



## The Potential of Urban Microfinance: Illustrations from Bangladesh

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### Authors' contributions

This work was carried out in collaboration between authors. Authors developed the ideas suggested in the article and jointly wrote this manuscript. Both authors read and approved the final manuscript.

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### ABSTRACT

The high loan recovery rates, which are almost uniformly above 95%, show that the effectiveness of Microfinance Institutions may be due in considerable measure to the social capital that the Microfinance Institutions build and foster. This social capital is an asset capable of doing further good. Microfinance, and its attendant social capital, might be a possible option to help the poor getting access to urban services. Three new directions for urban microfinance have been suggested—infrastructure and housing; informal sector labor; and nursing education.

*Keywords: Microfinance; social capital; potential; social development; LDCs; Bangladesh.*

### 1. THE PROBLEM

Urbanization presents massive problems for many developing economies. Even as large numbers migrate into cities with the hope of a

better life, urban poverty seems to be a constant. This means that social policies to alleviate and eradicate urban poverty are a must for all Least Developed Countries (LDCs). Since Bangladesh has been the pioneer of modern microfinance, it

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is natural that urban microfinance should play a considerable role in poverty policies. In response to the need, urban microfinance has been a constantly rising presence in Bangladesh. However, the activities of the organizations providing urban microfinance seem to be a replay of those already pioneered in rural Bangladesh, most notably by the Grameen Bank, by Bangladesh Rural Advancement Committee (BRAC) and by Association for Social Advancement (ASA). This raises the question whether different activities are not required for the potential of urban microfinance to be achieved in urban areas. During the first study of urban microfinance in Bangladesh the authors were struck by the fact that microfinance officials were quite ready and eager to expand the scope of their activities, but they always wanted to continue with more of the same. This repetitiveness led the authors to directly question the officials whether new types of activities were being considered; it soon became apparent that the officials were so consumed by their everyday activities that they simply had no time or energy to be innovative. Indeed, several of the officials complained about this inability to imagine newer activities to meet urban challenges. As a result, the authors began to pose a variety of possibilities for the Microfinance Institute (MFI) officials to consider. Here we suggest three policies that appear to have considerable potential for development and which several of the microfinance officials admitted as being feasible, worthwhile, and having potential for the future.

This paper follows an earlier study on urban microfinance which allowed the authors to have insight into the lives of microfinance members and nonmembers in 13 cities across Bangladesh. The study was carried out in low income communities (slums) including Bawnia Badh and Vashantech in Mirpur, Kakrail in Mohakhali in Dhaka. There are differences in social and economic variables of residents among slums. Some slums are built on public land and some are built of private land. However, the study found reasonably significant impact of microfinance on economic development of the borrowers [1]. The study also provides evidence that frequent interaction has increased economic cooperation and the formation of social capital by microfinance members compared to non-members. Feigenberg et al. [2] imply similar perspective based on experiment that group lending is successful in achieving low rates of default not only because it harnesses existing

social capital but also because it builds new social capital among the members. Utilisation of social capital in improving health, sanitation and other services is evident in many countries [3,4]. This social capital can encourage the microfinance industry to engage in higher investment in the promising sectors of Bangladesh.

The rest of the paper is organised as follows. Section II begins here with a brief review of urban poverty in Bangladesh and its socio-economic aspects. Growing urban poverty and miserable living condition in slums along with the nature of microfinance and its impact on social development is reported in section III. This section is followed by the social capital of microfinance borrowers in section IV. It analyses how frequent interactions among the microfinance borrowers and officials helps form social capital, specifically, trust, which might provide leverage to microfinance institutions for further interventions. Section V then illustrates the potential of microfinance and provides three specific examples, infrastructure and housing, rickshaw and education and nursing, where significant achievements are possible. The conclusion briefly reviews the possibilities that non-governmental bodies, such as the microfinance organizations, can provide, while urging caution in attempting generalizations. In the nature of things, such possibilities have to be culturally and historically grounded and can be transferred to other societies only after due consideration.

