

Reaching the Extreme Poor: Challenges, Constraints and Opportunities

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Introduction

Bangladesh had a successful expansion of the microcredit² sector during the last two decades of the 20th century. During the early years of success, microcredit was deemed to be **the** instrument for helping poor graduate out of poverty. Such a perception had shaped the discourse on poverty in Bangladesh during subsequent years, even when empirical studies unveiled the limits of microcredit programs to reach out to the very poor. It is therefore important to revisit the conceptual framework that underlies our *priors* in setting the parameters of development and poverty discourse in Bangladesh as well as elsewhere. It is also critical to reconstruct some of the concepts shaping the discourse so that the challenging issues pertaining to programs for the extreme poor, discussed in the subsequent sections, may be appropriately structured. Following the discussion on concepts, the paper draws upon secondary sources to highlight limited experiences in reaching out to the extreme poor in Bangladesh. The exercise is meant to throw light on the potentials and limits of microcredit in addressing the needs of the extreme poor. Some of the alternatives (to microcredit) are only highlighted in the concluding section without great deal of elaboration.

Perspectives on Extreme Poor and Microcredit: a set of issues in lieu of a Conceptual Framework

There is no single perspective on extreme poor, nor a common agreement on how to address the concerns with extreme poor. Conceptual definition and their operational counterparts constitute one area of disarray, partly reflecting the differences in the nature of concerns underlying such engagements. It is therefore no wonder that the choice of instruments to address the concerns also vary. The initial introduction to the segmented state of current discourse and practices on addressing extreme poor is illustrated below by raising a number of questions and issues – meant to guide the readers into the subsequent discussion in this paper.

- What is meant by extreme poor?
 - A segment (such as, lowest quintile) within a scale of visible/reported individual/household characteristic (includes income and non-income measures as well)

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² This paper uses the term ‘microcredit’ because of the social connotation tagged to it. Its relation to microfinance is the subject of a different discourse, not deemed relevant for the present exercise. For a discussion on the latter, please see Khandakar Elahi’s web posting on ‘The Difference between Microcredit and Microfinance’.

- Defining poor in the space of exchanges – excluded from a basic set of social, economic and political exchanges that are necessary for existence with a minimum dignity

The literature is rather biased towards the first definition, and uses different expressions to refer to a segment of the population who are perceived to lie in the bottom ladder in certain pre-constituted measures of welfare scale. For example, ‘hardcore poor’, ‘ultra poor’, ‘chronically poor’ and ‘extreme poor’ are, at a general level, interchangeable in most discourses on the subject. The operational measures often indulge into the dimensions of vulnerability and the degree of mobility³ across the ‘ladders’ differentiated over the same welfare scale. The second definition is akin to a class-based analysis – however, the spaces of exchanges are more loosely perceived (See Zohir 2006).

- Purposes of the programs targeting extreme poor
 - safety net programs
 - enable people to come out of poverty by ‘mainstreaming them into the economy and society’
 - Or, is it to ‘mainstream them into microcredit net’?⁴

Wide usage of the term ‘extreme poor’ (EP) is relatively a recent phenomenon; and had emerged primarily out of concerns that the programs meant for the ‘poor’ failed to deliver services to the ‘very poor’ amongst the poor.⁵ This historical anecdote may explain why we raise some of the questions the way we do. It also calls for reconstructing some of these questions.⁶ For example, answers to such questions as, ‘are we targeting and reaching the extreme poor?’ may be used to assess the credibility of an organization undertaking the program, and not that of the (appropriateness of the) program itself. One could have raised a different question: is microfinance the appropriate instrument to ensure (delivery of) benefits to the extreme poor?

