

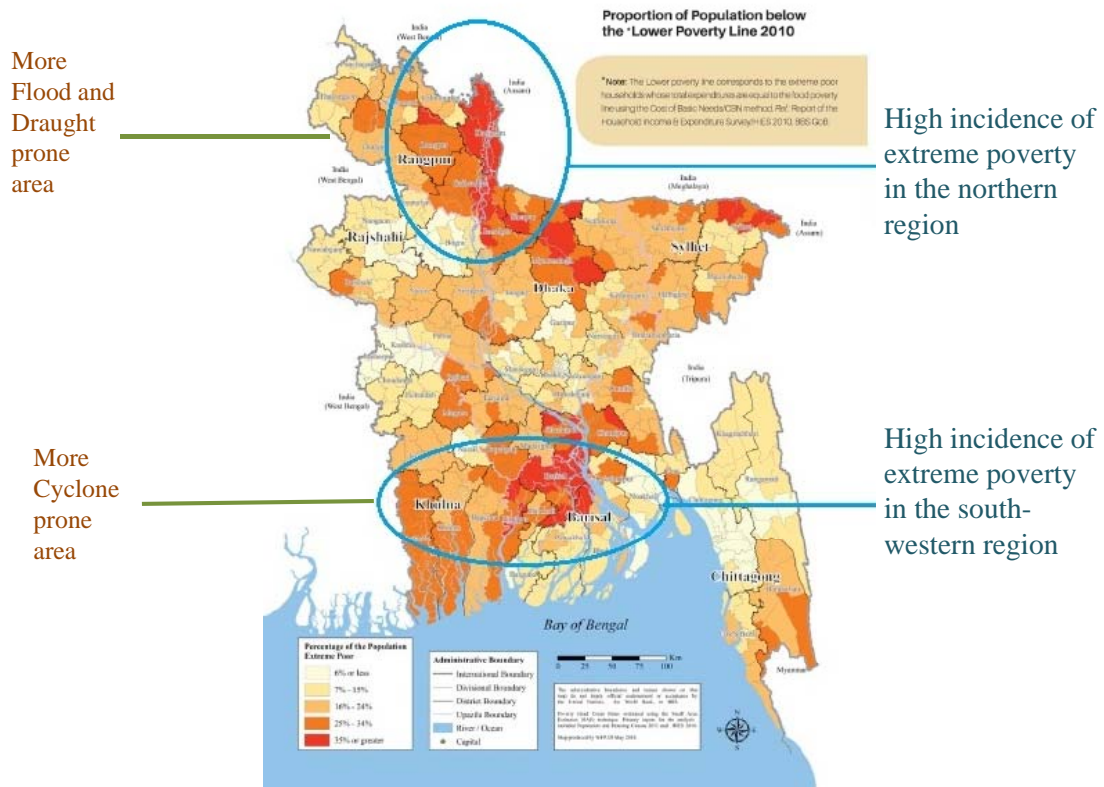
# EMPIRICAL FINDINGS ON MICROFINANCE IMPACT ON HOUSEHOLD WELLBEING AND RESILIENCE

Presented by  
Professor M.A. Baqui Khalily  
Executive Director  
Institute of Microfinance

