

Effect of Microfinance On Poverty Alleviation and Economic Growth: A Study On Bangladesh

Liaquat Ali Khan

BRAC Business School, BRAC University, 66, Mohakhali, Dhaka, Bangladesh

lmahar389@gmail.com

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ABSTRACT

The purpose of this paper is to examine the influence of microfinance on poverty reduction and economic growth. The study is based on a literature review of studies conducted by various academics in various circumstances. Microfinance has grown in popularity as a method of reducing poverty by giving the poor new chances for entrepreneurship. It also tries to increase social capital in deprived areas while promoting empowerment, particularly among women. This study shows that microfinance can be a critical component of a successful poverty reduction approach, particularly in rural areas. This study is based on secondary data and was created using descriptive analysis. Following an examination of the data and information gathered, it is clear that microcredit can be considered an effective strategy for poverty reduction in developing nations such as Bangladesh. To be more certain about how much and how microcredit lowers poverty, more research and study need to be done in the future.

Keywords: *Microfinance, Poverty, Economic Growth, Bangladesh.*

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INTRODUCTION

The primary goal of this research is to assess the influence of microfinance on poverty reduction and economic growth in Dhaka, Bangladesh. This study is based on a survey, with primary data obtained using a structured questionnaire covering many elements of microfinance, poverty reduction, and economic growth. Microfinance, because of its multifaceted nature, is regarded as one of the most important programs for achieving poverty reduction and economic progress in all parts of the globe. The primary goal of this study is to investigate the influence of small sums of money on poverty reduction. The findings would provide insight into how microfinance contributes to economic condition reduction and economic growth at the village level in the Dhaka region, particularly for female contributors, as well as to overall economic condition reduction and economic growth.

Bangladesh Rural Advancement Committee (BRAC) is one of the specialist initiatives of this organization in Dhaka, which has been working to improve the

lives of neglected people since 1972. This program provides various credit products to underprivileged populations in working regions, particularly women, to engage them in economic activity. In this study, microfinance, poverty reduction, and economic growth are considered independent and dependent variables. For this study, women from Dhaka who labor in various locations where the BRAC organization is active in Dhaka are considered a population. To achieve this goal, both primary and secondary data will be used to determine the outcomes. Also, in this research, the primary data will be collected by questionnaire. Secondary data, such as research papers, reports, bulletins, and so on, would also be utilized to collect information. A basic random approach will be used to collect data from the region of Dhaka, Bangladesh.

Microfinance is not a new concept. Professor Muhammad Yunus, a Nobel Prize recipient, was the one who established Grameen Bank as an experiment in Bangladesh in 1978. Traditional microfinance operations may be traced back to 1963 when Africa established the first cooperative savings and lending institution (Credit Union). Microfinance has demonstrated its worth in numerous nations over the last three decades as a formidable weapon against hunger and poverty (Morduch 2002). "Microfinance has the potential to improve people's lives, particularly the lives of those who need it the most," said UN Secretary-General Kofi A. Annan (Latifee, 2006). Since the 1990s, poverty reduction has been a top focus at both the national and international levels.

Since its inception, microfinance has captured the attention of many governments, NGOs, and donors as a viable tool for poverty reduction and economic progress. (Georgia summit, June 2004). Since its inception in 1972, the Bangladesh Rural Advancement Committee has undertaken credible and internationally acknowledged efforts for social transformation and the development of disadvantaged areas. By organizing underprivileged communities, BRAC aims to bring about constructive social change. One of the BRAC Foundation's projects is Microfinance for Women's Empowerment, which will be the primary focus of this study.

The research would aid in the identification of flaws and loopholes in the aforementioned scheme, and in the development of the best feasible solution for utilizing the funds most efficiently and effectively possible. Who is the beneficiary of this organization's BRAC program? Despite tremendous efforts in income growth, human development, and vulnerability reduction to date, Bangladesh continues to face serious challenges, with approximately 22 million people living below the poverty line. Despite recent strong GNP growth rates, a concerted war on poverty is important. This is important owing to the rising economic disparity caused by increased reliance on the corporate market. In the past, majority development strategies led to poverty reproduction, as well as a quick expansion in the budget deficit, loan reliance, and a significant decline in natural resources. These developments must result in the community's horizontal and vertical polarization. As a result, there is an urgent need to review whether the already operational poverty alleviation initiatives are helping to meet basic requirements

and foster community self-reliance through human resource development and revenue creation activities.