## **2. URBAN POVERTY**

The prevalence of urban poverty is a distinctive feature of cities in Bangladesh. In 2005, nearly 35 percent of Bangladesh's urban population lived in low-income settlements, or slums, across its six city corporations [5]. And the increase of urban poor in cities is continuing at higher rates each year. If the dangers of climate change are as portrayed in the press then an additional 20 million poor may be moving to the cities by the next few decades [6]. This influx of landless poor into urban areas has been accompanied by a lack of basic urban services [7]. The majority of them lack a decent living environment with very poor housing, having little or no basic services (e.g. electricity, water supply, gas and sanitation). While such services are controlled and maintained by influential local people in low income settlements, with whom negotiation is necessary for access, the urban poor once again

fall further into difficulties. Inadequacies of urban planning and management, and utter disregard to urban poor seem to be critical which result in the urban poor facing evictions from public land at various times [8]. The utter disregard and eviction demonstrate that the urban poor are not allowed in public space and to public facilities when these are in need to other people in the city. Uneven application of urban policies and unequal distribution of public resources have added to the basic problem of limited urban space and public facilities. Therefore, those of the urban poor who live in urban areas command little in the way of urban property, and have virtually no access to corporate assets [9]. And, the state has failed to ensure proper distribution of public resources.

In the densely populated slums in Dhaka, the floor area per person is as small as 1.2 square metre [10]. Consequently, slums have resulted in environmental degradation, which has adverse socio-economic consequences. Kabir et al. [11] explore the illness stemming from poor living conditions and inadequate nutrition, which diminish the human, material and social capital of slum households, thus making them even more vulnerable. Additionally, the marginal social cost from unhealthy living condition is also a matter of concern. However, relocating the poor households from existing slums to periphery of the city has not been a sustainable solution, and, when tried, has adversely affect the welfare to such households [12]. Therefore, there is an immediate need to develop new policies to improve existing socio-economic of the urban poor. Microfinance, and its attendant social capital, might be a possible option that could contribute in new policies.

### **3. MICROFINANCE AND SOCIAL DEVELOPMENT**

Several seminal studies have evaluated the positive impact of microfinance in increasing income and accumulating assets [13,14], on entrepreneurship development and employment generation [15,16], on vulnerability reduction [14,17], on improvement in social welfare [18,19], as well as on the formation of social capital [20,21]. The studies have noted that the income of the borrowers has increased significantly over the year which has reduced their repeated seasonal food vulnerability. Additionally, the assets of microfinance borrowers has increased, even in the medium term Furthermore, borrowers have developed their own microenterprises to

make profits and repay loans at competitive interest rates. Some enterprises have even grown to such a level as to hire people beyond their families. Again, some members think of microfinance as the last resort, when they are in severe personal or social crisis, a benefit not to be measured in economic return. For example, emergency health care expenses required for the only income earner of a family have long term economic return. On the other hand, though expenses for a daughter's marriage may have no measurable economic return ever for the borrowers, yet it might be vital for the borrowers' social capital. Finally, social development scores have positioned Bangladesh at the top in South Asia despite the socio-political and economic instability of the country. The primary catalyst of such overwhelming achievements in Bangladesh are evidently non-government and microfinance organizations. In conclusion, despite the criticisms of such authors as Block [22], Schmidt [23], the literature of microfinance has proven it to be an effective economic tool, and its unique by-product, social capital, has been formed through frequent interactions among members and microfinance officials, has added impetus to the process of poverty reduction.

In those areas where credit has been combined with support for basic social services, communities have scored high for social development [24]. In such areas, infant mortality has become lower, school attendance for girls has increased, children's health, nutrition and education have shown greater improvement. Similar views have been reflected in studies on microfinance. There are strong potential synergies between microfinance and the provision of social services for socio-economic development of the poor. Thus, from the effects of microfinance, basic education, primary health, communication facilities, etc. are interconnected—the impact of microfinance can be increased when they are delivered together.

### **4. SOCIAL CAPITAL AND URBAN MICROFINANCE BORROWERS**

Social capital is based on social relation. Spontaneous sociability creates social norms of exchanges which makes a sense of collectiveness rather the sense of self. The collective sense helps mobilise social resources for economic gains at individual level or at collective level or both. Thus, social capital has attracted the attention of many disciplines

dealing with economic development, particularly of the poor.