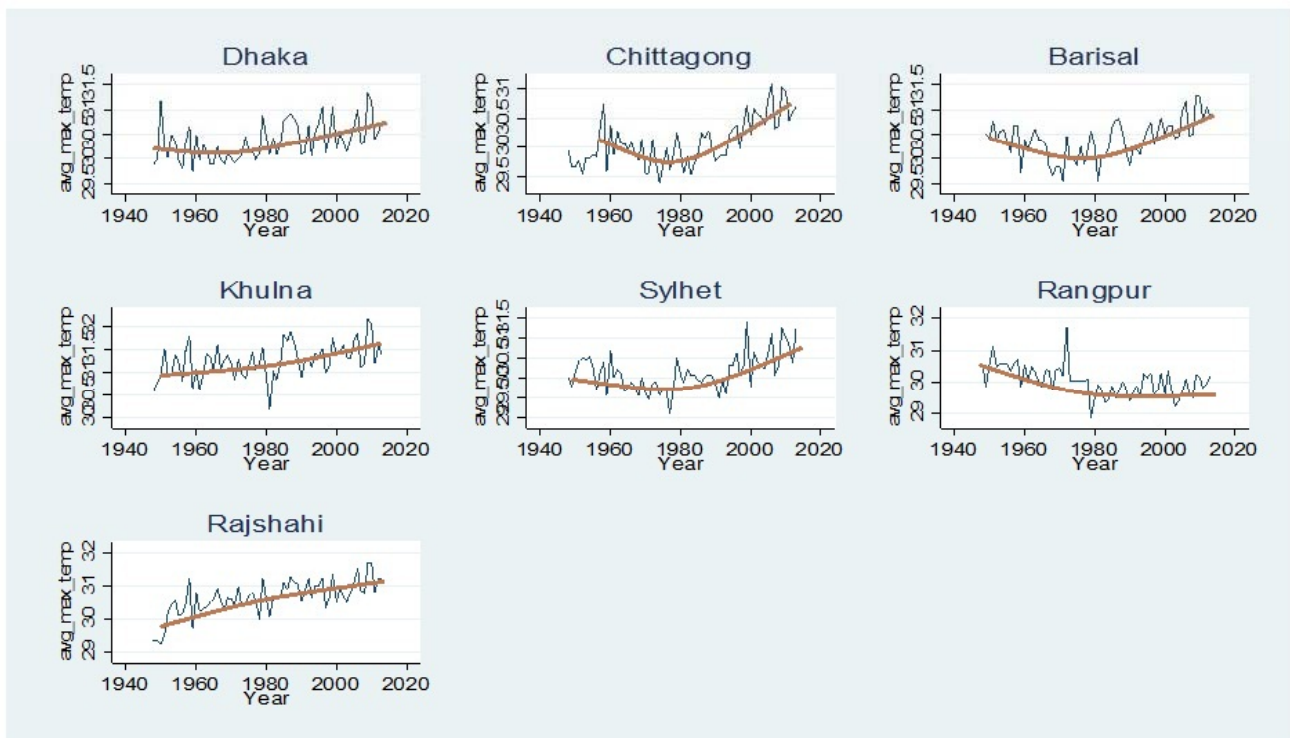
Presentation is made based on the findings  
drawn from

- Henry Schevens (2014)
- Khalily et. al. (2013)
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- Osmani and Ahmed (2014)

