

# Does microfinance fight social exclusion and poverty?

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# Outline of presentation



- Background
- Research objectives
- Poverty
- Social exclusion
- Human development
- 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 much frequent in rural areas and among women



# Research objectives



## Major research questions:

- What is the relationship between poverty & social exclusion?
- What is the relationship between poverty, social exclusion and human development?
- How can microfinance assist in poverty alleviation, social inclusion and human development?

# Poverty - The concept



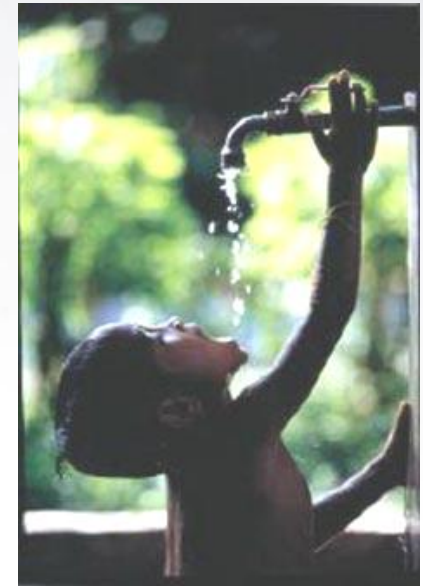
The concept of poverty has been around for centuries and has been explained in many ways:

## Æ Aristotelian philosophy

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

## Æ Adam Smith

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



# Poverty - The concept *(continued)*

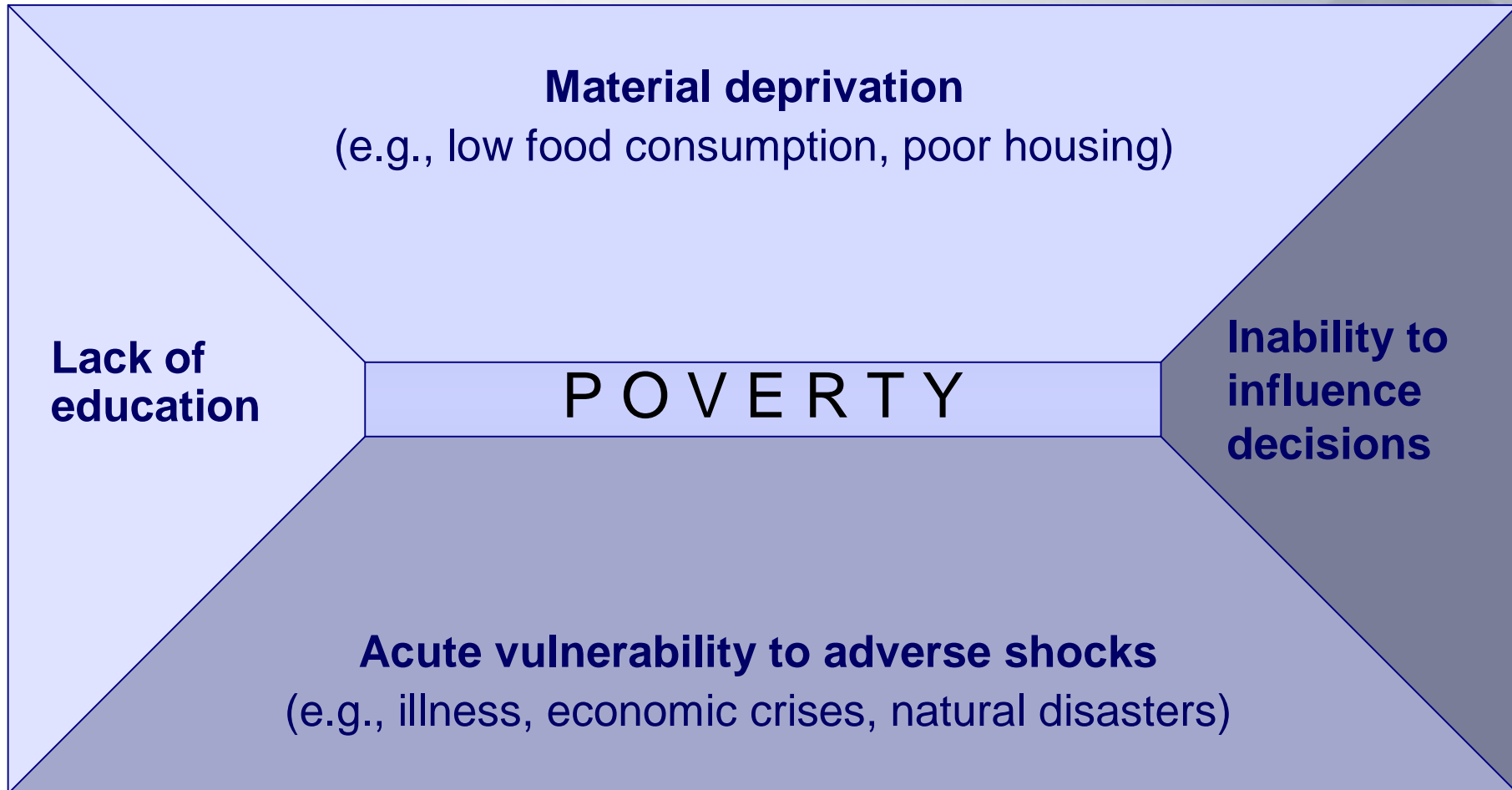


Æ Thus, poverty is not only the lack of material well-being, it is also the denial of opportunities for living a tolerable life. It can also mean the deprivation of knowledge and communication and the denial of dignity, confidence and self-respect ... as well as respect of others.



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

# Poverty - Its multi-dimensional nature



Source: CGAP (2004)

# Social exclusion - The concept



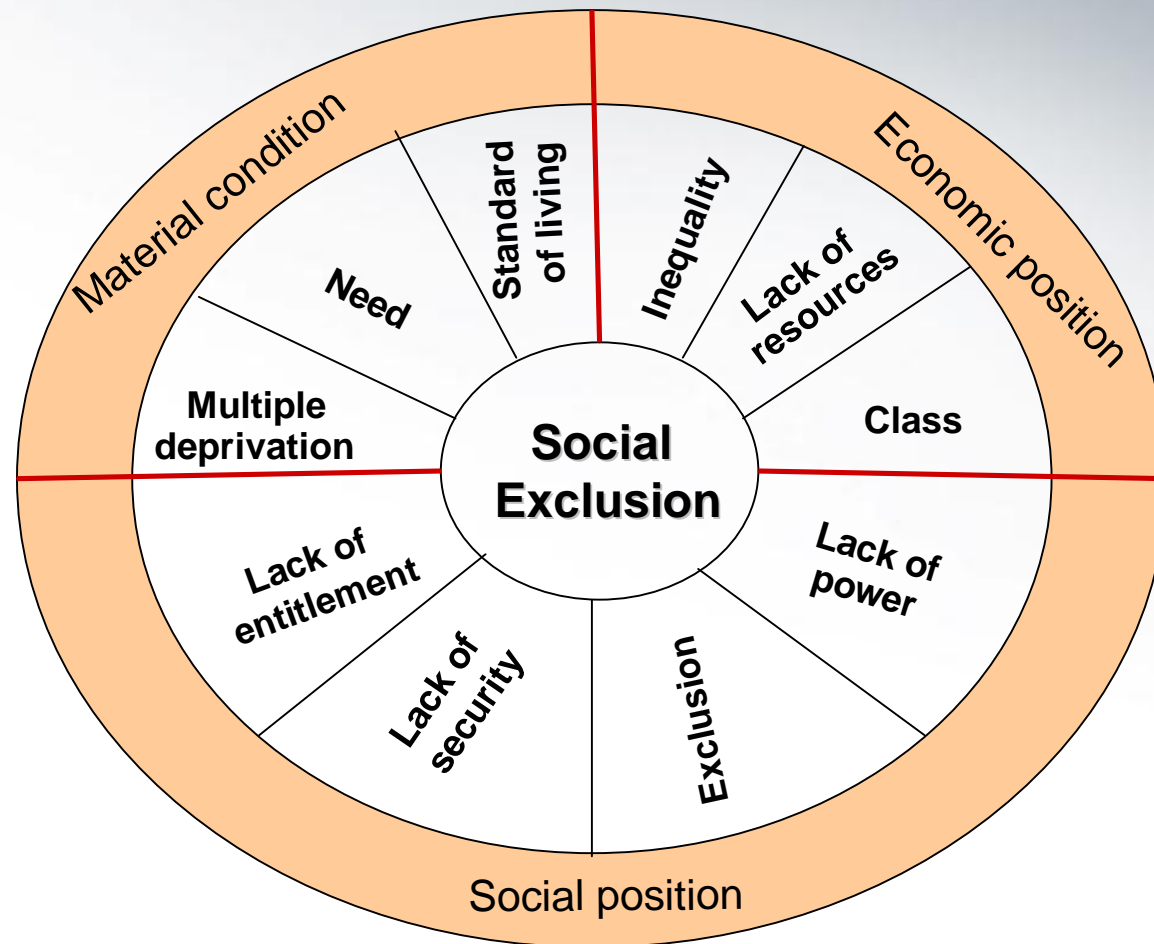
Æ Whereas poverty derives from distributional issues (such as a lack of resources), social exclusion denotes relational issues, which include:

- § Inadequate participation in society
- § Lack of integration in society
- § Lack of power

Æ Thus, social exclusion is a part of capability deprivation and instrumentally a cause of diverse capability failures

Æ The notion of deprivation is broader than the concept of poverty and undoubtedly multi-dimensional

# Social exclusion - Its multi-dimensional nature



# Social exclusion - The concept *(continued)*



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

- ⌘ Civic integration - Legal system
  - Economic integration - Labor market
- Ž Social integration - Welfare system
  - 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



# Human development - The concept



Æ Human development refers to the expansion of human capabilities by:

- § Widening of choice
- § Enhancement of freedom
- § Fulfillment of human rights



*“So act as to treat humanity, whether in their own person or in that of any other, in every case as an end, never as means only”*

Kant (1785)

# Human development - The concept *(continued)*



Æ Key issues addressed by human development:

§ Poverty

§ Social exclusion



Thus, the human development paradigm addresses both distributional and relational issues

# Microfinance - The concept



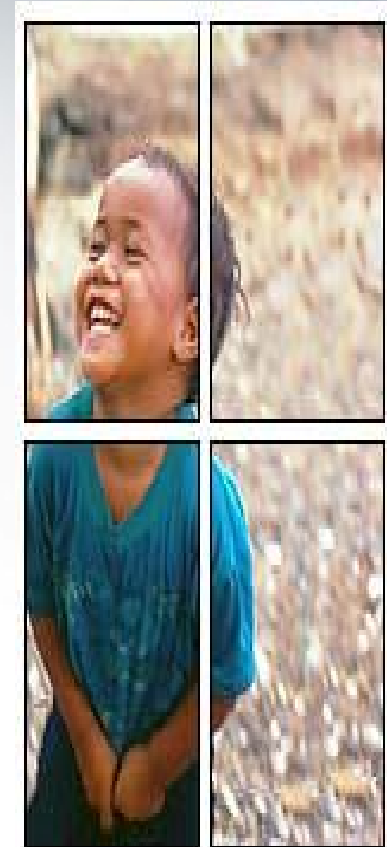
**Microfinance** is the provision of a broad range of financial services such as deposits, loans, payment service and insurance to poor and low-income household and micro-enterprises.

## Objectives of microfinance:

- Poverty reduction
- Employment generation
- Empowerment of women
- Enterprise development



# Microfinance - The concept *(continued)*



# Microfinance - Services provided



<b>Credit</b>	<b>Savings</b>	<b>Insurance</b>	<b>Training &amp; counselling</b>	<b>Social development programs</b>
Entrepreneur Loans	Mandatory	Health Insurance	Business Planning & Management	Group Formation
Housing Loans	Voluntary	Life Insurance	Entrepreneurship Development	Awareness Raising
Seasonal Loans	Flexible	Credit Insurance	Basic Accounting & Cash Management	Leadership Development
Disaster Loans	Daily	Property Insurance	Product Diversification	Social Linking and Networking
Consumption Loans	Weekly	Crop Insurance	Innovation	Information Sharing
Special Loans				