The major goal of this study is to assess the impact of microfinance on poverty reduction and economic growth in union councils in the Dhaka region. Hence, the study seeks to:

- examine the local population's financial situation and revenue sources;
- take a look at the economic activities carried out by local women;
- investigate the impact of BRAC initiatives on women's empowerment and upbringing.

The regions of the Dhaka region where the Bangladesh Rural Advancement Committee (BRAC) organization is active are the focus of this investigation.

LITERATURE REVIEW

Intellectual Problems

Microfinance is the provision of financial services to those with extremely very small incomes and those who are self-employed but very poor (Otero 1989a). Financial services, according to (Ledgerwood 1999), might include payment and insurance services, credit and savings, and so on. According to (Jegade et al. 2011), microfinance refers to the loan of small amounts of capital to impoverished businesses to build a mechanism to alleviate poverty by providing the destitute with such resources as are available to the affluent, but on a small scale.

Microcredit and microfinance

It is critical to comprehend the concepts of microcredit and microfinance. According to (Singh 1990), microcredit refers to tiny loans, whereas microfinance refers to loans complemented by insurance and savings, among other things. Microcredit is a subset of microfinance that comprises the provision of credit to the needy and impoverished. Non-credit financial institutions such as insurance institutions, savings, and payment systems are also included in microfinance. (Okiocredit, 2005).

Poverty as a concept

There are several definitions of poverty. According to Ted K. Bradshaw (August 2005), there is a shortage of food, medication, shelter, and other necessities. The basic requirements of each person fluctuate depending on their previous experiences and social environment (Sen, 1999). Poverty, according to the Encarta Encyclopaedia, is defined as an excessive lack of appropriate resources and income, as well as a lack of fundamental human requirements such as enough and

nutritious food, shelter, clean water, health care, and clothes (Encarta Encyclopedia 2009). According to the (United Nations report 1998), poverty refers to a lack of such resources and options that allow individuals to enjoy improved living situations. Poverty, according to (Professor Mohammed Yunus 1999), is the denial of such human rights as the availability of food.

If a person's daily earnings are less than 2 USD, he is termed "poor." If a person is unable to make enough money to supply him with nutritious food, he is deemed poor (Baar, 2005). Various third-world countries, including Pakistan, have expressed strong interest in the establishment of MFIs due to their ability to provide financial services such as microcredit, micro-savings, micro-insurance, and other microfinance services to a segment of the population that is underserved by the traditional banking system (Marconi and Mosley, 2006). The majority of small-scale businesses in developing nations engage in such informal markets, which provide financial services that differ from traditional commercial bank financing. In terms of outreach, MFIs are capable of appraising rural regions and providing services to indigenous disadvantaged groups.

Microfinance is often regarded as the only viable approach to eradicating Indian poverty. The majority of Indians live considerably below the poverty level. Microfinance is becoming increasingly popular in India. The present outstanding balance necessary to meet this demand is 1600 crores, whereas the required amount is 45000 crores (Kumar et al., 2010).

Microfinance is effective in alleviating poverty. Financial emancipation is the next milestone reached by microfinance institutions (MFIs). This has a significant beneficial influence on the lives of the impoverished (Adeola, 2000). Because of rising poverty, there is a high need for microfinance in emerging nations. As a result, there is a need to spread this technique throughout the world. The microfinance business must focus on meeting fundamental human needs and be able to compete with other institutions (Bhutt et al.). (2001).

Many impoverished individuals in developing nations do not have full access to microfinance institutions' services (MFIs). The reasons for this include restricted access and insufficient funds. These impoverished people also lack access to medication and education for their children. As a result, poor people will always be poor. An underdeveloped or developing nation is one in which the majority of people live below the poverty line or are unable to get the necessities of life such as food, water, health, education, and so on (Sirajul, 2007).

According to Adewole, a third-world nation is one in which people's income is insufficient to purchase food, education, decent sanitation, and health care (Adewole, 2008). Poverty is one of the most significant barriers to social and economic growth. Poverty makes it impossible to fulfill economic goals. Many illicit social activities emerge as a result of inadequate social progress. Many

policies and plans were developed for the globe following WWII, but due to an inability to implement them, many illicit social activities emerged as a result of inadequate social development. Many policies and strategies were developed for the globe following WWII, but due to rising poverty, these policies were never able to achieve their goals. Yunus (2003).