There is a more substantive aspect in the discourse on poor and poverty – how may one define poor (and extreme poor) so that one is able to translate that into operational terms for meaningful targeting, and if I may add, for the purpose of monitoring the ‘targeted’ programs.⁷ In doing so, we use the same scale of measure, whether it is defined in a

³ Length of participation (exposure to treatment) is considered an important element in assessing program impacts, and Zohir (2001) showed that participation in microcredit programs are not binary – and same applies for the poverty status of a single observations (household or individual). The empiricist mind was quite apt at introducing new definitions of poverty based on different types of mobility or immobility.

⁴ Amongst MC practitioners, this view of ‘graduation’ appears to creep in as a dominant one, and I refer to it as graduation 1. The more conventional view, captured in the previous line is referred to as graduation 2.

⁵ In a separate context, the author mentions of a cynic interpretation of this evolutionary path: “Poor is a social construct that alludes to human compassion, whether it be due to concerns for human justice, religious feeling, or an attempt to cover up crimes by trying to fool the God. For obvious reasons, the abstract concept is a marketable item, which may need to be re-packaged from time to time.” (Zohir 2006)

⁶ Sometimes empirical findings from probing into these questions are misinterpreted because of error in posing questions.

⁷ A parallel process however started to make a case for using poverty measure as an indicator to monitor progress of a country. The latter found it appropriate to use initially income as the scale for measuring the

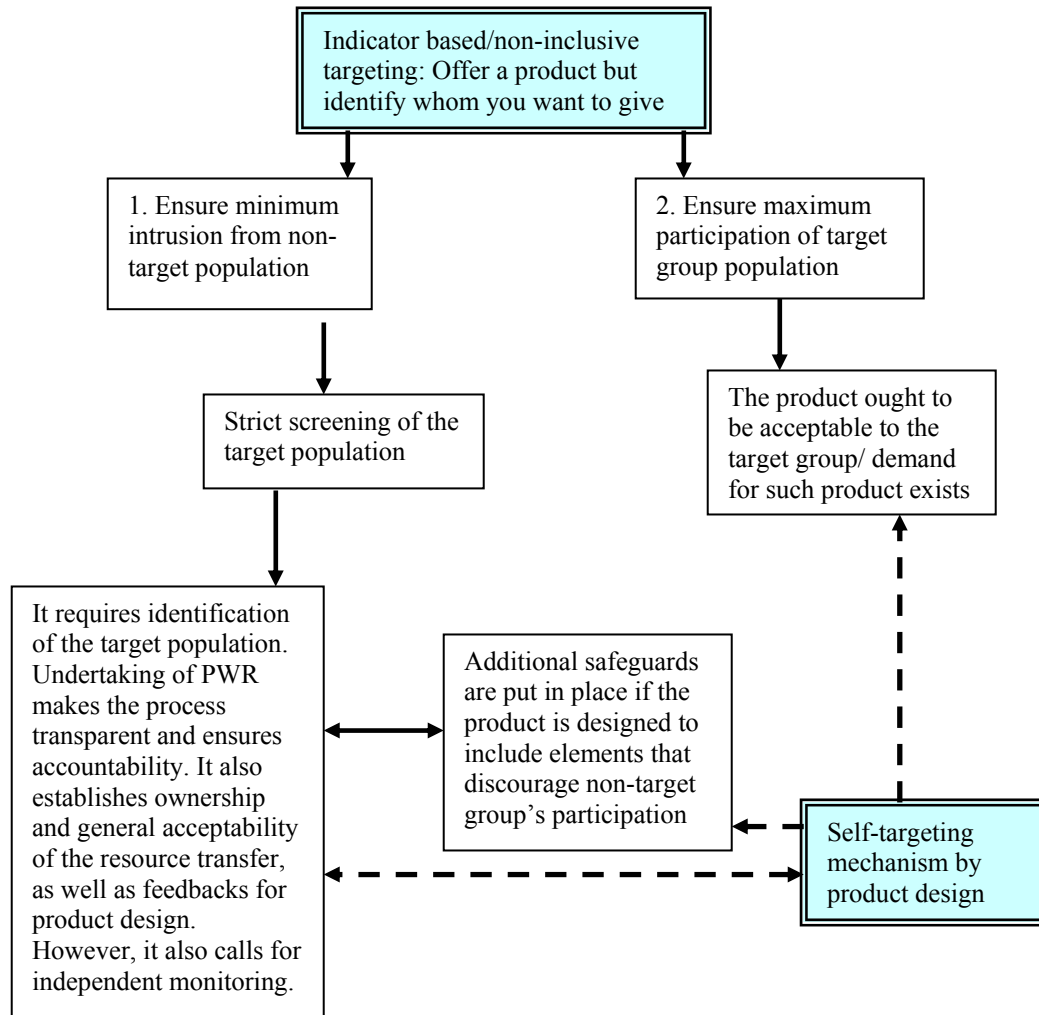
single dimension (such as income, number of meals taken per day, degree of round-the-year food deficit, etc.) or, we define it in a multi-dimensional space (such as, an index constructed out of income, housing condition, assets owned, etc.). Thus, in a given scale of measure, non-poor has a high (low) value, moderate poor scores a lower (higher) value, and the extreme poor scores the least (most). Obviously, such constructs presume all three categories (non-poor, moderate poor and poor in the example) to lie in the same space, and for whom similar packaging of program will be applicable with variations in the scale (such as in the interest rates offered, size of loan, frequency of repayments, amount of savings, flexibility in withdrawing savings, etc.). Such tightly defined construct may hardly be defended if the three segments of the population are differentiated across multi-dimensional spaces, and these dimensions are not amenable to meaningful translation into (mapping onto) a single dimension captured with an ‘index’.

