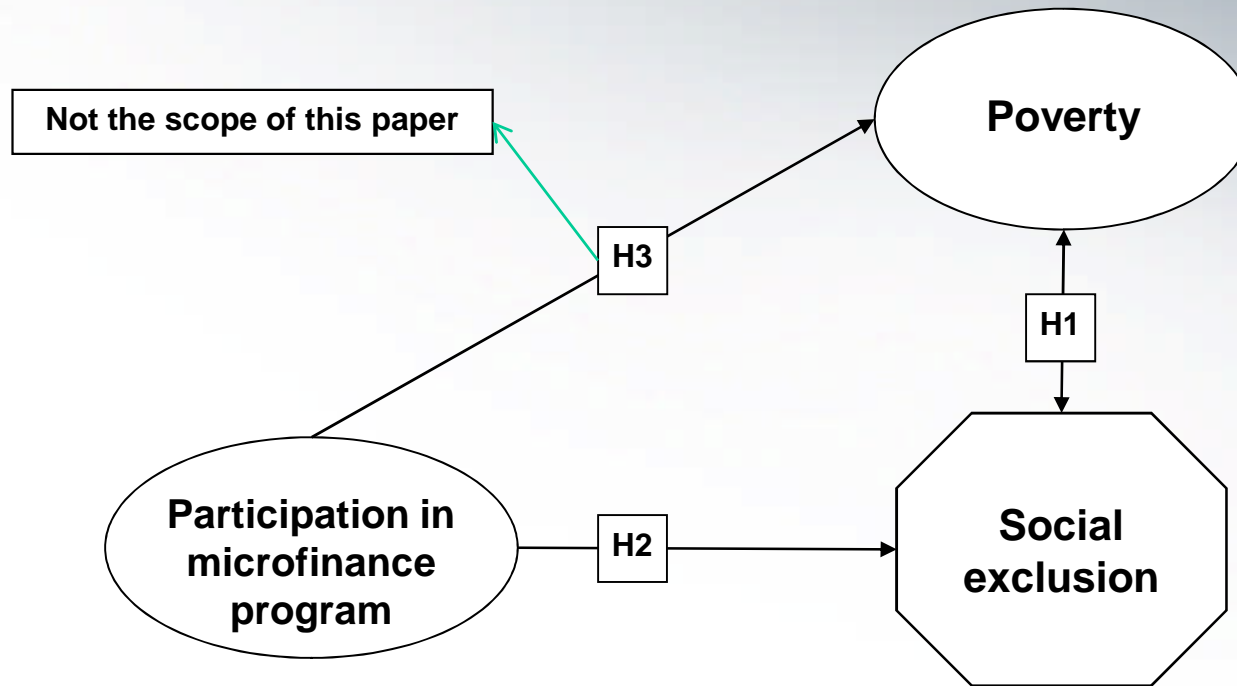


- Increased income, employment and asset building
- Increased participation of women in household decision-making and family planning
- Reduced violence against women and thus empowerment of women
- Improved household nutrition and sanitation
- Increased schooling for children
- Improved social and interpersonal integration through group activities



Thus, microfinance programs address both distributional and relational issues

Research paradigm - Conceptual model



Research paradigm - Hypotheses



Based on the foregoing review the following hypothesis is derived:

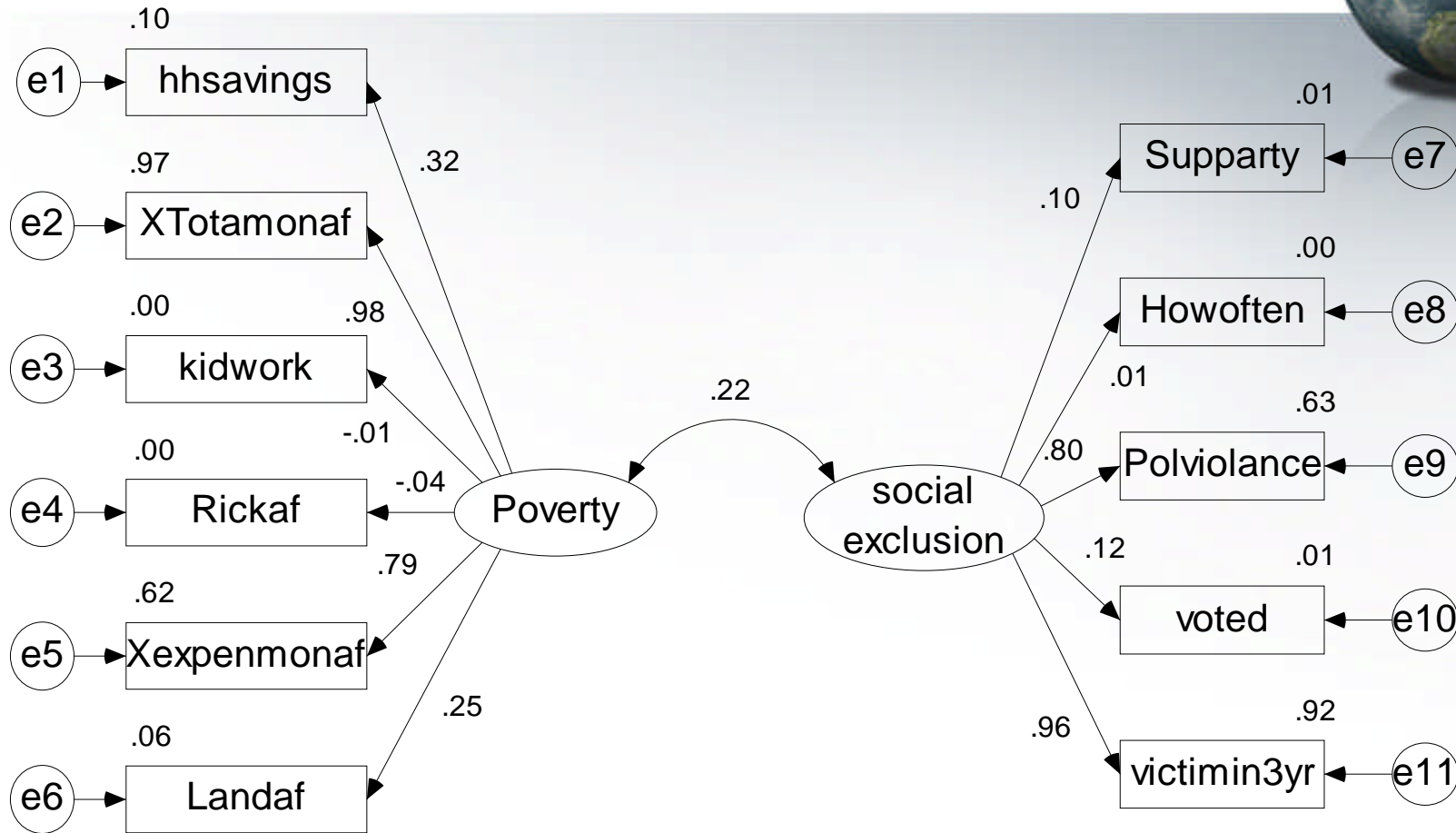
- ***Hypothesis 1:*** *Individuals involved in a microfinance program demonstrate more involvement in various social activities than those not involved, which assists in the reduction of feelings of social exclusion.*
- ***Hypothesis 2:*** *Individuals who feel socially excluded are likely to be living in poverty and individuals who are living in poverty are likely to feel socially excluded.*

Research paradigm - Population sampling



- The study Interviewed 297 participants of the Association for Social Advancement (ASA), A MFI in Bangladesh.
- Participants were selected in three group
 - 4 year members of ASA
 - 8 Year members of ASA
 - Control group – not member of any MFI
- Sample selected using poverty map and random sampling