# Microfinance - Impact



## Impact of microfinance :

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



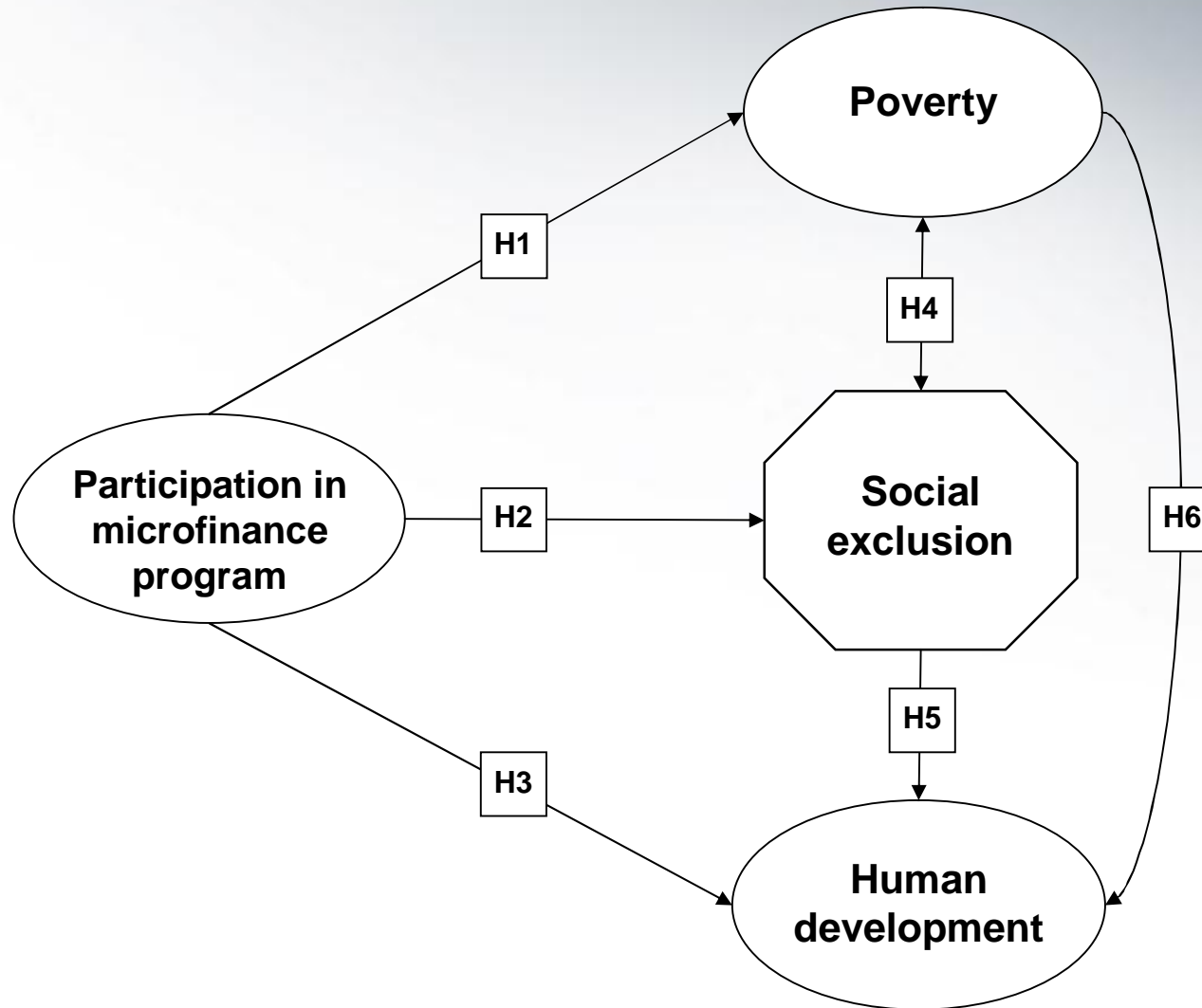
# Research paradigm - Population sampling



Participant MFI is the Association for Social Advancement (ASA), Bangladesh

District	Length of membership in microfinance program		Control group	Total
	4 years	8 years		
Gaibandha	33	33	33	<b>99</b>
Gazipur	33	33	33	<b>99</b>
Kurigram	33	33	33	<b>99</b>
<b>Total</b>	<b>99</b>	<b>99</b>	<b>99</b>	<b>297</b>

# Research paradigm - Conceptual model



# Research paradigm - Hypotheses



**Based on the foregoing review and conceptual model, the following hypotheses are derived:**

- ***Hypothesis 1:*** *Individuals involved in a microfinance program exhibit increased employment, income, and assets compared to those not involved, thus assisting in alleviation of the level of poverty they face.*
- ***Hypothesis 2:*** *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.*