- Various shades of targeting extreme poor
 - targeting individuals/households on a one-to-one basis, or targeting specific occupational or ethnic groups deemed to be extreme poor
 - targeting meso-level activities/exchange spaces that are inherently pro-poor
 - targeting economic activities and institutions that generate benefits for the poor
- Self-targeting mechanism in the presence of market and non-market duality
 - Demand characteristics of the target population as well as of the non-target population will dictate program design, since it is important to ensure attractiveness of a product to the target population and discourage non-target population from crowding-in. Are such market factors adequate to ensure delivery of services to the target population?
 - Agencies implementing the MC programs (with self-targeting mechanisms) are assumed to be external to the system. Should these be considered outside the market, or are their behavior endogenously determined?
 - There may be segments of the EP who would not respond to market based incentives. How best to incorporate the desired non-market elements in the design (or, in the process) to ensure delivery of services to them?

Mathie (2001) rightly notes that poverty targeting needs to be treated “as a combination of identifying poor, reaching the poor, attracting the poor, and discouraging the non-poor.” The process however involves ‘product design’ at different tiers. Current practices are biased towards micro management – thus, products are defined in particular ways, implementing agencies are scrutinized largely with ‘impact assessments’, and the choice of activity space for intervention is heavily influenced by stakeholders whose strength lie in the field of microfinance.

degree of poor or non-poorness of an individual/household. More readily available observables however replaced income at program levels.

Figure 1
Designing Product for a Target Population – the logic



Microcredit for Extreme Poor – defining the questions

As noted before, framing of questions are influenced by one’s perspective. The aggregate canvass of the latter is summarized in Table 1 below.

Table 1
Canvass of Perspectives towards Programs for Extreme Poor

Type of intervention	Purpose of intervention			
	Safety net	Graduation routed through		Safety net + graduation
		regular MC programs	outside MC	
Microcredit	x	x	x	x
MC plus	y	y	y	y
Other meso-level interventions	z	z	z	z

The primary focus of the paper is on the cells in Table 1 marked by x, and therefore, most questions raised relate to those perspectives. As evident from the layout, these do not exhaust the list of approaches one may take to address one’s concern for the extreme poor. The paper will digress into the last two rows (in Table 1) only when certain inadequacies in the first approach are evident from the query.