There are two major camps in social capital theory. First, Bourdieu's social capital theory argues that social capital is formed within the culture of a social class in such a way as to help the dominant class gain economic capital, cultural capital, or both, through mutual recognition and acknowledgement. The process always favours the dominant class to maintain the social hierarchy. The other camp, led by Coleman and Putnam, argues that social capital is a collective resource available to the members in the group or community. They argue that the quality of social capital depends on the efforts and actions of individuals, which ultimately generates the social norms and values that are vital for the functioning of social capital.

Important to Bourdieu's understanding of social capital is that the size of social capital generated is contingent on the features of the social networks and the volume of social capital which has already been embedded in the network. Social capital is shared by individuals having defined groups and boundaries, obligations of exchanges, and mutual recognitions. The group provides credit from collectively owned capital to its members [25]. His abstraction of social capital does not capture collective cooperation and mutual trust rather it relates social capital to an implicit form of economic capital for the individual.

For Coleman social capital is gained particularly through micro social structures, such as the family, religious, schools or trade-circles, which feature social ties promoting norms of reciprocity and mutual obligation. Unlike Bourdieu, he views the origin and development of social capital as incidental, arising out of social activities. Coleman [26] defines social capital as an aspect of the social structure which facilitates individual action. The nature of the relationship between agent and society as defined by Coleman is as follows: Individual agents in a society collectively create the social structure whereas society allows individuals to interact in social exchanges, which in turn shapes society. However, individuals need to act in order to gain from the social capital embedded in social exchanges.

Following Coleman's concept of social capital Putnam defines social capital as those social networks which generate value for individuals [27]. Putnam argues that social capital is formed

within social associations and their interactions promote and develop collective norms and trust which are important elements for maintaining the reproduction of collective social well-being [27,28]. He extends the concept to that which is associated with civic engagement in the society. His work is based primarily on an earlier empirical study in Italy during the 1970s, which has later been transposed to an American context. He argues that there has been a steady and 'substantial' decline in America's level of civic and political engagement---which he measures based on membership in sporting clubs, parent-teacher associations, unions and community groups and organizations. Putnam believes that the rise of self-help groups or virtual association maintained by non-physical communication do not really generate 'true' social capital. This decline in social capital has resulted in negative economic and political consequences.

Fukuyama [29] defines social capital as the shared social norms and values of the society that generate social virtues in the forms of cooperation and trust. One learns from the social organizations how to behave with other members which is reflected in ones' expectation from others. He argues that transaction costs in social exchanges are less in those societies having higher social capital. Lin [30] further extends by arguing that there are four elements of social capital--information, influence, social credentials and reinforcement. How these elements have leveraged economic gains may be obvious looking in microfinance groups. Frequent social exchanges of the groups have granted credential to its members. This credential is substituting the traditional collateral required by the banks for delivering credit. Based on the social capital, NGO's have been disbursing loan to the poor. Now microfinance has become a big industry. Lin explains why these elements are important in accomplishing social actions which are not attained by physical or human capital.

The World Bank [31] defines social capital from its practical manifestations in development interventions across the globe. It argues that social capital is a pervasive ingredient and determinant of progress in development projects and an important tool for poverty reduction. It argues that social capital can have impact on income and welfare through improving the management of common resources and energising federation. It further extends the knowledge in the extent and nature of social capital. It explains that social capital has different

dimensions as it develops within macro and micro social boundary. Again, within both of these boundaries the social capital has structural dimension (e.g. the state institutions and rules at macro level, and social institutions and norms at micro level) or -cognitive dimension (e.g. the state governance at macro level, and social trust at micro level).

The urban poor are living at the bottom of the social structure. Their poor economic condition is enforcing limited access to public goods. They have limited resources to share within their social class and restricted networks with higher social classes. Additionally, their transient lifestyle does not favour the formation of strong social relations. Moreover, the children of the urban poor have limited opportunity to attend school or social gatherings that could expose them to social interactions and networks. As a result, the collective social trust and mutual cooperation hardly develop<sup>1</sup>.

