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IMPACT OF MICROCREDIT ON INCOME AND NON-INCOME DIMENSIONS OF POVERTY – A STUDY ON DIFFERENT GROUPS OF POOR IN BANGLADESH

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Abstract:
This study investigates the differential impact that microcredit borrowers of different income classes might have experienced in their poverty condition after borrowing microcredit loans. Methods of this study consisted of a cross-sectional survey as well as unstructured interviews with the female microcredit borrowers in Bangladesh. Results show that an overwhelming majority of microcredit borrowers has experienced improvement in their poverty condition, but the degree of benefits widely varies among different groups of borrowers. Borrowers with some resource base have been benefitted most; whereas the absolute poor borrowers, with hardly any asset holding, not only have experienced least improvement in their financial condition but also have become even poorer in few instances.

Keywords: microcredit, poverty, borrowers, classification of poor, developing countries, Bangladesh

1. Introduction

Over the past three decades, microcredit has, worldwide, turned out to be a major policy agenda for poverty alleviation and reducing social discrimination. In general, microcredit is a specialized, group-based financial service (collateral-free loans where conventional collateral is replaced by group guarantee and peer monitoring) that

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targets the poor and the marginalized, especially the women, who cannot gain access to loans from conventional banking services (Weber, 2002; Ganlea *et al.,* 2015). Poverty has been increasingly postulated as a multifaceted phenomenon combining deprivation from both financial (income) and non-financial aspects. The term 'poor' though generically refers to individuals and/or households deprived from both material needs (e.g. food, clothing, shelter, treatment etc.) and non-material welfare necessary to lead a decent life, there are differences among them (poor) in terms of their severity of deprivation and degree of vulnerability (Hulme and Shepherd, 2003; Datta, 2004; Sharif, 1997; Rahman *et al.,* 2008).

While large body of literature is found focusing on the impact of microcredit on poverty - some (e.g. Hashemi et al. 1996; Hulme and Moore, 2006; Banerjee and Jackson, 2017; Ghalib *et al.* 2015) suggesting positive impact and some (Mayoux, 1999; Hunt and Kasynathan, 2001; Goetz and Gupta, 1996; Pitt *et al.,* 2003; Imai *et al.,* 2012; Samer *et al.,* 2015) suggesting barely any or negative impact, the differential impact of microcredit loan on various groups of poor has remained somewhat unexplored. In this context, this study, as its primary objective investigates if different groups of poor have experienced differential impacts on their poverty conditions after borrowing microcredit, and if they have done so, the reasons and socioeconomic factors that lead them to have experienced this differential impact.

In the process of doing so, this paper has been organized in the following manner. The following section focuses on the concepts and contemporary literature on financial and non-financial aspects of poverty in order to have an insight into these notions. The section after that describes the methodology applied in this study for collecting data and information, which is followed by a section where findings of the study are presented and discussed. The final section concludes this study by summarizing it and ascertaining its significance in the literature and practice of microcredit and development.

2. Background and Literature

2.1 Microcredit, Its Evolution, and Practice in Bangladesh

The idea of microcredit has first been envisaged by Professor Mohammad Yunus in the late 1970s. After an initial action research project in a small village in Bangladesh and some successive pilot runs on a relatively bigger scale, in 1983 professor Yunus has set up Grameen Bank (Yunus, 2007), which is the first institutional outfit of providing microcredit. Later on, since the late 1980s, various factors like high repayment rate, some success in reducing poverty and donors' priority for funding in this initiative have resulted in tremendous proliferation of microcredit in Bangladesh as well as in other developing countries in Asia, Africa, and Latin America.

The essence of microcredit is to help people break out of the multiple socio-cultural and economic dimensions of poverty by providing them with financial resources (Ganlea *et al.,* 2015) (which would not be generated from their own income and savings) to enable them to invest in income-generating activities. Though conceived as a gender independent program, over the past three decades, microcredit institutions worldwide have attracted, and indeed have focused particularly on women. Such a focus is based upon the belief that women are even more deprived and vulnerable among the poor in the rural society where patriarchy often remains deeply entrenched (Hashemi et al. 1996; Hunt and Kasynathan, 2001; Hulme and Moore, 2006).