For the sake of brevity, I only list the questions below:

- What are the various microcredit programs currently addressing extreme poor and what are the salient features of the products these programs offer?
- Are these products reaching the extreme poor? If yes, why? If not, why not?
- Can the non-poor, moderate poor and the extreme poor be differentiated by the nature (characteristics) of their demand for financial support/services?
- Where does ‘flexible products’ fit in the total canvass? Does it have an edge over other financial products in assisting extreme poor?
- Is microcredit adequate to assist extreme poor in graduating out of poverty?

Following the last question mentioned above, few additional queries may be pursued. These are,

- Future challenges in product design for extreme poor – what should be the mix of administrative targeting and self-targeting built into the product design?
- How can microcredit institutions be viable and still serve the extreme poor?
- How can the stakeholders at higher tiers support creating enabling conditions so that the microcredit institutions can continue to play pro-poor role?

Current programs for extreme poor within the microcredit industry

The first two questions are addressed in this part. Of the noticeable programs for the extreme poor that offer microcredit, the following may be mentioned:

Financial Services for the Poor (FSP), supported by PKSF through 19 Partner Organizations (PO)⁸:

- Lower interest rates to borrowers, with little or no change in the margin to the implementing POs
- Medium interest on savings
- Limited administrative supports
- Identification of ‘targets’ largely through POs
- Standard loan repayment and savings
- First loan size is small (average of Tk. 1882)⁹
- Group-based
- Not much additional service, except some training
- Area targeting in the choice of POs and program areas

Program for the Hardcore Poor (FSP), supported by PKSF through POs:

Flexibilities in savings and loan repayments are reported to be introduced. The program has its root in a short initiative during the Monga months, in cooperation with the SDF.

Struggling Members Program of Grameen Bank:

- Zero interest rates to borrowers
- High interest on savings
- Operated within current administrative structure with incentives to staffs
- Identification of ‘targets’ by staffs of the regular program - randomly
- Flexible loan repayments and savings
- First loan size is very small (average of Tk. 658)¹⁰
- Individual-based
- No additional service, except awareness training
- Targeting occupational space - beggars

Microfinance for Extreme Poor (MEP), supported by SDC, coordinated by Plan International and implemented by five NGO/MFIs:

- Very high interest rates to borrowers
- High interest on savings
- Operated through the participating NGOs
- Identification of extreme poor with detail research, PWR & MIS supports
- Flexible loan repayments and savings
- First loan size is small (average of Tk. 1998)
- Individual-based
- Additional service, such as medical and education, whose service charges are included in the interest rates

⁸ There are pre-selected NGOs who receive funds from the PKSF for onward lending to their clients and agree to fulfill certain conditions of group sizes and interest rates imposed by the PKSF.

⁹ Estimates on average loan sizes are from Nath (2005).

¹⁰ During the time of the survey referred to here, exchange rate of Taka was, US \$1 = BD Tk. 58.

- Spatial targeting is unclear except in case of POPI, which operates in districts of high poverty incidence. Targeting of *Adivasis* is undertaken in one program.

TUP/IGVGD program of BRAC:

- Interest rates to borrowers are same as regular program
- Low interest on savings
- Operated under a special program
- Identification of ‘targets’ by the program staffs with detail research and PWR
- Standard loan repayments and savings
- Regular size of first loan (average of Tk. 2713)
- Group-based
- Beside food assistance through IGVGD, numerous other services, including asset transfer, are provided
- Targeting food-insecure areas

While there are several other programs on extreme poor, the four cases cited capture most diversity in the landscape of MC for extreme poor. Some important observations, including prior conjectures, are noted below:

- Non-inclusive identification criteria are rigorously imposed by MEP. TUP’s attempt is often diluted by the politics around IGVGD selection. GB’s program uses the targeting of occupational space with incentives to its staffs. Amongst the four, FSP appears to be the least rigorous in such identification.
- One would expect flexibility in loan and savings product to be desired by all potential borrowers, irrespective of whether she/he is non-poor, moderate poor or extreme poor. However, it is often argued that the extreme poor are more likely to be discouraged by ‘standard’ products. Thus, flexible products offered by MEP and GB are likely to attract relatively more extreme poor.
- In general, individual lending is preferred by all borrowers. However, it is often argued that group-based lending deters entry of extreme poor. Thus, one would expect MEP and GB to attract more of extreme poor. At the same time, rationale for group-based lending lies in ensuring higher loan recovery. One would therefore expect relatively lower recovery rates from these two individual-based lending programs.
- Small loan sizes are expected to deter the non-rich and the moderate poor from participating in these programs, and all four generally qualify under this criterion. However, GB’s offer is very small while TUP’s offer is on the high side. One would therefore expect the least participation from non-poor in GB’s program on this account, while the opposite holds for TUP.
- Additional supports are likely to attract the non-target population, and this is characteristic of TUP.

The above conjectures may be cross-checked with empirical findings presented in a recently concluded BIDS study (Nath 2005). They are summarized below:

Table 2
Cross-checking our priors on targeting with empirical findings

Description	Findings
Better targeting of extreme poor	GB, followed by MEP
	FSP and TUP have close to 50% non-target
Improved opportunities for graduation	GB, followed by TUP and FSP
	40% of MEP respondents reported no change
Loan recovery	MEP performs poorly, followed by GB
	FSP (100%) and TUP (97%) perform better

Source: Summarized from Nath (2005).

Canvass of financial products – can we differentiate extreme poor?

It is important to acknowledge that ‘self-targeting’ through appropriate product design for extreme poor is feasible (see Figure 1) only if their demand characteristics (for financial services) can be differentiated from the rest of the population. Irrespective of the purpose, demand for loan products may be grouped into the following four categories:

- To support lumpy expenditure, with repayments to be spread over a long period in small amounts¹¹ – ‘general loan’ of the microcredit institutions is an example that satisfies such demands.
- Lumpy expenditure to be repaid in specific times – crop loan to be taken before cultivation and paid back after harvest is an example in the context of rural Bangladesh.
- Borrowing of smaller amounts over a period and repay in large amount – arrangement with the corner store (buying in credit from the shopkeeper) is the most frequently observed transaction observed under this category.
- Borrowing in smaller amounts over a period as and when required and repay in small amounts as and when possible – Cash Credit account with commercial banks, and ‘flexible product’ in microcredit are some of the examples.

One may note that all segments of poor and non-poor households may demand funds on account of all the above reasons. However, some sub-groups may have biases towards one rather than for another. The above categorization allows one to explain why ‘general’ loan product may not satisfy all types of demand (for credit) of the MC clients, and therefore, why borrowing from informal sources may coexist with participation in MCIs. One may also explain why the fourth category, when demanded by poor households, has traditionally been better suited to be handled by informal lenders. At least two reasons may be given: transaction costs involved in recording numerous transactions are high, and monitoring timely recording of deposits is difficult unless appropriate incentive structures (with motivations) are introduced within the implementing agency. With widespread usage of computers and ICT-based networking within the MFIs, cost on

¹¹ ‘Long’ is a relative term – one year is long for a poor household while it may be short for a major investor demanding loan for buying machineries.

account of the former is likely to have greatly reduced – the latter however remains a problem.

It is important to recognize that all people have demand for short-duration small-sized loans – and we meet such demands with credit cards, falling back on social networks, or borrowing from informal sources. The last option, mostly availed by the poor and by traders¹², entails extraction of ‘scarcity rent’. Thus, any offer that reduces the interest payment on such borrowings will help. In that particular context, the expansion of the net of microcredit – that is, deepening in case of existing poor borrowers of ‘general’ loan, and widening in case of bringing the ‘extreme poor’ segment who are otherwise left out – is likely to run into greater confrontation with the traditional supply-side players¹³ if there is leakage in the system. If large volumes are channeled through special microcredit programs such that the fund finds its way into meeting traders’ demands, the suppliers of informal lending will surely be threatened. Alternatively viewed, appropriately targeted programs will have limited market, and will not be financially viable unless alternative routes are sought – such as, relying on existing administrative setup with appropriate incentives and social motivation.