If impoverished people's salaries were linked to micro-financing initiatives, it might be a solution to eradicate poverty. All present microfinance tactics and policies must be reviewed to have a beneficial influence on poor people's income levels and poverty (Robinson, 2001). Microfinance institutions and the services they provide have the potential to significantly improve the stability, growth, and survival of underprivileged communities. Hulme and Mosley investigated this and demonstrated it by gathering data from Bangladesh, Indonesia, and Sri Lanka (Hulme & Mosley, 1996).

Microfinance has considerably assisted individuals in Ethiopia and Bangladesh in improving their living conditions. Agriculture is the major source of income in many nations, yet individuals are unable to produce enough due to a lack of suitable pesticides, technology, and access to modern agricultural methods. There is a need to provide rapid micro-credit facilities so that individuals can move out of these situations. As a result, the microfinance business in these nations should primarily focus on improving the agriculture sector (Tenaw & Islam, 2009). Although there are many strong instruments available, microfinancing is often regarded as the sole successful method for providing all of the fundamental necessities of the impoverished (Jonathan & Mordch, 1998).

Microfinance investment is directly proportionate to income. However, impoverished individuals are unable to invest due to a lack of financial means. As a result, the poor stay poor and have no funds to establish a company through microfinance initiatives (Wood & Sharif, 1997). Khushali Bank of Pakistan also provides financial services and microcredit initiatives, which effectively encourage impoverished people in Pakistan to improve their health, food, education, and other essential daily necessities. People living below the poverty level benefit from these programs as well (Montgomery, 2005).

Access to technology, along with other fundamental human needs, is a critical requirement for the impoverished. However, due to the high-interest rates on microcredit schemes, the poor are unable to use these services (Muhammad, 2010). When people's incomes are poor, it has an impact on the country's overall economic development. On the other hand, if people's incomes are high, it has numerous good consequences for the country's economy. When individuals have a high income, they can easily afford all of their necessities, such as food, water, and health care, and they have a better quality of life. This scenario is only getting better as a result of microfinance programs (Bentu, 2008).

The connection between Self-Employment and Microfinance

Microfinance is the only solution to alleviating poverty since it allows disadvantaged people to work for themselves. As a result, underprivileged individuals gain empowerment and can start their businesses. More than 24 crore people in India are poor, and these unbanked individuals have little chance except for microfinance initiatives (Shastri, 2009). The microfinance credit facility raises revenue. It has evolved into a new means of starting a new business or expanding an existing one. Its programs offer opportunities for constructive employment and income generation (Khandker & Shahid, 2001).

Reducing poverty through microfinance is also dependent on the individual who uses the service and how well he uses it. Microfinance would be useless if it were abused. Furthermore, if the plans are embraced by people from the middle or upper classes, their main aim would be undermined because these schemes are expressly designed for people living below the poverty line. These programs are developed with the fundamental needs of the underprivileged in mind. And, when correctly implemented, these plans may contribute up to 75% to the improvement of a country's economy (Rena et al, 2006).

Microfinance and small loan schemes for fisheries, livestock, and cotton production, among other things, considerably assist in raising living conditions. Sometimes a lack of financial resources outweighs a poor person's inventiveness and skills, and this may be exploited through such scams. As a result, underutilized abilities can be fully used and yield profitable results (Barnes et al., 2001). Microfinance raises per capita income through the establishment of new businesses as well as the stabilization of current new businesses. The per capita income of people who use microcredit programs is higher than that of non-borrowers (Kamal, 1996). Microfinance plans are only for the poor who do not have access to official credit schemes owing to a lack of available sources. In Pakistan, almost 90% of commercial businesses use microfinance programs to meet their economic demands. These plans also help them to grow their business (Ghalib, 2007).

Poverty and microfinance

The increasing profitability of many government banks and non-governmental organizations has piqued the interest of commercial and traditional banks in microfinance. Khushali Bank in Pakistan is one such microfinance institution. Given the rising popularity and profitability of microfinance, many non-governmental organizations (NGOs) have shifted their whole focus to microfinance schemes (Fernando, 2004). Because of increased agricultural production as a result of micro-financing initiatives, the total country's gross GDP is rapidly increasing (Waqar et al., 2008). Microfinance is widely used not just by men but also by women in a community. Because women play an important role

in the household, women in Pakistan are also playing an important part in the expansion and stability of small commercial companies conducted via micro-financing programs (Muhammad, 2010).