Microcredit has not only evolved but also is practiced most intensively in Bangladesh - one of the most densely populated countries in the world with about 167.849 million based on the latest United Nations estimates and also said to be 164.69 million people by the World Bank (2017) in 147,570 square kilometer area. The United Nations has recognized Bangladesh as a developing country while Bangladesh is classified as a lower-middle-income country with a per capita income of USD 1751 (Bangladesh Ministry of Finance, 2018; The World Bank, 2017) and 24.3% of the population living below the poverty line (Bangladesh Ministry of Finance, 2018). At present, NGOs and their microcredit programs are recognized as an integral part of the development effort of Bangladesh, where the provision of microloans to both rural and urban households is said to bridge the country's spatial development divide (see Khandker and Chowdhury, 1996).

2.2 Poverty, Its Nature, and Magnitude

Despite being the main focal point in the development discourse, poverty has remained an unstable concept, with definitions and explanations of this concept as the researchers and practitioners have different opinions about the contextual influences upon poverty – some view poverty as an ideographic phenomenon whereas others explain it as a broad-based, relational phenomenon.

More conventional ways of defining poverty are to describe it as a resource deficiency mainly at the household level that results in an inability to maintain an acceptable standard of living. With the underlying assumption that inability to meet basic needs due to the shortage of resources is the root cause of vulnerability of the poor, studies of this school of thought (Oakley, 1987; UNFPA, 1996; World Bank, 2003; Murthy *et al.* 2008) define poverty as an income level less than sufficient to meet the basic need of the household. From this viewpoint of emphasizing poverty as the dynamics of econometrics of basic need, the World Bank (2017) described poverty as an income less than USD 1.90 per person per day.

Contrary to the notion of explaining poverty as the deprivation of basic means of livelihood, poverty has increasingly been postulated as a multi-dimensional phenomenon combining deprivation from both material needs, as well as lack of access to non-material welfare such as the ability to make choices, the ability to decide one's own course of action without fear, the ability to fulfil one's potential without constraints (*e.g.* Sen, 1993; Chambers, 2007; Alkire, 2002; Hulme and Shepherd, 2003). In spite of this shifting trend among scholars in viewing poverty as a state of deprivation of both material and non-material resources, the lack of material assets, and the resulting deprivation of basic needs for living (like food, shelter, medication, education etc.) remain the focal point in the discussion of poverty, especially in the context of developing countries. This focus may result, in part, as suggested by Hulme and Shepherd (2003), from the unavailability of appropriate data on the non-material aspects of poverty, but it is also the case that the relationship between a lack of financial income (material assets) and poverty, however, conceptualized, is difficult to refute. Even Amartya Sen, a pioneer of including non-material welfare in definitions of poverty, alludes to the importance of including material income as a main indicator of poverty, a view evident in his comment on the relationship between economic growth and poverty in China:

> *"….China's fast economic growth can be seen also in the reduction in China of the number of poor people -the population below what is agreed to be the minimally acceptable income level."* (Sen, 2006, p. 31).

The underlying reason may be that, though it is agreed that freedom from poverty is essentially not possible without ensuring non-material aspects such as the ability to make choices and exercise of civil rights, these factors probably constitute higher level requirements for quality of life, requirements that can be considered only when the fundamental needs for survival are fulfilled. In practice, it would seem that, for the most part, people struggling to secure their basic needs for survival, are so disadvantaged that they do not have the means to access non-material welfare as well.

While large sections of the population in the developing countries throughout the world are still deprived of the basic requirements of living like food, shelter, health care and education, the burning issue in these societies with regards to poverty and inequality is, in practice, the shortage of adequate income and material resources which forces those affected to live in the state of deprivation. Microcredit, though potentially addresses issues related to non-material welfare, has, as its primary objective target the poor as a more or less homogenous mass of disenfranchised and deprived people, and (supposedly) help them break from their condition of deprivation by providing them with financial resources to invest in income-generating activities.

Therefore, this study measures and classifies the poor based on the income levels that are regarded as poverty in the context of Bangladesh which is discussed below. However, the outcomes of borrowing using microcredit have been investigated in terms of change in the financial conditions of the borrowers, as well as the change in their non-financial aspects of poverty. This study also attempts to explain the socio-economic factors in rural Bangladesh that might be responsible for these differences, if there is any.