As noted above, the fourth type of demand (which ‘flexible product’ addresses) is not unique to extreme poor only. Even small-sized loans may not deter the non-extreme poor from availing such loans. However, a higher interest rate – higher than that offered under general loan and lower than the rate on borrowing from informal sources – may do the trick. Such initiatives may better be left to the already operating agents in the MC market, and can hardly be considered as a core MC program for extreme poor!

Similar to the above, there are limited niches within each category of demands to package credit programs that may address extreme poor. One may cite several examples that are similar to crop loans, but may target non-farming activities that engage large number of extreme poor. Consider, for example, communities whose males engage in seasonal collection of honey from the *Sundarbans*, or, go out for fishing in the sea for a limited period. The incidence of extreme poor is reportedly high among these communities, and therefore, MC products similar to ‘crop loans’ targeting these communities may hold some prospect.¹⁴ The prime example of the third category is laborers from poor families (say, in the char areas of Dewanganj) who are forced to work outside during the slack season when their families live on bare minimum at the place of their residence. During this period, there is need for funds for meeting regular consumption needs (not a one shot lumpy expenditure), which may be repaid at one go once the earner returns home.

¹² It is my view that the observed interest rates of 8 to 10% per month in case of loan from ‘moneylenders’ is dictated by the demand from the traders, and the unfortunate ones are in the receiving end without having the least power to influence the market rates.

¹³ A cashier in an organization or a bank manager with easy access to cash may be engaged in satisfying the fourth type of demand. Even a domestic service provider, with access to cash, may be supplying small amounts to that market! We are also aware that the traditional savings and lending groups were playing that role, and continue to do so in limited ways.

¹⁴ Even targeted crop loans may turn out to be pro-EP if appropriately designed. Mahmud (2004) notes that incidence of extreme poor is 26.5% and 41.1% respectively among farm self-employed and farm casual labor population. The corresponding figures for non-farm population are respectively 12.0% and 14.1%.

The above illustrations are common knowledge – they have only been put within a broader canvass. The obvious question is: are the MCIs completely unaware of these? Two observations may be made in this regard: (1) the groups of extreme poor who have been mentioned in the above illustrations belong to a group who have potentials to engage in remunerative exchanges¹⁵, and (2) they have been, more often than not, targeted by the conventional MCIs, and empirical studies suggest of tolerating field-level renegotiations that deviate from the standardized loan and savings products.¹⁶

Microcredit and Graduation: Looking beyond for assisting Extreme Poor

The canvass on perspectives discussed earlier identify three important objectives that a program for extreme poor may have – safety net, graduating into being a member of the regular MC net, and graduating out of poverty in general. The second case may at times be the transitional stage before graduating out of poverty.¹⁷ However, it need not be so. It is also recognized that the extreme poor is not a homogeneous entity. A recent paper by Carter and Barrett (2006) makes a case for a dynamic asset poverty line, which can help distinguish households caught in a long-term structural poverty trap from those expected to follow an upward trajectory, that is, those who enjoy structural economic mobility. If one takes this broad categorization of extreme poor, the latter may be grouped into four upon considering their participation (or, non-participation) in MC programs. This is illustrated in Table 3 below. Empirical findings on mobility in and out of poverty (BIDS 2004) generally suggest that there are such segments as B and D (in Table 3) who are unlikely to graduate out of poverty with MC alone. In cases of A and C, potentials exist, and MCIs ought to be able to find out ways to bring C into the net.