Findings – H1



Chi-sq	df	p	GFI	AGFI	CFI	RMSEA
101.19	44	.000	.94	.91	.91	.06

Findings – H2



Table 3: Voting practice

Voted at last election	Non- Members (Control Group) (N= 99)	Members		
		4 & 8 Years (N= 198)	4 Years (N=99)	8 Years (N=99)
Yes	81% (n=80)	98% (n=195)	98% (n=97)	99% (n=98)
No	19% (n=19)	2% (n=3)	2% (n=2)	1% (n=1)
Pearson Chi-sq. p-value	30.068 0.000	0.338 0.561		

Findings

Influence on respondents' voting decisions



Influence on Voting Decision	Non- Member Control Group (N=99)	Members		
		4 & 8 Years (N=198)	4 Years (N=99)	8 Years (N=99)
Personal preference	30% (n=24)	63% (n=124)	60% (N=59)	66% (N=65)
Pearson Chi-sq.	38.896		0.777	
p-value	0.000		0.378	
Local community preference	29% (n=23)	9% (n=18)	7% (n=7)	11% (n=11)
Pearson Chi-sq.	11.092		0.978	
p-value	0.001		0.323	
Perceive candidate will bring economic prosperity	19% (n=15)	46% (n=91)	45% (n=45)	46% (n=46)
Pearson Chi-sq.	27.293		0.020	
p-value	0.000		0.887	
The leader is from locality	6% (n=5)	17% (n=34)	21% (n=21)	13% (n=13)
Pearson Chi-sq.	8.501		2.237	
p-value	0.004		0.132	
Candidate's educational attainment	1% (n=1)	9% (n=18)	10% (n=10)	8% (n=8)
Pearson Chi-sq.	7.197		0.244	
p-value	0.007		0.621	
Party affiliation	13% (n=10)	25% (n=49)	27% (n=27)	22% (n=22)
Pearson Chi-sq.	8.894		0.678	
p-value	0.003		0.410	
Pressure from local leader	47% (n=37)	13% (n=25)	15% (n=15)	10% (n=10)
Pearson Chi-sq.	24.471		1.145	
p-value	0.000		0.285	

**Multiple responses. ** Percentages and totals are based on numbers responding.

Findings



Table 5a: Respondents supporting a political party

Support political party	Non- Member Control Group (N=99)	Member		
		4 & 8 year (N=198)	4 Years (N=99)	8 Years (N=99)
Yes	46% (n=46)	68% (n=135)	79% (n=78)	58% (n=57)
No	54% (n=53)	32% (n=63)	21% (n=21)	42% (n=42)
Pearson Chi-sq. p-value	13.078 0.000	10.267 0.001		

Findings



Table 5b: Reasons influencing support of a political party

Reason Influenced to Support a Political Party	Non- Members Control Group (N=46)	Members		
		4 & 8 years (N=135)	4 Years (N=78)	8 Years (N=57)
Power/ Recognition	9% (n=4)	33% (n=45)	31% (n=24)	37% (n=21)
Pearson Chi-sq. p-value	16.729 0.000		0.259 0.611	
Social Status	24% (n=11)	41% (n=55)	38% (n=30)	44% (n=25)
Pearson Chi-sq. p-value	10.607 0.001		0.629 0.428	
Pressure from Local Leader	43% (n=20)	17% (n=23)	19% (n=15)	14% (n=8)
Pearson Chi-sq. p-value	3.926 0.047		2.410 0.121	
Religious Reason	17% (n=8)	5% (n=7)	5% (n=4)	5% (n=3)
Pearson Chi-sq. p-value	2.844 0.092		0.148 0.700	
Extra Source of Earnings	39% (n=18)	12% (n=16)	12% (n=9)	12% (n=7)
Pearson Chi-sq. p-value	6.643 0.010		0.272 0.602	