Micro-financing has proven to be a tremendous benefit for underprivileged individuals in Pakistan who did not have the resources to earn a better living. Several rural assistance programs are in place in Pakistan to help people out of poverty. Among these organizations are numerous non-governmental organizations (NGOs), such as the Sungi Development Foundation. However, the bulk of these schemes has not met their full objectives because of the extremely high cost of lending worthiness. Henry, (2004). Currently, the efficiency of microfinance schemes is determined by their financial stability. Financial stability and the cost of micro-financing options have a strong link. And the cost of micro-financing opportunities is high as long as the micro-financing sector is scarce. Due to the tiny quantity of microcredit available through micro-financing initiatives in Pakistan, it is extremely difficult for impoverished individuals to establish a new business or venture. As a result, the poor remain impoverished. However, for the poor who already own a business, such small loans can help them boost and improve the condition of their company (Zaman & Hassan, 1999).

Another key obstacle that stops impoverished individuals from fully using microfinance schemes is excessive interest rates and service fees. The explanation might be that banks must send representatives to poor people's homes. And because such arrangements incur enormous expenses, the costs are borne in the form of hefty service fees and high-interest rates on minor loans (Brand & Gearstick, 2001). Remenyi discovered a very promising association between income level and microfinance. When microfinance is substantial, it raises income levels to a greater extent, and vice versa (Remenyi et al., 2000).

Since the early 1970s, micro-financing (MF) has achieved enormous success by reaching millions of needy individuals throughout the underdeveloped and developing worlds, with MFIs having several branches all over the world (Mohammad Khan and Rahaman, 2007). The massive exponential expansion of MFI is not the result of a single market driver, but the hard work and dedication of several individuals and organizations (Mohammad Khan and Rahaman, 2007). Pitt and Khandker (1996, 1998) calculated that for every hundred Bangladeshi takas provided to women, the increase in household income would be 18 Bangladeshi takas.

In general, the women of Dhaka region poor communities work in a variety of income-generating activities, such as stitching, serving as cooks or maids in other people's homes, running small shops, and a few in far-flung union councils have pet animals and sell their milk, while others rely on agriculture. These impoverished individuals are often uninformed of bank lending programs and are hesitant to approach major institutions. They are frequently unable to get loan

paperwork or to read and comprehend the documents and their criteria. As a result, micro-financing programs are the only choice left, because these schemes come to the impoverished people's homes and make it simple for them to obtain loans. Furthermore, because these loans are tiny in size, poor individuals may easily obtain them.

Theoretical framework

This study's independent variable is microfinance. It is determined by two factors: the first loan cycle and the higher loan cycle. Beneficiaries who would profit from the first loan cycle are termed the control group, while those who would gain from the second loan cycle are considered the treatment group. Women's empowerment comprises three sub-determinants: social, psychological, and economic empowerment.

The loan cycle refers to the time elapsed between loan distribution and repayment. This period is typically one year, and following the successful completion of this loan cycle, the higher cycles begin (Rahul Nilakantan et al., 2013). The initial loan cycle is the first year of loan distribution and the beginning of the entire cycle (SDF, 2008). Following the successful completion of the first year of loan distribution, higher loan cycles begin. In this cycle, a larger loan amount is provided, and the repayment period might be bigger, depending on the loan category.

Empowerment of Women refers to the phenomenon that enables women to manage their life choices independently and to make use of all available resources to become financially strong (Moser, 1989). Women are said to be financially or economically empowered if they have control over financial resources. It gives women more confidence in managing their households and social duties. Women's economic empowerment is demonstrated by loan decisions, which show how freely they may decide to obtain a loan (Weber & Adnan, 2014), as well as their freedom to use the loan obtained.

Women's Social Empowerment refers to women's freedom in society to make their own choices and judgments, their position in their homes and in the community in which they live, and their capacity to get loans through microcredit schemes. Kabeer (Kabeer, 1999). Women's social empowerment is shown by their decision-making independence at home (Weber & Adnan, 2014), their capacity to analyze information about their basic rights (Malhotra, 2002), their access to education (Kabeer, 1999), and the importance of their decisions within the family (Kabeer, 1999) (Malhotra, 2002). Empowerment with technology refers to women's freedom to use cutting-edge technology such as mobile phones, the internet, and laptop computers. The key hypothesis of the study is, that microfinance loan cycles benefit women's total empowerment, including social, economic, and psychological empowerment.

METHODOLOGY

The data for this study is gathered in two ways: primary and secondary. Questionnaires are a key data source. The questionnaire is based on observation and interviews, among other things. This research's secondary data is gathered from secondary sources such as news announcements, corporate reports, and financial statements. This study employs the following processes and techniques: population, sample size, data collecting tool, and data analysis.