## **5. THE POTENTIAL OF MICROFINANCE**

The financial contribution of microfinance arises because of missing capital markets. Extensive examples of such gaps in the capital market are seen by looking at the expected profit rates of the activities potential microfinance institution clients wish to engage in [32]. Virtually all the profit rates of some forty different urban activities were above 100%. When compared this with the highest microfinance institution interest rates, which are never more than 40% in annualised terms, it is understandable that how there is much scope for capital markets to increase output, productivity and employment. The extremely high loan recovery rates, which are almost uniformly above 95%, show that the effectiveness of microfinance institutions may be due in considerable measure to the social capital that the microfinance institutions build and then foster. This social capital is an asset capable of doing further good. It is important to remind ourselves that microfinance has gotten to its present eminence by quietly refusing to accept the status quo and by being willing to experiment. Microfinance has some definite limitations. The loan size is small and microfinance is monitoring intensive. The loans can prevent destitution, but may not help one to ensure a chance at riches; furthermore, without regular monitoring, it may not be run successfully. Despite these weaknesses microfinance has several strengths. Firstly, it is decentralised, being operated by local, national,

and international microfinance institutions/NGOs all over the country. So, microfinance institutions have the potential to implement both national or local level programs. Secondly, microfinance institutions programs are flexible in nature. Microfinance institutions can disburse various sizes of loans and tailor their rules relatively quickly. And finally, microfinance institution loans are personalised, with microfinance institutions having regular contact with each of their members, which has led to a relationship of trust between the borrowers and microfinance institutions. These positive aspects of microfinance suggest microfinance institutions as an appropriate agent to effect further innovative changes in urban poverty policy. Three new directions have been suggested here for urban microfinance---infrastructure and housing; informal sector labor; and nursing education.

### **5.1 Infrastructure and Housing**

Infrastructure is an issue of central importance in providing a better life and in increasing productivity. One has only to see the headlines whenever gas or electricity or water is in short supply – and as for items like sanitation, there is considerable public benefit in ensuring that the slums are clean. Infrastructure is also an issue where both economies of scale and agglomeration economies are of significance, as well as large fixed costs being involved. The financing of urban public infrastructure in cities is an enormous challenge. To achieve the modest slum improvement target under the MDGs, the UN estimates that about US\$ 4 billion per year are needed [33]. More generally, meeting the investment requirements of overall urban infrastructure needs in developing countries could be as much as US\$ 120 billion a year [34]. Urban microfinance can contribute a solution to this problem.

An administratively simple approach would suggest that most of the fixed costs of infrastructure be borne by somebody other than the local community, and that maintenance and operation be left in local hands. This solution requires the presence of local communities which see and appreciate the benefits of infrastructure and are sufficiently civic minded to organise themselves into permanent organisations which both operate and fund the infrastructure. In a practical sense, this is the crux of the problem, needed to find modes of local organisation that can sustain local infrastructure. There is a further issue in the use of scarce land – the provision of

appropriate housing. Studies show that there is much room for increasing housing in the slum areas with planning [35,36].

As infrastructure involves several items, such as water, power, sanitation, wastewater and solid waste, there are several issues involved in the provision of infrastructure. Who are the local bodies that can be entrusted with such services? Is a uniform organizational form required or can they be broken up by function, so that power remains in public control but waste management is farmed out to private entrepreneurs? India has been experimenting with a variety of ways to provide infrastructure to the poor [37,38]. The extensive review of Davis informs that there are no general lessons to be extracted from the experience of Public-Private partnerships thus far, and all seems to rest on the details of any arrangement [39]. Taking it for granted that the public provision of infrastructure will be the norm for say, water and sanitation, in the near future; what local body can be entrusted to continue the operation and maintenance in sustainable form needs to explore.

These requirements seem to be most naturally filled by microfinance institutions and constitute a direction for urban microfinance institutions to consider. Various 'Concession Agreements' need to be instrumented for delivering services considering the local context. However, Grameen Bank in Bangladesh is by far, the largest housing loan, Microcredit to Housing Finance (MCHF), provider in rural areas; others are SEWA Bank in India' the Center for Agriculture Development (CARD) and Payatas Scavengers' Association in Philippines, the South African Homeless People Association and Genesis in Guatemala.