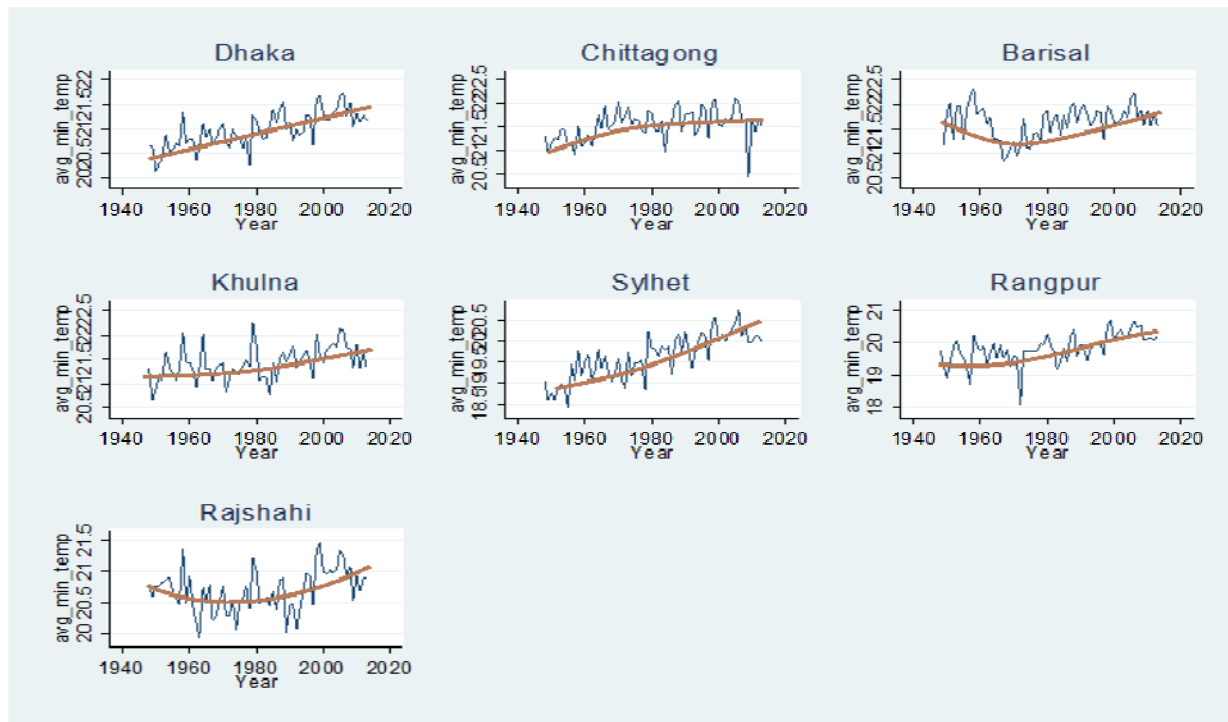
# Bangladesh Extreme Poverty Map



Average maximum temperature (in °C) in the seven divisions of Bangladesh over the period 1948-2012 has an increasing trend, particularly from 1980



Average *minimum* temperature (in °C) in the seven divisions of Bangladesh over the period 1948-2012 has an increasing trend, more from 1980



## Evidences of Impact of Microfinance and Microfinance Institutions (MFIs)

- Micro finance and the nature of role of MFIs have changed during the past decade. Extended from:
  - Pure micro finance to finance and development services;
  - Pure finance to risk-management and growth;
  - Household-level upliftment to community level development as they are inter-linked
  - Uni-dimensional (CBN based poverty alleviation) to multi-dimensional (human dignity based sustainable poverty alleviation) approach.
- Three evidences I am going to present to show the effective role of microfinance and MFIs in coping and sustainable poverty alleviation:
  - Khalily et. al. (2014)
  - Khalily et. al. (2015)
  - Osmani and Ahmed (2015)

## Components and outreach of PRIME

- **Targeting criteria**

- (1) Monthly household income of TK 4,000 and below (it was Tk 1500 in 2006 & 2007 and Tk. 3,000 in 2008-10)
- (2) One earning member as day labourer
- (3) Land-ownership of 50 decimals or less

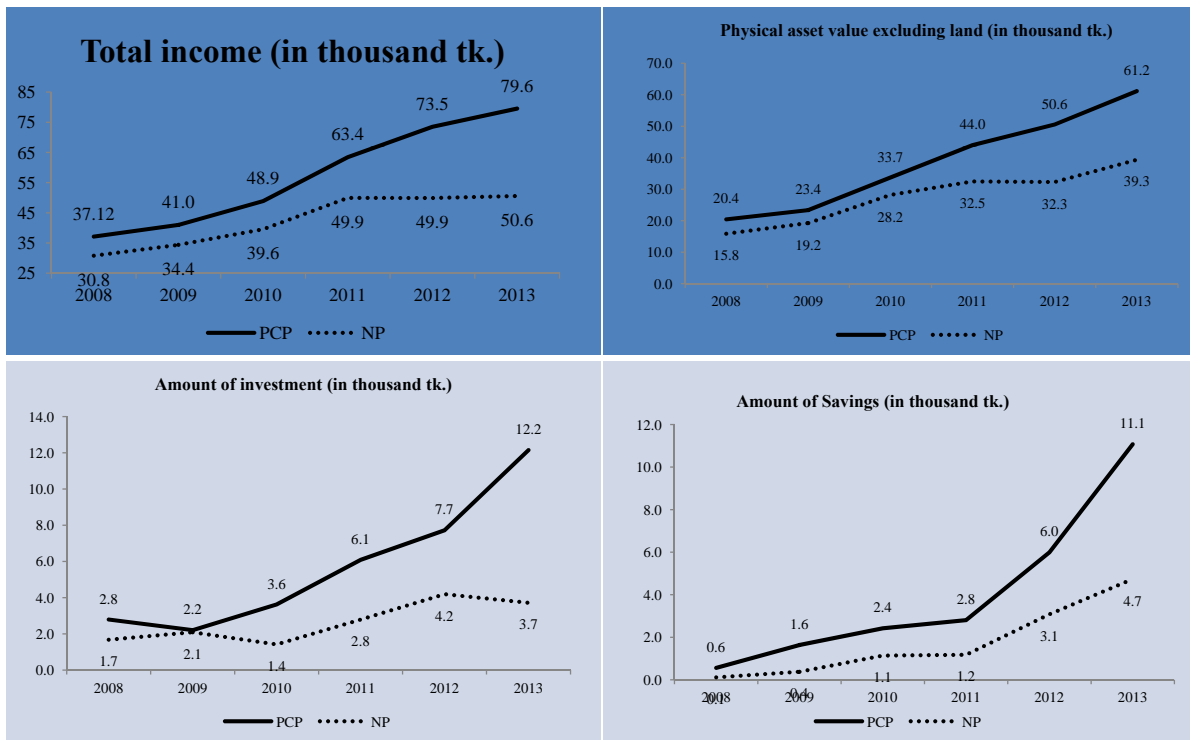
- **Major components of PRIME program are:**

- (i) Flexible Microcredit;
- (ii) Training;
- (iii) Technical Assistance;
- (iv) Health Service.