2.3 Measures of Poverty in the Context of Bangladesh

Though the World Bank (2015) set an international poverty line below USD 1.90 per person a day, poverty measures can vary greatly across nations. This variation can come from economic factors like price level and inflation on the one hand, and on the other hand, it can come from different perceptions about the minimum living standard below which people experience poverty in different societies.

The Bangladesh Bureau of Statistics (BBS) has estimated two poverty lines based on the Cost of Basic Need (CBN) approach of poverty measure. This approach, in order to estimate income cut off to define the poverty line, entails calculation of the cost of obtaining a consumption bundle believed to be adequate for basic consumption needs. *Lower poverty line* (which is also called the Food poverty line) is drawn based on the estimated required cost for obtaining a bundle of eleven food items necessary to have minimal nutritional requirements of 2,122 kcal (kilocalories) per day per person (BBS, 2017). *The upper poverty line* is estimated by adding an allowance for securing some other basic means of living (i.e. housing conditions, education, health, and the consumer basket) in addition to the required cost for securing food items. BBS (2017), Based on the Household Income and Expenditure Survey (HIES) of 2016 (the latest HIES conducted in 2016, preliminary report published in 2017), BBS estimated per 1862 Taka (Bangladeshi currency) capita income per day as the lower poverty line and 2268 Taka capita income per day as the Upper poverty line.

According to BBS (2017), the average household size in Bangladesh is 4.06. Hence, consistent with these approaches of BBS, in the present study, the poor in Bangladesh are categorized into two groups. The first group is the absolute poor who are below the *Lower poverty line* described by BBS with a maximum household income of Taka 7560 (per capita lower poverty line of Taka 1862 × average household size of 4.06 = Taka 7559.72) per month. This group is referred to in the present study as the *Absolute poor* -who are so disadvantaged and vulnerable that without any direct external intervention (such as government or non-government welfare initiatives), it seems unlikely that they can improve their condition.

Those households living above the Lower poverty line but below the upper poverty line set by BBS are labeled as the *Moderate poor*. Their maximum monthly household income is determined as taka 9208 (per capita upper poverty line of Taka 2268 × average household size of 4.06 = Taka 9208.08) per month. This group of poor are better off than the first group and have access to the means necessary for very basic survival, but lack the amenities necessary to maintain a decent and secure living standard.

Apart from these two groups of borrowers having an income level of below the poverty line, this study, based on the household income level, identifies two other groups among the microcredit borrowers. Households above the poverty line income (monthly income of 9208 taka) are described as *non-poor* in this study. People belonging to this category live above the poverty line with an access to the basic means of living. However, as their income level is close to the poverty line, they are at a risk of falling below the poverty line as a result of any negative shock like illness of a family member, loss of land or assets etc. A section of microcredit borrowers (around 10%) was found to be well off with substantially high income (mostly generated from other sources beyond microcredit investment) compared to the other microcredit borrowers. These borrowers have sufficient resource holdings for overcoming previously mentioned negative shocks and hence, are beyond the risk of falling below the poverty line at least in the short term. In this study, this group is mentioned as *High Income* group and income cut off arbitrarily set for them is twice higher than the income cut off for the *Upper poverty line* (Taka 9208× 2 = taka 18,416).

It is to be noted here that these income cut-offs are defined arbitrarily by reference to the relative asset holdings, income generated, and savings of households in Bangladesh. The categories are by no means absolute and must be seen as heuristics that aid in the analysis of data in this study.

3. Methodology

This paper reports the outcomes of one component of a broader scale study on microcredit and poverty conducted in three Divisions[ii] in the Western part of Bangladesh.

Multistage sampling was used to select the respondents. Four Districts (smaller geographic administrative units under divisions) were selected randomly from the Southwestern division of Khulna and another four districts were selected, again randomly, from the two northwestern Divisions which are Rajshahi and Rangpur. From each of these eight districts, two Upazilas (sub-districts) were again selected randomly and then, 40 women microcredit borrowers, 20 from BRAC and 20 from Grameen Bank, were selected from different villages in the selected Upazilas, using a snowball or referral sampling technique.

