



MICROCREDIT SUMMIT CAMPAIGN

A Project of RESULTS Educational Fund

10 Million Bangladeshis Move above US \$1.25 a Day

WASHINGTON, DC - Nearly 2 million Bangladeshi households involved in microfinance - including almost 10 million family members, on net - rose above the \$1.25 a day threshold between 1990 and 2008. These figures were released in a [report](#) by the Microcredit Summit Campaign today.

A survey of more than 4,000 Bangladeshi households, led by Sajjad Zohir of the Dhaka-based Economic Research Group, found that a dramatic number of families moved out of poverty between 1990 and 1997, but that a massive flood in 1998 and the food and fuel crisis of 2008 were the likely cause for millions of families to fall below the \$1.25 a day threshold during that later period. Even with these setbacks, on net nearly 10 million people rose above poverty.

The Microcredit Summit Campaign report closely mirrors the findings of official country-level research in Bangladesh with the national Household Income and Expenditure Survey (HIES) estimating that 10.62 million Bangladeshis left hardcore poverty between 1990 and 2005. Zohir, the report's author writes, "[O]ur estimate seems quite in line with the national level poverty findings."

"While the Bangladesh survey was not designed to assign causality, it is very significant that the number of microfinance clients who left poverty closely links to the national data on poverty reduction," said Microcredit Summit Campaign Director Sam Daley-Harris. "The majority of poverty in Bangladesh is in rural areas and so are the majority of microfinance clients."

This good news comes during a difficult time for the microfinance sector. In recent years, microfinance programs have seen growing questions about their effectiveness. Several randomized controlled trials (RCTs) matched microfinance clients with control groups and showed no movement out of poverty in the group receiving the microloans. But these studies, touted for

their rigor, have been met with questions of their own.

"Two of the problems I have with the RCTs that have been done to date are that they haven't studied programs that are known for their deep commitment to ending poverty, and they typically cover a 12- to 18-month period, which is too short a time for real change to take place," said Chris Dunford, President of Freedom from Hunger. "We have to remember that not all microfinance programs are the same. This new study from Bangladesh includes a large number of clients from BRAC and Grameen Bank, two Bangladeshi institutions known for their groundbreaking efforts to end rural poverty."

Another setback for microfinance came in the wake of a tremendously successful initial public offering (IPO) in 2010 by SKS, an Indian microfinance program based in the state of Andhra Pradesh. Soon after the IPO's success, serious charges began to emerge in the state about microfinance borrowers taking on multiple loans and too much debt, coercive collection practices by microfinance staff and even suicides spurred by these challenges.

"There are quite a few people who believe that microfinance has lost its way," said Alex Counts, President and CEO of Grameen Foundation. "This Bangladesh survey reminds us that, even in the most difficult circumstances, major progress can be made. Bangladesh is not the 'bottomless basket case' that then-U.S. Secretary of State Henry Kissinger called it 35 years ago. It is instead a teacher to the rest of the world, with its civil society leading the way."

The Bangladesh survey was administered between February and August 2009.

Download the Report online:

http://www.microcreditsummit.org/uploads/files/Bangladesh_Report_FINAL.pdf

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Microcredit Summit Campaign:

The Microcredit Summit Campaign is a project of RESULTS Educational Fund, a U.S. based advocacy organization committed to creating the will to eliminate poverty. The Campaign was launched in 1997 and in 2007 surpassed its original goal of reaching 100 million poorest families with credit for self-employment and other financial and business services. The next Global Microcredit Summit will be held November 14-17, 2011 in Valladolid, Spain.

www.microcreditsummit.org

Economic Research Group:

The Economic Research Group (ERG) is a not-for-profit organization based in Bangladesh and was established to promote education and research with a view to improving social economic justice. ERG seeks to bridge the gap between academic research and policy analysis within Bangladesh and other countries of South and Southeast Asia. Through its work, ERG also aims to extend the frontier of knowledge on developing economies through analytical research and discussion of views on contemporary economic issues. www.ergonline.org

**Number of Microcredit Clients Crossing the US \$1.25 a day
Threshold during 1990-2008**
Estimates from a nationwide survey in Bangladesh
Executive Summary Highlights