### Does Ex-ante access to finance improves coping ability of households in North-western region?

Sample Type	Households Type	Under Ex-ante Access to Microfinance			
		Expected Sale of Labor Day	Expected Asset Sale Amount (Tk.)	Expected Informal Borrowing Amount (Tk.)	Expected Probability of Internal Migration
All Households under Study	1. All HHs	-3.52***	-1,727.48***	-3,400.83***	-0.03***
	2. HHs with Ex-ante access to finance	-4.06***	-1,662.94***	-3,454.57***	-0.08***
	3. HHs without Ex-ante access to finance	-5.31***	-2,008.80***	-3,950.63***	-0.08***
Households Living in char (bank of rivers or island) Area	1. All HHs	-8.11***	2,565.56***	-386.60***	-0.09***
	2. HHs with Ex-ante access to finance	-6.85***	-2,370.50***	-323.31***	-0.16***
	3. HHs without Ex-ante access to finance	-8.32***	-2,661.02***	-426.57***	-0.15***

## Positive effect of PRIME in North-western region with higher slope of positive outcomes from 2010



## Cyclones in South-western region and Its Devastating Effects

- In the past eight years (2007-2015), households in the South-western region experienced three major cyclones:
  - Sidr in 2007
  - Aila in 2009
  - Mahasen in 2012 (less severe and in small areas).
- More than 95 percent of the houses of the affected households were destroyed (partly/fully)
- More than 80 percent of the households had their livelihood sources destroyed
- Average loss per household was equivalent to average income per household of:
  - six-months in Sidr affected region;
  - 11 months in Aila affected region, and
  - two months in Mahasen affected region.

## Framework for Analyzing Coping and Resilience Building Strategies in South-western Region

- In such a situation, coping and resilience building strategies should be different. **Coping will include immediate reconstruction of houses and consumption smoothing**
- Little scope for **sale of assets, advance sale of labor and short-term internal migration** given colossal damage caused by cyclones to the affected households. **Informal borrowing** will be costly. All these will be erosive.
- The critical strategy will be to **access finance from external sources** if savings are not sufficient to recover from losses in the short run, and then **adopt long run investment strategies for sustainable recovery and resilience building.**
- **The household level strategies will include access to long term finance, skill development training, primary health services, access to insurance and environmental literacy for better risk management**
- Role of community and state goes beyond the strategies at household level.