Table 3
Typology of Extreme Poor – for illustrations

Participation in Microcredit	Current or Post-transfer asset base that allows	
	Graduated future	Unchanged Poor
Participate	A	B
Do not participate	C	D

Source: Adapted from the ideas presented in Carter and Barrett (2006).

In the same vogue, one may also argue that B should be brought out of the net. However, as argued earlier (while arguing the benefits of flexible products that replace high

¹⁵ A later section in this paper distinguishes between two groups of extreme poor – those with potentials for graduating out of poverty, and those who do not have such potential in the short-term. The former group is largely attended to by the regular MCIs.

¹⁶ See Zohir et al (2001).

¹⁷ A critical premise of the IGVGD program is that participation will enable the hardcore poor to “graduate” to regular microcredit programs, thus putting them on the road to poverty alleviation.[IGVGD Success: From Outreach to Graduation.]

interest-bearing loans from ‘moneylenders’), demand for credit exists for all classes of people – irrespective of whether one is able to use it for graduating out of poverty or not.

Programs to assist the two groups of extreme poor are expected to be different. The first group with little or no potential to bring about changes in their status in the near future comprises people of old age, women unable to engage in remunerative activities and having no able-bodied family member to support, disability. This group essentially demands (non-market) social supports – transfers (such as, old age pension or vulnerable group feeding) from the government, or from the rest of the population (say, *zaqat*, or any other form of relief). Microcredit may still have two functions to support the extreme poor¹⁸:

- For smoothing consumption expenditure with funds received intermittently¹⁹; and
- Borrow to invest on children’s education and health so that the family may come out of poverty in future. This is a common theme one hears – a mother supporting her children’s education with borrowed fund hoping to repay once the children start to earn. GB and others have introduced education loan, and future challenges lie in identifying financial products (which may combine loan and grant components) that will enable extreme poor to graduate out of poverty within one generation.

The second group, who can make a difference if asset supports and/or opportunities are provided, is endowed with, at the least, labor service that may be exchanged. This group requires both market and non-market supports. With feasible improvisations of financial products, existing MCIs may come to provide some such supports.²⁰ In designing these programs, it is critical to recall Gwarney and McCaleb’s observation two decades earlier. Gwarney and McCaleb (1985) had put forward an agenda for welfare reform upon arguing that antipoverty programs encourage poor to remain poor. It suggested that for public policy to be effective in alleviating poverty, it must be consistent with four basic principles:

1. Except for the handicapped and the elderly, all adults must be required to work in order to be eligible for long-term welfare benefits.
2. The welfare system must recognize the importance of the family, church, private charity, and community action in the alleviation of poverty.

¹⁸ There is a third idea that may be proposed to indirectly support the ‘disadvantaged’ group via supporting the ‘active’ segment within the extreme poor. Normally, the active segment of the population avail credit to bring about changes and those supporting the ‘passive members’ (old-aged parents, widowed/separated sisters with children, or disabled members in the family) may be encouraged through appropriately designed incentives.

¹⁹ Even a pension-holder with no other source of income may need to borrow, often realized by selling out the coupon for monthly receipt.

²⁰ In this context, one may look into CARE Bangladesh’s effort towards linking microfinance to government-guaranteed employment schemes.

3. The welfare system should be structured to reinforce certain traditional values that encourage individual, parental, and family responsibility.
4. Transfer recipients should not be allowed to use children as hostages in order to blackmail society.

Economic history reveals that all societies had these groups that we now term as ‘extreme poor’ and those societies found ways to address the concerns for them. Beyond public policy, Gwarney and McCaleb clearly recognize the roles to be played by family, friends and religious institutions. This aspect of fostering social capital through activating the traditional routes is a major challenge for addressing poverty – and the MCIs may have to look for appropriate roles as ‘facilitators’ (rather than as competing providers) in this respect. Generally, such roles of facilitators by NGO/MCIs in widening the engagements of extreme poor in remunerative exchanges may be conceived in several spheres:

- rebuilding the social capital and engaging the non-poor²¹,
- looking into the prospects of revitalizing the traditional exchanges on religious and philanthropic grounds,
- engaging the private sector, and
- ensuring pro-poor resource allocation in public sector through awareness.