The data is gathered from women beneficiaries of three labor union councils in the Dhaka region. The total active beneficiaries reported in 2021-22 (of the aforementioned union councils) from 1st March 2021 to 31st March 2022 was 900. Hence, the population for this study is 900 active beneficiaries (SDF, 2021-22). For this study, 150 respondents from the Sungi Development Foundation's microfinance programs in region Dhaka were chosen. Table 1 highlights the demographic information.

Table 1: Demographic profile

Criteria	Number of respondents	Mean
Married with children	75	2.67
Unmarried	25	2.36
Widows	30	1.78
Married without children	20	1.35

The accompanying table shows that the majority of women who benefit from microfinance programs are married women with children. They require such little loans to start enterprises and provide a better life for their children.

The data would be gathered using a basic random sampling approach. The sample size for this study will be determined later, and women will be active participants. The sample size is obtained using the formula below.

The formula for calculating sample size
$$ss = \frac{Z^2 * (p) * (1-p)}{c^2}$$

The Z value shows the amount of confidence (e.g., 1.96 for a 95 percent confidence level). p is given as a decimal (0.5 in this example) and shows the percentage of

selecting a decision. c is the confidence interval and is also written as a decimal (e.g.,.05).

Data will be gathered using a self-administered structured questionnaire on a 5-point Likert scale. The scale runs from 1 (strongly disagree) to 5 (strongly agree) (strongly agree). The questionnaire contains a variety of questions designed to elicit information about the participants' backgrounds. The questions concerning age, the number of family members, education, living standards, income, and saving, among other things. The questionnaire has multiple-choice questions (MCQs). The participants are instructed to select the one that corresponds to their response. Some questions require a yes or no response. The data gathered by the survey were analyzed using the SPSS program SPSS20. Descriptive statistics were used to obtain the frequency distribution, graphical features, and percentage. Pearson correlation was used to calculate the relationship between several variables. One-way ANOVA was used to determine the impact of microloan cycles on women's empowerment. ANOVA was used to assess economic, social, and psychological empowerment.

Considering social values and research ethics, prior consent was obtained from respondents to participate in filling out the questionnaire. They were well briefed on every aspect of the questionnaire and were assured that their identities would be kept private. They were given enough time to fully comprehend the questionnaire and work on it in a relaxed manner.

DATA ANALYSIS AND RESULTS

To analyze the data collected through the questionnaire, SPSS 20 was used. The chapter consists of two parts. The first section of the chapter is about descriptive statistics, which are used to generate graphs and tables and to determine frequency distributions. The second half of the chapter gives us the correlation between dependent and independent variables. One-way ANOVA has been carried out to check the hypothesis.

A descriptive analysis was conducted to find the demographic features of the data. Percentage and pie charts were used for this purpose. A total of 150 females were selected as respondents, and among these, 30 females were from the age group 17 to 28 years, 80 were from the age group 28 to 36 years, and 40 were between the ages of 36 to 50 years. The frequency distribution of respondents based on their marital status suggests, that among all participants, 75 females were married and had children, 25 were unmarried, 20 were married but had no children, and 30 were widows.

The respondents were also distributed based on their literacy rate. Among 150 respondents, almost 48% were illiterate and 52 percent were literate. The education level of all the respondents reflects that around 72 women were illiterate. Around 25 had only religious education, 15 were educated only up to primary level, 15 had education between primary and matriculation, and around 5 were university graduates.

Among all the respondents, around 60 belonged to the first loan cycle because they were the ones who obtained the loan for the first time. Around 30 respondents were in the second loan cycle, 40 were in 3rd loan cycle, and 20 were in 4th and higher loan cycles.

The coefficient of reliability was calculated by using Cronbach's Alpha SPSS20. The analysis shows a very positive relationship between all the variables including women's social, psychological, and economic empowerment and microfinance loans.

ANOVA Analysis (one way)

In one way, the ANOVA analysis was used to compare the mean values of women's social, economic, and psychological empowerment and loan cycles. In this study, the dependent variables are women's social empowerment, women's economic empowerment, and women's psychological empowerment. Loan cycles, comprising the first, second, third, fourth, and subsequent cycles, are regarded as independent variables. The loan cycles are denoted by LC, while the number of respondents is denoted by N and the dependent variable is denoted by DV. According to the findings presented in the table below, women's social, economic, and psychological empowerment has grown with each loan cycle, implying that loan cycles have a highly favorable influence on women's overall empowerment.