Thus the total number of female microcredit borrowers selected as sample was 640 who were surveyed with a structured questionnaire. This study reports data from 524 respondents who provided data about the change in their household income level after borrowing microcredit loans. In addition to the structured survey, 35 women borrowers' experiences were further investigated in the second phase of inquiry focused upon the meanings and uses of microcredit in particular familial, community, and local economic contexts through unstructured depth interviews.

4. Findings and Discussion

As stated earlier, in order to assess the impact of microcredit loans on the poverty conditions, change in income and other non-financial dimensions of poverty of the household of sample microcredit borrowers were investigated.

[ii] Bangladesh is divided into 8 major administrative units (geographically divided) which are called Divisions.

4.1 Impact on Financial Condition

In order to assess the impact of microcredit loans on the financial conditions of the borrowers (of different income class), respondents were asked about the increase in their income since they started borrowing microcredit. Also, they were asked to make an overall comment about whether their financial conditions improved, deteriorated or remained unchanged during their borrowing period. Table 1 shows the summary of responses in this regard of the borrowers of different income class:

Table 1: Income class and change in the household financial condition of the borrowers

		Impact on household financial condition after borrowing microcredit			
		Improved	Remained unchanged	Deteriorated	Total
Income class	Absolute poor	176 73.9%	23 9.7%	39 16.4%	238 100%
	Moderate Poor	56 57.7%	41 42.3%	0 0.0%	97 100%
	Non-poor	128 89.5%	15 10.5%	0 0.0%	143 100%
	High income	30 65.2%	16 34.8%	0 0.0%	46 100%
	Total	390 74.4%	95 18.1%	39 7.4%	524 100.0%

Table 1 reveals changes in the financial conditions of the borrowers after borrowing microcredit loans. On the whole, almost three-quarters (74.4%) of the borrowers were able to improve their financial conditions after taking microcredit loans, less than one fifth (18.1%) borrowers did not experience any change in this regard. However, a small section of the borrower (7.4%) got financially worse off after taking microcredit loans. The following section discusses the change in the income level of the borrowers of different poverty groups, as well as the reasons for such a differential impact on income level after microcredit borrowing.

4.1.1 Change of income level of the absolute poor

Among the absolute poor borrowers, who constitute about three-quarters of all microcredit borrowers (Greeley, 1997; Datta, 2004), the overwhelming majority (73.9%) have been able to improve their poverty condition after taking out a microcredit loan. In other words, these borrowers, in spite of still earning a very low income from microcredit investment, have been able to improve their financial position - which suggests that their condition was even worse before borrowing a microcredit loan. However, the degree of improvement has been marginal in most cases. The structured survey reveals that 43% of these borrowers have experienced less than 5% increase and another 22.4% of them have experienced between 5% to 15% increase in their income level after borrowing microcredit loans. Less than 35% of the absolute poor borrowers were able to increase their income level above 15%.

Absolute poor borrowers are characterized by extremely limited market integration and no or very small asset holdings, which force them to make small borrowings and even smaller investment in the rudimentary business activities (grocery shops and non-motorized vehicles in most cases) that generate quick but low returns. Because of marginal enhancement of income, this group of borrowers has not been able to overcome poverty completely, but the severity of their poverty has largely been reduced as they reported spending a large portion of their enhanced income on better living - like adequate food, sufficient clothing, and treatment at times of necessity (described in detail in a later section). In other words, these borrowers, despite still being absolute poor, have been able to improve their financial position from their pre-loan status– which, in other words, suggests that their condition was even worse before borrowing microcredit loans.

However, since this group of borrowers mostly rely on microcredit as their only or major source of capital and also, earning from microcredit investment as the only source of income, failure to get the expected return from microcredit investment often results in worsening their poverty condition. All 39 (about 16.4%) borrowers who reported a worsening financial position after borrowing microcredit come from this group of borrowers. Their (absolute poor borrowers who experienced exacerbating impact on their poverty condition) loan monies dissipated in the initial stage of their loan period as a result of losses from the investment or because of its expenditure on other non-productive purposes. While relatively well-off borrowers can overcome these situations by using their own resource base (albeit minimal in some cases) as a safety net, absolute poor borrowers, because of lack of any resource base of their own, are unable to do so and as a result experience an exacerbating impact on their financial condition when they fall victim to such adverse socio-economic circumstances.