Since, in urban areas land, infrastructure, and construction costs are high. As such, measures to reduce housing supply cost are needed to improve affordability. The use of innovative building technologies designed to lower construction costs can reduce this problem. This has been demonstrated by the adoption of the Argentine BENE construction technology in the self-help housing projects in Fortaleza, Brazil; by Grameen Bank's use of prefabricated latrines; and by the use of prefabricated sewage pits in various projects. In addition, schemes that encourage vertical expansion of serviced sites and upgraded settlements also represent a successful mechanism for providing new low-cost housing by amortizing the high land cost, as is demonstrated in a successful housing-finance

scheme carried out in Villa El-Salvador in Lima, Peru [40].

While many urban activities point towards the upper tranches of loans, and hence towards microenterprises, the contribution that microfinance institutions can make towards poverty amelioration by supporting infrastructure is considerable. This is particularly so in encouraging longer run investments in both physical and human capital by altering 'impatience' through improving public health and education.

So far government has limited efforts to provide housing for the urban poor. The government's initiative, *Bhashantek Rehabilitation Project*, aimed to build some 15,024 flats for the low-income groups and slum-dwellers in the city's Cantonment area. It fell through because of the project's location, was not suitable for many slum-dwellers, especially those engaged in work that is integral to their local economy [41]. Many of them refused to move, or even if they did, they sought to move back near their old locales eventually.

However, various options regarding housing for poor are being suggested by scholars and field practitioners. Planned and on-site upgradation housing schemes that grow vertically instead of the bamboo-and-tin sheds that proliferate haphazardly in most slums can end up recovering significant portions of the valuable urban land filled up by them.

In fact, infrastructure planning and execution are disconnected from the other aspects of planning and policy-making which are crucial for infrastructure expansion to make sense. Different subsectors of infrastructure are often developed in isolation. In many instances, land-use planning and regulation are disconnected from transportation planning and execution. Housing is one item that is not properly infrastructural, and yet since all infrastructural items have to be 'housed' in an abode, housing is intimately linked with the long term provision of infrastructural services.

Once the poverty policy adopts the long-run point of view, and take into account the projection that the population is expected to increase by another 50% in 50 years, it should be evident that the slums need to be made into flat based housing areas.

One option may be analysed that if the residents give up land rights and let the Government build a 4 storey flat on the land, the resident will be recompensed by being granted 2 flats. The remaining flats will belong to builders who will either rent or sell those flats in order to cover their costs. By this means the Government can provide long term infrastructure in financially feasible fashion and the poor get to live in a flat with full infrastructural facilities.

Upon being presented with such an option, the residents were very curious. They asked lots of questions, but always ended up by saying, "*but we cannot lose ownership of our land*". Hundred thousands of families have given up just such ownership in order to live in flats, whereby the land becomes the joint property of all the flat owners while the individual flats are only private property. The residents had no answer to this point but just insisted that they did not want to lose ownership. This is clearly a point of psychological importance worth probing. Since those who work closely with the poor may be able to explain why the poor are unable to visualise radically new arrangements that can benefit them.

When asked why the poor had such beliefs, the microfinance officials said that the belief arose out of a distrust of local government. They had been made false promises too often and had now, on such questions, adopted a position of complete negation to direction from above. This distrust is pervasive across social classes, even a rich family living on 670 sq metre of prime land refused all offers to build and develop. While such actions by the rich cause negligible social impact, it is otherwise with the poor, who are driven by circumstance to act together if they wish to enjoy infrastructural benefits.

The above plan seems workable for areas like Bawnia, in Dhaka city, where there are already planned blocks of housing, brick roads, and the possibility of quick provision of all infrastructures. In other slums or in smaller cities the urban poor do not have such structured facilities. A hodge-podge of cattle sheds, vegetable gardens, and ponds are scattered over the slum. Here land needs to be released to provide the basic roads and infrastructure. All parties will gain if the government will provide infrastructure on condition that the households surrender say 10% of their land to finance the work and to allow the development of schools, parks etc. in the future.

Such infrastructural and housing developments present a great opportunity for microfinance institution since, generally speaking, they already have the trust of the people. The critical need lies not in clarifying the future benefits, since no one denies these, but rather in getting the people to trust those who will implement such schemes. If the housing loans and infrastructural plans are mediated through the microfinance institutions, it is probable that the residents can be persuaded to see their long run self-interest. The critical prerequisite is trust. The crucial ingredient for implementation is mediation by a local organization whom the community trusts. As of now, such trust is most readily given to NGO's and microfinance institutions – hence they have the obligation to look to advancing positive changes in the low income communities into the near future.