There is another important niche that the NGO/MCIs in Bangladesh have in promoting the cause of the rural poor, where the role of MCIs is perceived to be one of providers. Creating employment opportunities for the poor is a social obligation, and 'graduation' of some NGOs into corporate-like bodies raises hopes. As Zohir (2005a) argues,²²

NGO network of rural people, who are simultaneously producers and consumers, turned out to be an asset, which can be harnessed for the betterment of the poor. While internal savings and the compulsion to get financially self-reliant have encouraged many NGOs to undertake commercial activities, many such activities do not necessarily create employment for the poor. The potential for the latter lies in redirecting the NGO resources into activities, which will employ the rural poor, with NGOs playing the role of a marketing agent and/or undertaking the risks in production.

Concluding observations: challenges for the microcredit industry

The presentation so far should make it obvious that the discourse on microcredit and its role in addressing extreme poor and poverty is caught amongst ‘trees’ – what I refer to as ‘micro management’ of problems. Much effort has been given into identifying poor in a country that has an abundance of poor people! In the name of research, we have perfected the counting exercise and brought intricate accounting to the fore without adding much to our *a priori* mental constructs. Such engagements have often got caught in petty agenda-

²¹ Matin and Hossain (2004) mentions of engaging elite support for the poorest. See also Zohir (2006), where building local-level coalition between poor and non-poor is emphasized.

²² The paragraph is quoted from Zohir (2005b). See also, Zohir 2006a.

settings by the providers and ‘facilitators’, and kept us removed from looking for ways to find spaces for coalition-building in fighting poverty. Given that the institutional capacity of some sort has surfaced with the engagement in microcredit, the future challenges lie in creating an enabling environment so that these institutions may remain/be motivated to pursue their initiatives to assist extreme poor and fight poverty. Some such challenges, which call for supports from other stakeholders (policymakers, educational institutions and aid agencies) as well, are highlighted below.

- *Attending to shortfalls in human resources:* There is a severe scarcity of skilled resources in the country to ensure delivery of the kind of services provided by MCI/NGOs. Any attempt towards up-scaling of program or enhanced attention to minute details (such as, program packaging to suit the needs of extreme poor) will run into trouble because of inadequate manpower. The industry as a whole needs to seek ways to address the problem.
- *Finding a right balance between financial sustainability with market efficiency and remaining pro-poor:* Promoting market-based ideology at the micro level with subsidies at the institutional level is a double-standard that needs to be critically examined. Social responsibility of the MCIs and social engineering of microcredit products need to be recognized. However, it is equally important to account for the market forces and incentives in designing programs to realize social objectives. One may therefore search for the activity spaces where the ‘corporate’ interest of the MCIs, incentives of implementing staffs and the welfare (employment and/or income) of the poor are compatible to ensure a win-win-win situation.
- *Ensuring smooth transition to the new regulatory regime:* The proposed draft law has been tabled, and there is yet to be adequate awareness among all stakeholders on what the scenario will be like once the law is enacted. The more active players may act on anticipation that the trend may be reversed or influenced – and therefore, adequate efforts for preparing for the transition may have received little or no attention. Ideally, there is a need for accommodating a transitional period before the law goes into full enforcement, and the action plan for the transition needs to be worked out sooner than later.
- *Information sharing and coalition among MCIs:* The dream of a larger coalition had remained elusive, and with increasing heterogeneity in the industry, coalition building may get more difficult. However, those in the industry aiming to specialize in providing financial services with a social twist will gain by building a coalition, initially sharing information on clients, different categories of poor, other market variables, and on other stakeholders. One may also envisage coalition in other spaces by realizing positive externalities of the networking through collaboration – such as joint ventures into pro-poor growth!

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