# Research paradigm - Hypotheses *(continued)*



**... continued ...**

- **Hypothesis 3:** *Indicators of the level of human development are higher for individuals involved in a microfinance program compared to those who are not involved.*
- **Hypothesis 4:** *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.*
- **Hypothesis 5:** *Individuals with a higher poverty level are likely to experience a lower level of human development.*
- **Hypothesis 6:** *Individuals feeling socially excluded are likely to experience a lower level of human development.*

# Findings - H1, H2 & H3



Analysis techniques used:

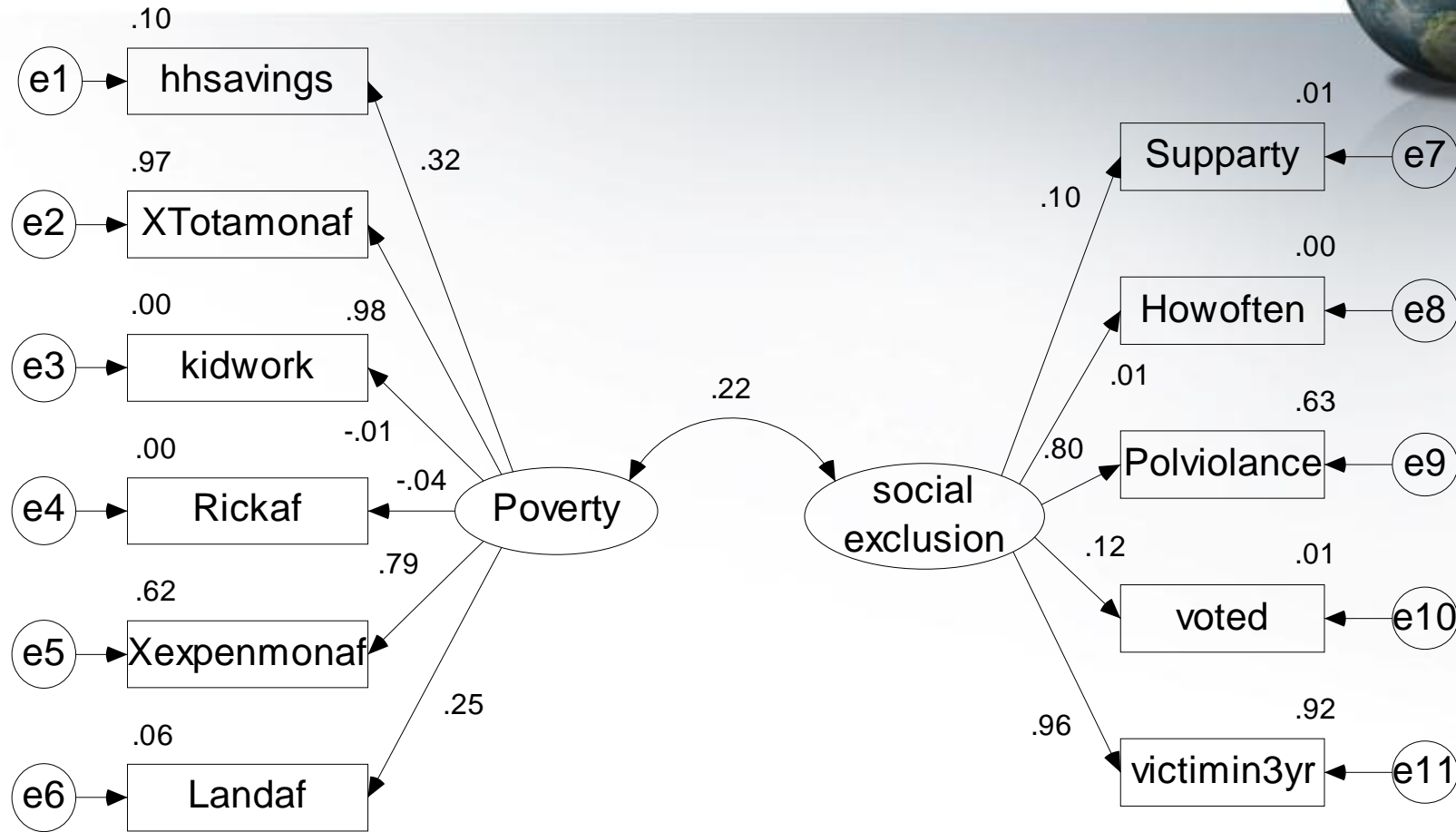
§ Univariate: t-tests, chi-square tests

§ Multivariate: structural equation modelling (AMOS), regression analysis

Key variables used for hypotheses testing:

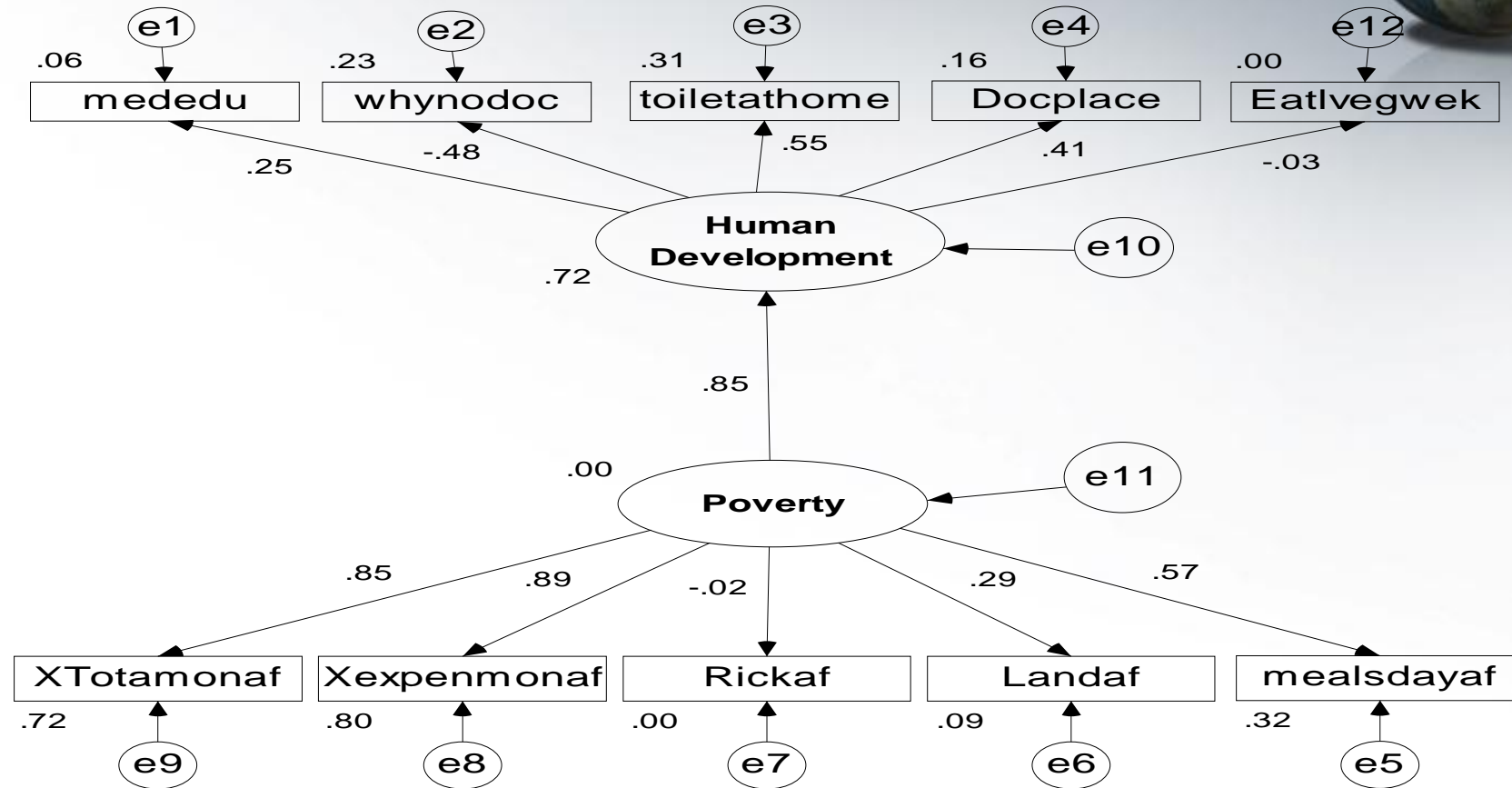
<b>Hypothesis 1</b>	<b>Hypothesis 2</b>	<b>Hypothesis 3</b>
Monthly income	Voting Practices	Number of children of school age
Income source	Victim of crime	School drop-out rate of children
Monthly expenditure	Perception of social exclusion	Place of consultation in sickness
Household savings		Place of doctors' consultation
Amount of land owned	Participation in political activities	Quality of consumed food
Frequency of daily food intake		Status of sanitation at home