**Multiple responses. ** Percentages and totals are based on respondents.

Findings



Table 6: Respondents as victims of crime in last three years

Victim in last three years?	Non- Members Control Group 31% (N=22)	Members			Total 100% (N=71)
		4 & 8 years 69% (N=49)	4 Years (N=19)	8 Years (N=30)	
Theft	8% (n=6)	44% (n=31)	17% (n=12)	27% (n=19)	52% (n=37)
Pearson Chi-sq. p-value	22.205 0.000		2.260 0.323		
Frat war/group fight	7% (n=5)	8% (n=6)	7% (n=5)	3% (n=2)	15% (n=11)
Pearson Chi-sq. p-value	14.658 0.001		1.499 0.473		
Hold-up	3% (n=2)	11% (n=8)	3% (n=2)	8% (n=6)	14% (n=10)
Pearson Chi-sq. p-value	15.524 0.000		2.615 0.270		
Robbery	3% (n=2)	3% (n=2)	0	3% (n=2)	6% (n=4)
Pearson Chi-sq. p-value	14.579 0.001		2.639 0.267		
Illegal eviction	10% (n=7)	3% (n=2)	0	3% (n=2)	13% (n=9)
Pearson Chi-sq. p-value	21.374 0.000		2.639 0.267		

Findings



Table 7: For victims of crime, where assistance is sought

Assistance in case of victim	Non- Members Control Group (N=22)	Members			Total (N=71)
		4 & 8 years 69% (N=49)	4 Years (N=19)	8 Years (N=30)	
No one	18% (n=13)	41% (n=29)	14% (n=10)	27% (n=19)	59% (n=42)
Pearson Chi-sq.	0.125		3.272		
p-value	0.724		0.070		
NGO	0	1% (n=1)	1% (n=1)	0	1% (n=1)
Pearson Chi-sq.	2.543		2.339		
p-value	0.468		0.505		
Police	0	1% (n=1)	1% (n=1)	0	1% (n=1)
Pearson Chi-sq.	2.293		3.000		
p-value	0.682		0.558		
Local leader (informal)	3% (n=2)	4% (n=3)	0	4% (n=3)	7% (n=5)
Pearson Chi-sq.	2.116		5.131		
p-value	0.549		0.162		
Union Chairman	6% (n=4)	25% (n=18)	13% (n=9)	13% (n=9)	31% (n=22)
Pearson Chi-sq.	2.994		1.006		
p-value	0.224		0.605		
Local Legal Authority/ Matbar	6% (n=4)	10% (n=7)	3% (n=2)	7% (n=5)	15% (n=11)
Pearson Chi-sq.	1.553		4.307		
p-value	0.670		0.230		

**Multiple responses. ** Percentages and totals are based on respondents.

Findings



Table 8: Frequency of feelings of social exclusion

How often felt socially excluded	Non- Members Control Group (N=99)	Members		
		4 & 8 Years (N=198)	4 Years (N=99)	8 Years (N=99)
Never	7% (n=7)	41% (n=82)	38% (n=38)	44% (n=44)
Pearson Chi-sq. p-value	37.093 0.000		0.749 0.387	
Always	46% (n=46)	12% (n=24)	16% (n=16)	8% (n=8)
Pearson Chi-sq. p-value	43.214 0.000		3.034 0.082	
Often	40% (n=40)	30% (n=60)	30% (n=30)	30% (n=30)
Pearson Chi-sq. p-value	3.015 0.032		0.000 1.000	
Seldom	6% (n=6)	11% (n=21)	8% (n=8)	13% (n=13)
Pearson Chi-sq. p-value	1.650 0.199		1.332 0.248	
Very seldom	0	6% (n=11)	7% (n=7)	4% (n=4)
Pearson Chi-sq. p-value	5.712 0.017		0.866 0.352	
Total	93% (N=92)	59% (N=116)	61% (n=61)	55% (n=55)

Thank you for your attention.

Any questions?