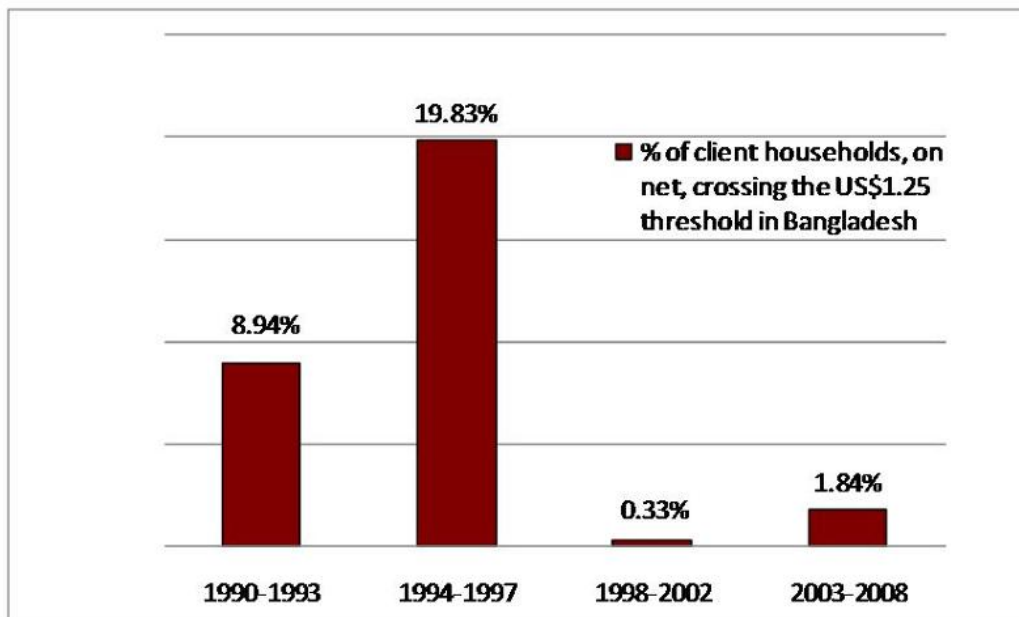
The Microcredit Summit Campaign is committed to using microfinance to powerfully contribute to the end of poverty. Its decade-long focus on client poverty measurement and progress out of poverty underscores this commitment. To this end, the Campaign has begun to track progress towards its second goal to ensure that, from a starting point in 1990, 100 million of the world's poorest families move from below \$1.25 a day, adjusted for purchasing power parity (PPP), to above \$1.25 a day adjusted for PPP by 2015.

Evidence from Bangladesh

Findings from a nationwide study in Bangladesh commissioned by the Campaign show promising results. The study, undertaken by the Bangladesh-based Economic Research Group, was administered between February and August 2009. Researchers surveyed a nationally representative sample of 4,000 Bangladeshi microcredit clients and estimated the net number of households in Bangladesh that crossed the US\$1.25 a day threshold between 1990 and 2008.[\[1\]](#)

The study found that, on net, 1.8 million microcredit client households, including 9.43 million household members, crossed the \$1.25 a day poverty threshold between 1990 and 2008. A second key issue raised in the report, seen in Figure below, was that in some years a large percentage of clients left poverty, whereas, in years coinciding with the 1998 floods and the food and fuel crisis of 2008, many households, including some who were non-poor when they joined the microcredit program, slid below the \$1.25 threshold.

Figure: Net percentage of client households that crossed the US \$1.25 threshold in Bangladesh



It is important to note that the findings in this report were significantly influenced by the period in which the data was collected. In 1998, Bangladesh suffered from what are often described as the most severe floods ever to hit the country. Beginning in 2005, a food crisis coupled with political instability in Bangladesh and the 2008 global economic crisis led to a general drop in economic activity. All these factors may have led to the depletion of assets that are commonly chosen as proxies to measure poverty status among the very poor in Bangladesh. This in turn may have led to under-estimation of the number of microcredit client households that may have otherwise crossed the threshold.

¹ This study made no attempt to establish causality between microcredit and poverty alleviation. Instead, it simply estimates the change in status of microcredit client households between 1990 and 2008, when compared with their status during the time of the first loan received by any member of the household.

**Number of Microcredit Clients Crossing the US \$1.25 a day
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Survey Methodology**

Time Period and Sampling:

The data for this study was gathered between February and August 2009. Information was collected from a nationwide Bangladesh sample of close to 4,000 households to determine the net number of households who crossed the \$1.25 threshold as of the end of 2008. The random sample of households surveyed was taken only from ever borrower households - households where one or more members had borrowed from one or more microcredit institutions at least once between 1990 and 2008.

Of the households surveyed, 94% were based in non-metropolitan areas and 4% in metropolitan slums. The non-metropolitan sample was drawn from information compiled on more than 10,000 ever borrower households nationwide while the metropolitan sample came from a more targeted group of some 1,500 ever borrower households from slums in three major cities that have attracted the most domestic migrants since 1990 (Dhaka, Chittagong and Sylhet).

Data Collection and Analysis:

Four different poverty scorecards were used to develop a questionnaire. When administered, the questionnaire allowed researchers to estimate percentages of ever borrower households who were below the threshold of the international poverty line (US \$ 1.25 PPP per person per day) in the year when the first microcredit loan was taken as well as during the time of the survey. The difference was then used to estimate the net number of households who had crossed the threshold. In addition, a life history interview provided insights and made it possible for researchers to trace the time path of a household's wellbeing status using several qualitative and quantitative dimensions that the poverty scorecards did not address.

The sample was drawn from a large pool of information on shares of microcredit borrowers by smaller geographical units across metropolitan and non-metropolitan areas; and appropriate sampling weights were used to blow up the estimates of sample areas to a national level estimate.

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