4.1.2 Change of income level of the moderate poor

Among the borrowers belonging to the moderate poverty grouping (monthly income of taka greater than 7559.72 but less than 9208), the proportion of borrowers who reported no change in their household financial position after borrowing microcredit loans is the largest (42.3%) among this group of borrowers. This group of borrowers usually have some, though few, assets of their own and at the same time some limited social and market integration. In most cases, before borrowing microcredit loans, they used to be engaged in some casual and low paid jobs like working as a housemaid or daily laborer (male members of the household), jobs that are mostly informal in nature. Because of relatively higher investment, these borrowers get a relatively higher income than that of absolute poor borrowers. Still, the overall financial position of a section of these borrowers has not changed as, in most cases, their income from microcredit investment is earned at the expense of the income from other jobs that they have relinquished in order to devote their time and labor in the microcredit funded ventures. Despite a fairly large section of borrowers not being able to enhance their income, they continue with microcredit loans because they have experienced improvements in various non-income dimensions of living, a detailed discussion of which is made in the next section.

4.1.3 Change of income level of the non-poor

The non-poor, who are marginally posited above the poverty line income (monthly income of Taka greater than 9208 but less than 18416) have been benefitted most in terms of their financial conditions after borrowing and using microcredit. Substantially large proportions (89.5%) of these borrowers have been able to improve their financial condition, and a majority of them have experienced significant improvement in this regard. A structured survey reveals that over one fifth (21.2%) of these borrowers experienced a high increase (over 40%) and another 31.5% of them experienced a significant increase (25% to 40%) after taking microcredit loans. Another large group of these borrowers (22.0%) have experienced between 15% to 25% increase average yearly increase in their monthly income. Just over a quarter (25.3%) of these borrowers experienced less than 15% increase in their income level after microcredit borrowing.

These borrowers, alongside their microcredit loans, have some own resources base to invest as equity, which enables them to make a larger investment and generate higher returns. Also, their own resource base (though minimum in some cases) protects these borrowers from the exhaustion of funds that can be used as a safety net during the lead time and/or in the face of sudden loss in business. Although majority of the moderate poor have experienced somewhat unchanged financial condition in general, relatively better offs among them (moderate poor), who have income level just below the poverty line but considerably above the absolute poverty line, because of fairly similar characteristics as the non-poor, have also experienced similar outcome from borrowing and using microcredit loans as the non-poor borrowers.

Although an overwhelming majority of borrowers from all income classes have reported improvement in their financial condition, there are clear differences in the degree of improvement among the borrowers of different poverty classes. Though the majority of the borrowers from all the income levels have been able to improve their financial position, the cases of unchanged conditions and worsening financial position are mostly found among the relatively poorer borrowers. Microcredit borrowers belonging to the absolute poor group are thus clearly are more susceptible to the circumstances where microcredit does not lead to income generation and improvement of the financial condition but may lead to the reverse in some cases.

Despite the fact that enhancement of income has been marginal in the cases of the large majority of poor and also absolute poor borrowers after borrowing microcredit, its contribution to their state of living can by no means be ignored because of its positive impacts on various non- financial aspects of poverty, which are discussed below.

4.2 Impact on Non-Financial Aspects of Poverty

Despite a large majority of the absolute poor borrowers having experienced marginal improvement in their income level from their pre-loan status, persist with microcredit loan as they are benefitted from the non-financial aspect of poverty as a result of their involvement with microcredit loans.