# Findings - H4



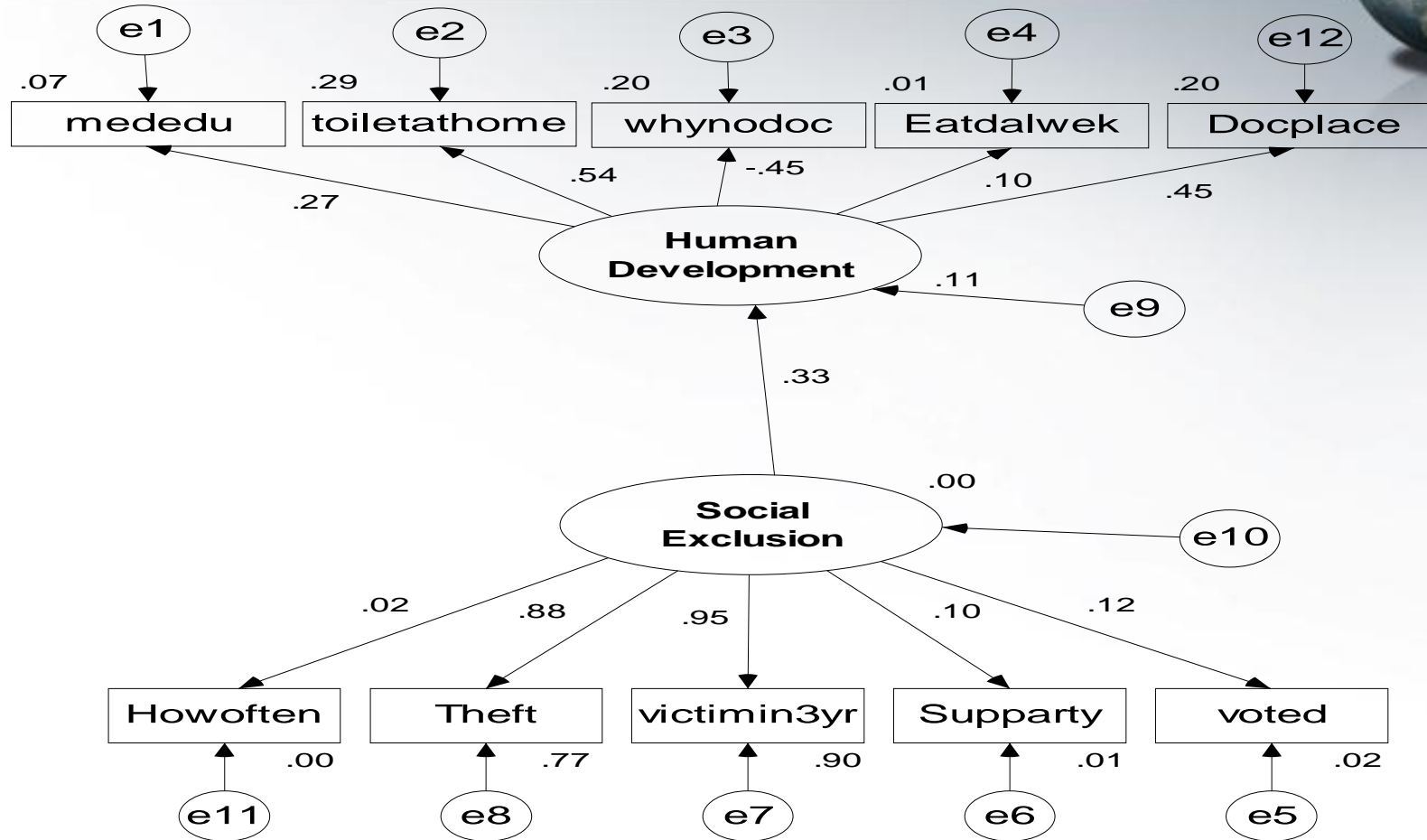
Chi-sq	df	p	GFI	AGFI	CFI	RMSEA
101.19	44	.000	.94	.91	.91	.06

# Findings - H5



Chi-sq	df	p	GFI	AGFI	CFI	RMSEA
75.49	34	.000	.95	.92	.93	.06

# Findings - H6



Chi-sq	df	p	GFI	AGFI	CFI	RMSEA
71.11	34	.000	.96	.92	.93	.06

**Thank you for your attention.**

Any questions?