## 5.2 Rickshaws

Microfinance is meant to fill in the gaps directly that exists in capital markets. Since these gaps in financing are most prevalent for the poor, such activity automatically becomes a part of poverty alleviation. So microfinance activities can be broken down into two parts; first, identifying failures in the capital market, and second, devising ways to overcome such failures. One area where capital market failures are evident is the market for rickshaws and, by extension, that for vans, pushcart and even that for the motorized 3-wheeled, or 'baby', taxis.

In Dhaka, an old rickshaw costs about Tk. 7,000 and a new one about Tk. 12,000. If a deposit of Tk. 70 a day for hiring an old rickshaw, or of 2,100 per month, then an old rickshaw can be bought with about four months deposit. A license of a rickshaw costs about Tk. 15,000 that will require another seven months deposit. In one year or so, a rickshaw can belong completely to the rickshaw puller. Even an old rickshaw will last for three years. So the second and third year consist of pure profit. But this is too exacting a calculation. The cost of a license needs to be figured differently, since a license costs nothing to keep and its value keeps on increasing. It is an appreciating fixed cost, but not a sunk cost. In other words it is an item that is very appropriate for a microfinance institution to consider. So the most effective scheme may have an NGO buys the license and 'rent' it out to a rickshaw puller. This means that an old rickshaw can be completely purchased in four months. A poor man thus saves an extra BDT 100 per day or

rather gains BDT 3000 per month – just by overcoming a capital market flaw.

The ‘ordinary’ rickshaw puller rents a rickshaw for either one or two ‘*belas*’– the morning or evening shifts. The great majority rent for the full day; they work till lunch, then nap for an hour or two and begin again around 4:00 pm, before ending at about 8:00 or 9:00 pm. For a day, rental they pay between BDT 70 to BDT 90 taka. After paying the rent they save about BDT 250-300 per day. This would amount to BDT 7,500 - 9,000 a month if they worked for all thirty days. Fortunately, they do not. All in all, a rickshaw puller can be the owner in under a year and thereafter the rickshaw puller can be an independent owner-operator. It makes for one’s dignity and self-respect. Those rickshaw puller who were asked about this possibility, said they could not raise the cash to buy a rickshaw. Given the great social benefit, this is a ripe market for microfinance. Even today almost 95% of the rickshaws are owned by other owner who is making good profit by renting it to urban poor. Here there is great scope for cooperation, coordination and the enabling policy of Government. An industry dominated by owner operated rickshaws, in order to secure their futures, will form cooperatives, which in turn will arrange for health benefits, savings schemes and education for children.

### 5.3 Education and Nursing

The systematic provision of loans for guardian of the students can be a new and effective activity for the microfinance program. While student loans are well-established in many countries, but such provision is almost absent in the culture of Bangladesh. Those schools which students have long attended can be utilized as mediating agents between parents and the microfinance institutions. The use of schools which have the trust of the community will mean that microfinance institution employees need not visit door to door to engage in transactions. Both in urban and rural areas such move seems to be viable for a number of reasons: (i) management costs will be reduced because any transaction will be done at one point in the school; (ii) social pressure upon defaulters to repay may be insured through the governing body or school teachers since they are respected people and interact with the guardian; and (iii) the students may gain both experience and financial benefit by helping with the implementation of the program. Ultimately, access to finance may

encourage parents to send their children for education.

One specific area of education that deserves attention by microfinance institutions is that of nursing. Bangladesh should have some 3 nurses for every doctor, instead, it has about 1.5 doctors for every nurse. This bizarre situation means that the surgery may be done well but the post-operative care can kill the patient. While the recent upgrading of nursing as a government post is welcome and the subsidized education is provided by the Nursing Colleges will help some way fill the shortage, it is unlikely to be satisfactory on its own. According to the report of Bangladesh Health Watch titled “The State of Health in Bangladesh, 2007”, the country lacks at least 2 hundred and 80 thousands nurses. The number of registered nurses is only 22,555 and the nurse to population ratio now stands at 1:6,342.