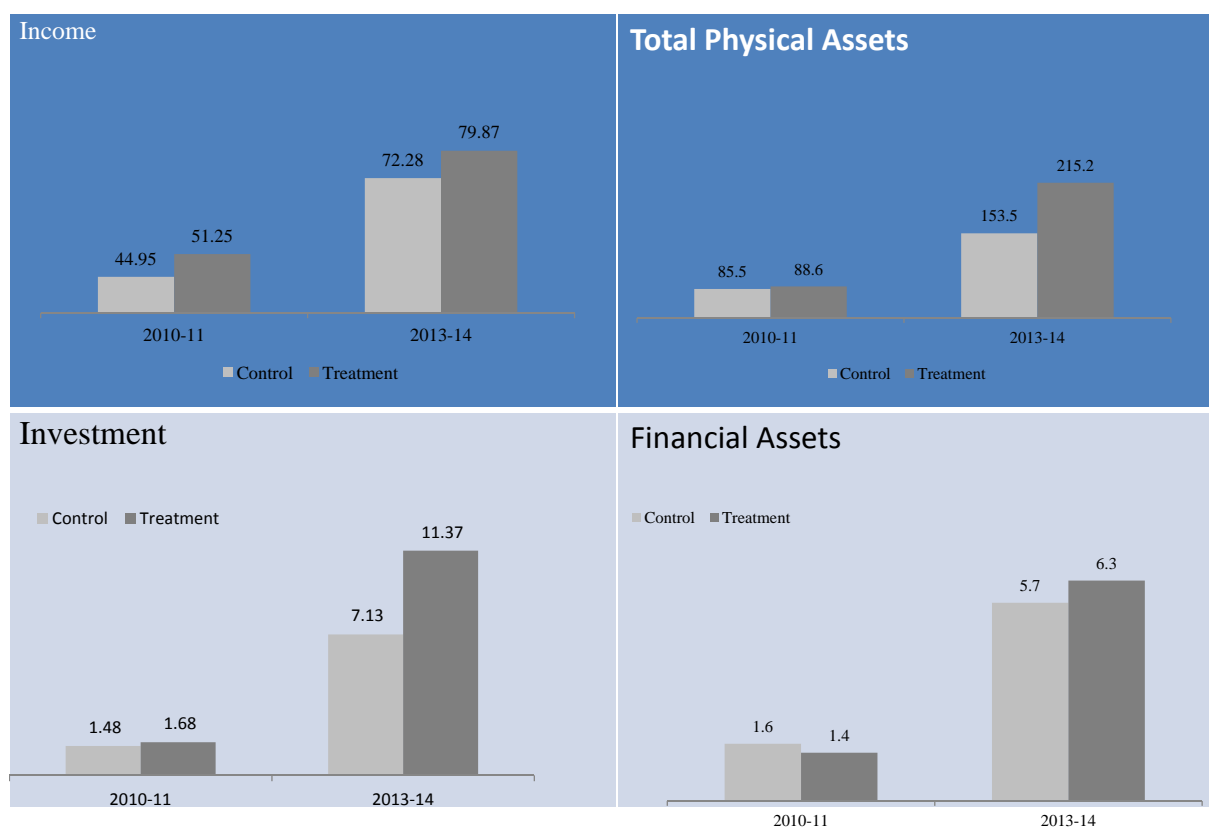
### Evidence on Access to Finance on Coping Strategies in South-western region (InM-BUP Study, 2012; Khalily et. al. 2015a) Using Endogenous Switching Regression Analysis

Sample Study Group Households	Expected Gain (Tk.) under Ex-ante Access to Finance			
	Current Savings	Coping Strategies		
		Savings	Loan from Individuals	Support Received
All Households	3,884.75***	-3,181.06***	-29,120.78***	-1,848.47***
Households with Ex-ante Access to Finance	4,008.75***	-3,863.47***	-29,212.80***	-866.48***
Households without Ex-ante Access to Finance	732.16***	-4,182.37***	-30,096.45***	-1,643.11***

Evidence on Access to Finance on Coping Strategies in South-western region (InM Study 2014; Khalily et. al. 2015b) Using Endogenous Switching Regression Analysis and PRIME dataset

Households	Coping Strategies	
	income/savings	Informal loan
<b>SIDR</b>		
All Households	479.84***	-2,082.28***
Program Households	845.12***	-1,719.50***
Control Households	842.96***	-2,189.85***
<b>AILA</b>		
All Households	2,773.82***	-5,199.62***
Program Households ( $\Pi_1$ )	1,049.96	-10,443.61***
Control Households ( $\Pi_2$ )	-869.19	-13,207.92***

Impact of PRIME in South-western region



## Does Access to Microcredit Reduce Adoption of Erosive Coping in Rural Area of Bangladesh

- Evidences of Khalily et. al.(2014), Khalily et. al. (2015a; 2015b), Khalily et. al. (2013) reveal clearly that
  - Access to ex-ante finance reduce costly erosive strategies for the households
  - Ex-post access to finance increase income, investment, assets and financial wealth of the participating households
  - Ex-post coping strategies are not uniform in all regions; strategies adopted in North-western region are different from those in South-western region
  - Major investment in house reconstruction and maintenance is required in SW region.
- Osmani and Ahmed (2014) in a recent paper showed that probability of access to micro finance reducing adaptation of ex-post erosive strategies is 0.20.

## Does Access to Microfinance Contribute to Resilience Building?

- Reducing Multi-dimensional Poverty can be considered as sustainable poverty alleviation. If it does, it also adds to long run resilience building. It is not access to economic resources but also to social resources which add to reducing multi-dimensional poverty and in turn building resilience of the households. Risk management still remains a critical issue.
- Impact of PRIME on poverty in SW is as follows:

Household affected by at least one incidence (Sidr/Aila/Mohasen)		
	Poverty rate (CBN method)	Poverty rate (multidimensional poverty)
MFI member	60.14	72.79
Non-MFI member	60.87	79.16
<i>Difference</i>	<i>0.0073</i>	<i>0.0636***</i>