Table 2: ANOVA analysis

DV	LC	N	Mean
Women social empowerment	1	60	3.53
	2	30	3.59
	3	40	4.21
	4 and above	20	4.35
Women economic empowerment	1	60	3.71
	2	30	4.13
	3	40	4.26
	4 and above	20	4.44

Women psychological empowerment	1	60	3.69
	2	30	4.31
	3	40	4.77
	4 and above	20	5.22

As demonstrated in table 2, the dependent variables are women's social empowerment, economic empowerment, and psychological empowerment, as well as the independent variables, are loan cycles. There were 60 respondents in the first loan cycle, 30 respondents in the second loan cycle, 40 respondents in the third loan cycle, and 20 respondents in the fourth and higher loan cycles. The mean value of women's social empowerment in the first loan cycle is 3.52, the mean value of women's social empowerment in the second loan cycle is 3.59, the mean value of women's social empowerment in the third loan cycle is 4.21, and the mean value of women's social empowerment in the fourth and higher loan cycles is 4.34. This mean value rises as we progress from lower to higher loan cycles. It indicates that microfinancing initiatives have a favorable influence on women's social empowerment.

Women's economic empowerment has a mean value of 3.71 in the first loan cycle, a mean value of 4.12 in the second loan cycle, a value of 4.26 in the third loan cycle, and a value of 4.44 in the fourth and higher loan cycles. The mean value of women's economic empowerment increases as we move from lower to higher loan cycles, indicating that microfinance schemes have a highly favorable influence on women's economic empowerment. The mean value of women's psychological empowerment is 3.69 in the first loan cycle, 4.31 in the second loan cycle, and the value of women's psychological empowerment is 4.31 in the third loan cycle. Empowerment is 4.77 in the third loan cycle and 5.22 in the fourth and higher loan cycles. The mean value of women's psychological empowerment shows an increasing trend as we go from lower to higher loan cycle which shows a very positive impact of microfinance schemes on women's psychological empowerment.

CONCLUSION AND RECOMMENDATIONS

Micro-financial institutions can create even more from the interest amount if the firm is formed under their supervision and the profit distribution can be changed through negotiations. The interest rate must be lowered because the interest amount is an added burden on the consumer. A majority of people living in villages are illiterate and have no understanding of microfinance, a specific effort to educate the poor about this service must be launched. Microfinance programs are in limited supply, and the majority of them

are concentrated in urban areas; there is an urgent need to expand the number of microfinance banks, which must be situated in rural areas.

The implication of the study

The study was delineated to investigate microfinance's effect on poverty reduction and economic growth. The study would have intended to cover Dhaka due to time constraints, distance, and financial problems. This study will also serve the same purpose for the Dhaka region not mentioned here.

Microfinance is essentially an approach where through group dynamics, small people, particularly rural women, could be organized into small self-help groups to take up small economic activities through small loans so that the benefit accrued could be shared among the group to ultimately make the group members empowered socially and financially. Whereas SMEs are enterprise-oriented small and medium size business units with larger investments with a focus on developing people into business entrepreneurs. The scale of activity and the finance involved is macro.

In Dhaka Bangladesh, micro-finance activities have come to a stage of a standstill with mounting overdue Bank borrowings. As usual, the entry of politicians has eroded the sanctity under which micro-financing schemes through SHGs were started way back then in the late eighties. Only strong NGOs could sustain microfinance activities through tight supervision and incentives. But they are a few numbers. In some areas, NBFCs are active and their experience may not be satisfactory.

Microfinance institutions play an important part in a country's growth. They provide an alternate source of finance to poor people who depend on moneylenders charging exorbitant interest rates. Though I cannot say that they help poor people coming out of poverty, they prevent them from going further into poverty. Micro-finance institutions could play a crucial role in the development of small-scale industries. But there are still many loopholes in this system. The BRAC has to frame some solid guidelines if these institutions are to work effectively

Conclusion

The study's findings suggest that the majority of respondents support the introduction and expansion of microfinance activities across the country, particularly in the region of Dhaka. Micro-finance is an effective instrument in the fight against poverty, according to computed results. Microfinancing not only helps disadvantaged individuals produce revenue, but it also helps them enhance their social status. Micro financing is a highly useful tool in achieving success, according to 55 out of 68 respondents (80.88 percent). With the introduction of microfinance, purchasing power increased as well. The majority of the findings suggest that microfinance can help people get out of poverty, which is in line with earlier research. Furthermore, Islamic microfinance, particularly in Islamic nations like Pakistan, is beneficial to poverty eradication. The findings of this study contradict those of prior studies.

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