As far as the non-financial aspects of poverty are concerned, the low-income group (below the poverty line) borrowers who have been able to improve their financial positions have mostly been benefitted. Borrowers from this group usually belong to the disadvantaged and marginalized group and before borrowing microcredit loans their income was very limited, often insufficient to acquire even the basic means of living. Though small in terms of absolute figures in most cases, considering the pre-loan income status of the borrowers, an enhancement of income of microcredit borrowers has acted as a thrust for them to be able to secure some basic necessities like food security, education for their children and access to some medical treatment, which they were deprived of before taking a microcredit loan. Access to these basic means of survival is not merely a testimony of an increase in consumption level as a result of the increase in income, these are also the indicators of how the microcredit loan has changed the perception of the ways life should be led. This changed perception about life is manifested in the narrative of respondent '*A*'[iii], a microcredit borrower from Kaligonj Upazila, of Satkhira District, Khulna Division:

> *"…we were very poor before borrowing microcredit loan. We could never think of sending our kids to school or visiting a doctor. We accepted the condition of our miseries as our fate. The microcredit loan not only gave us some funds to invest but also gave us an opportunity to exchange ideas and share our thoughts, happiness, and grief with the other people. It has given us an opportunity to mix with the educated people. …… though we are not rich now, we can send our children to the school, we can visit doctor at the time of need. So microcredit loan made us better off at least than we were in past, and I hope my children can be even better off than we are."*

The condition of poverty does not only leave the poor in a state where material needs remain unfulfilled, but it puts them in a state of mind where they view their deprivation as an unavoidable fate to be accepted without any serious effort being made to change it. More often than not, the poor are unaware of their right to live better and also their right to have respect and dignity as human beings. Microcredit loans, in addition to enhancing their material consumption by helping raise their income level, also raise their level of awareness about their right to live better through awareness-building activities like weekly group meetings.

This enhanced level of awareness and changed attitude towards the life of microcredit borrowers is largely reflected by the number of school enrolments of their

[iii]Throughout the paper this form of pseudonym is used to protect the anonymity of respondents, and village locations are not identified.

children, especially their daughters. Out of 640 borrowers in the sample, 553 were found to have children of school age (from 5 years to 16 years) and 478 of them have daughters of this age. Among these borrowers, 471 have sent their daughters to school and altogether 543 borrowers have sent their children (both sons and daughters) to school, which demonstrates changing attitudes of the poor households in the rural areas about the value of education, especially women's education.

Besides enhancing income in most cases, microcredit loans were found to be particularly useful to the widow, divorced, and deserted women who are even more vulnerable in the social context of rural Bangladesh. Along with this social humiliation, these women face uncertainty about shelter, physical security and, above all, an income source for living. In most cases under such circumstance, women would take shelter with their father, brother or adult son and would be seen as a burden on host family and would be forced to tolerate regular insults, disgrace and dishonour. The following narrative of respondent '*B*' from Fakirhat Upazila of Bagerhat District, Khulna Division is an example of this fact:

> *"I became totally helpless when my husband married another woman and left me alone. I am a woman – it is not possible to live alone for me. Also, I didn't have any income, nor did I have any education or skill to get a job. I was forced to take shelter to my brother. I knew his wife would not like me staying with them, they were poor too, living in a tiny house with their kids. First two months were terrible, I still cannot forget how desperately I had to beg from door to door for help for the treatment of my daughter when she fell sick. Things got much better after I set up a little tea stall with my microcredit loan. I still live with my brother, but I can now manage my own living and also contribute a small amount to his family in exchange of my accommodation in their house. I can now live peacefully with some dignity."*

Microcredit loans have been a great means for these women to live a life at least with some respect and dignity and a sense of security. Though almost all the widows, divorced, and deserted women surveyed in this study still live with the family of their male relatives (out of 37, 17 live with their parents, 11 with their adult sons, 6 with their brothers, 2 with other male relatives and only 1 lives alone), they have their own means of living and also they can contribute something to the household they live with.

Thus the majority of the microcredit borrowers below the poverty line who have been able to improve their financial condition (whatever small the scale is) after borrowing microcredit loans, have also been benefitted in terms of the non-financial aspect of poverty. Due to the attachment with the microcredit lending agencies and social networking with the other borrowers and business counterparts, they have been able to get rid of the sense of 'social exclusion', which along with enhancement of income itself, have helped them to understand their value and right as human beings, given them new hope about their and their children's future and raised their level of awareness about education, childcare, sanitation, and healthcare.

