

**CIESIN Brown Bag**  
**July 9, 2012**

## **Microfinance Helps Reduce Poverty in Bangladesh: Is Climatic Hazard Spoiling the Party?**

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### **Abstract**

Microfinance is in 28th year of existence in Bangladesh in 2012. In 1984, then military government of this impoverished nation via a special ordinance gave birth to Grameen Bank, a government regulated financial institution. Professor Mohammad Yunus was legitimately appointed at the helm of the Grameen Bank from its inception since he was engaged with an action research in Bangladesh with microcredit since 1976. In fact, microcredit was the brainchild of Professor Yunus of Bangladesh. Due to Yunus's pioneering works and Grameen Bank's commitment to microfinance brought for them the Nobel Peace Prize in 2006. This recognition from the world community made Mohammad Yunus as the father of microfinance and Bangladesh as its place of birth.

Following the foot steps of Grameen Bank, over the last quarter of a century, micro credit projects have been taking strong roots not only in Bangladesh, they have been replicated in almost all the continents, rich and poor. Until 2005, more than 31% (103) of the total microfinance institutions (MFIs) of the world have been working in Bangladesh. In other words, almost one-third of the MFIs of the world can now be found in this nation. The top 10 Bangladeshi MFIs have been servicing 16.34 million poorest clients until 2005 with covering almost 100,000 villages of the nation (Hulme and Moore, 2006, Khandker, 2005, Microcredit Summit Campaign 2004, Siebel, 2003).

Over the last two decades a huge amount of microfinance studies have been growing all over the world (ADB 2000a, ADB 2000b, ADB 200c, Coleman 2006, Park and Chang (2001), Shaw 2004). In the present study, however, an attempt has been made to illustrate the results of a census of a badly hit cyclone affected village located near Sundarbans, a UNESCO Heritage area, in south western Bangladesh. The census was carried out after 2 years of a cyclone hit the region. The village in question was affected by a category 6 cyclone called, 'Aila', in 2009. The major aim of the study thus is to investigate how the MFIs have been playing their roles in the recovery process of this cyclone affected region and how the poor have been coping from such a natural hazard? **What role, if any, microcredit playing in the recovery process?**

The investigation has been carried out to estimate the responses of the MFIs during the disaster recovery period, particularly in terms of sources of credit, reasons for credit, origination of formal credit, credit by family size and also by amount. Instead of a survey we preferred conducting a complete census of the village to get as accurate information as possible to minimize statistical errors. This paper before discussing the empirical results provides a definition of microfinance, what exactly it means in Bangladesh, followed by a brief history of microfinance in Bangladesh and the achievements and non-achievements over the last 25 years. It also presents evidence of socio-economic impacts. Finally, we would like to make a case how vulnerability due to climatic hazards put the poor back into extreme poverty.