Among a small portion of borrowers who could not improve (but have not been worse off either) their financial position after borrowing and using microcredit loans, have also benefitted in all these respects. These borrowers mostly belong to moderate poor group and despite not being able to secure significant income enhancement from microcredit investment, their total household income remained unchanged as they (husbands of women borrowers in most cases) relinquished other income that they had been earning before borrowing microcredit loan. In spite of this apparently unchanged financial situation, they have stuck with microcredit loans as it has given them a regular income source and thus has reduced their uncertainty and vulnerability. This group of borrowers, before taking microcredit loans, mostly worked in various informal jobs under other people with hardly any respect and value for their work. Though microcredit loans have not been able to improve their financial position substantially, by helping them set up their own businesses, it has given them a sense of ownership, pride, and responsibility.

As mentioned earlier, a small section of borrowers belonging to the absolute poor group (7.4% among all respondents) was worse off after borrowing microcredit. In addition to being more impoverished financially, they have also experienced negative impacts on the non-financial aspects of poverty.

Through an access to microcredit loans, poor borrowers who are usually not eligible for conventional bank loans, get much needed surplus money to invest in income-generating activities. Profit generated from microcredit investment enhances the income of the borrowers' households, which results in improving their living standards and amassing some savings after repaying the loan installments. As a result of the continuation of this process over time, microcredit borrowers can build their own resource base which enables them to make larger borrowings, larger investments and earn a higher income, and eventually graduate out of poverty in the ideal situations. This process has been evident in the case of the majority of the microcredit borrowers, though the improvement of the financial condition has largely been found to vary among the borrowers in terms of both the extent and the speed at which it has taken place. A small section of microcredit borrowers (about 7.4%), all of whom are absolute poor, have been excluded from this process and for them, the cycle of microcredit has worked in a different manner to bring out aggravated poverty conditions under some specific socio-economic circumstances.

5. Conclusion

As has been evident in the study, the vast majority (70% to 80%) of microcredit borrowers have experienced enhancement in their income level, although there have been large differences in this regard among the borrowers of different groups of poor. Also, the non-financial benefits (like entitlement over assets; networking opportunities; institutional access; access to information about child education, healthcare, human and civil right etc.) have helped change the vision, belief and thinking process of the poor – all of which have significantly helped them improve their quality of living.

However, a generalization of the findings of this study requires to be made with some caution because of two reasons. The poverty level in Bangladesh in this study has been defined on the basis of the latest household income and expenditure survey that has been conducted by Bangladesh Bureau of Statistics in 2017, data collection for which has started in 2015. Taking the rate of inflation into consideration, it is more likely that the present cost of living has increased, and the cut-off income ranges to define poverty levels may need to be read with caution in the present context.

In spite of these limitations, this study makes an important contribution to the body of wide-ranging existing studies on microcredit on the basis of the empirical evidence presented. Specifically, the study identifies different types of borrowers (with respect to their poverty condition and income base) who are targeted by microcredit and highlights implications of such multi-focal targeting. Most importantly, along with providing a broad-based account of the impact of microcredit on poverty among women borrowers in rural Bangladesh, this study reports the particular experiences of poverty alleviation among borrowers of different socio-economic backgrounds, and goes some way towards explaining the socio-economic and household dynamics that have led different groups of borrowers to experience different outcomes from borrowing and using microcredit.

Microcredit program has drawn the attention of the global development community with the slogan of helping the absolute poor out of poverty. Although this study finds about three-quarters of the absolute poor being able to reduce the severity of their deprivations through microcredit, majority of them still remain below the absolute poverty line. Moreover, all microcredit borrowers (7.4% among all) found to get worse off after borrowing microcredit loan, belong to absolute poor group that suggests susceptibility of this group of borrowers to adverse socio-economic circumstances surrounding investment of microcredit loan. Lack of market access, low education and limited skill base of the absolute poor borrowers, and, above all, lack of their capacity to manage and handle funds and business activities beyond a most basic level, have been generally identified as the reasons for the limited improvement in their personal circumstances and capacities. However, further research efforts may reveal the specific reasons for their lack of success, and identify ways and means to assist such borrowers to escape the conditions of absolute poverty and make microcredit more effective for the absolute poor.

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