Nurse to population ratio in developed countries is much better than Bangladesh. Even, the ratio in India is 1:1205 [42], also lacks 2.4 million nurses [43], while the ratio is around 1:100 in Europe, Canada and Australia. The greatest shortage is in South-East Asia, dominated by the needs of Bangladesh, India and Indonesia. According to World Health Organisation, the largest relative need exists in Sub-Saharan Africa, where an increase of almost 140% is necessary. The severity of the shortage of nurses in the Caribbean and Latin America is also high. Three in every 10 positions currently remain vacant. The Caribbean is particularly prone to losing its nurses. The global migration of nurses is particularly severe in nations such as Jamaica, where 8% of its generalist nurses and 20% of its specialist nurses leave for more developed countries each year. Between 2002 and 2006, more than 1800 nurses left the Caribbean to work abroad [44].

In most countries of the world there is a shortage of nurses but acute as in the developing world. Since there is a valuable world market for nurses even now, and since the nurse shortage is likely to continue as a global phenomenon because of the ageing populations of Europe and Japan, the export of nurses is virtually a sure market into the indefinite future. The net salary of nurse in US (US\$ 3,168), Canada (US\$ 2,216), Australia (2,653), Japan (US\$ 2,140) and most EU countries varies between US\$ 2,000-3,000 per month [45] which is around 20 to 30 times higher than that in Bangladesh. To utilise such an



opportunity, Bangladesh needs to produce qualified nurses in large numbers. This will both satisfy the domestic need and provide desirable export earnings.

The most important reason for the low supply of nurses is unanimously agreed upon to be the lack of respect given to the profession. This is a question of social attitude and one that microfinance institutions are quite practised in addressing. As most nurses are female, the empowerment of females is also involved. Further to this, there is no logical reason why males may not also be trained to be nurses. So the 'liberation' of the both sexes can be effected by providing both social and financial help to nurses.

## 6. CONCLUSION

The weak governance of many developing economies has created a strong need for new bodies which are not dependent upon the State, yet perform many of the welfare activities of the State. Microfinance arose as a way to bypass the deficiencies of traditional development finance, which has been most frequently captured by the rich and powerful. These nongovernmental organizations (NGO's), which are also generally nonprofit, have had some spectacular success and as a result, they are called upon as solutions to an ever-widening array of social problems other than poverty, such as sexual health crises, environmental degradation, and human trafficking. However, in taking over some of the functions of a state, these bodies encourage a growing critique which points to the ways in which the NGOs actually encourage weak states not to acquire greater competence. Such well-meaning NGO's can therefore serve to facilitate neoliberal aims of economic liberalization and privatization of public resources, even while encouraging decentralization, empowerment and participation. That well-meaning actions may fail is a reality that must be considered. For example, even as NGO activity has increased considerably in Guatemala over the last decade, rates of maternal mortality and child malnutrition have increased [46]. This suggests that engaging in effective development and community health in rural Guatemala is not straightforward. It

particularly raises questions about tending to culturally distinct peoples. The community-wide effects of doing development can create community burnout, and restrict local engagement. The need to be cautious and engage in frequent self-examination must be remembered.

Community participation in development has been effective. As development interventions often suffer from sustainability issues, this community based approach is now practiced in many developing countries in Africa and Asia, particularly if the project is financed by the World Bank (e.g. PROSABAR in Bolivia, FONCODES in Peru, UPPR in Bangladesh). The primary notion behind this approach promotes a strong sense of 'belonging' among the beneficiaries involved in the process of development both during the construction and maintenance periods. Since infrastructures require both expensive investment and timely maintenance after construction to keep them functional, failure in either period would hamper sustainable development. This can happen either by doing something better, looking for more venues or getting ideas from abroad and domesticating them.

Yet the strengths of microfinance are such that they must be used; not only are they decentralized and participatory, their greatest strength of MFI's lies in the fact that they typically possess the trust of the community. As a result, they have a potential beyond their current focus on credit or even credit plus skill development. Three new ways are discussed in this article by which microfinance can contribute to the urban poverty reduction policy for a healthy and prosperous society in Bangladesh.

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<sup>1</sup>Microfinance has given a means to build up social capital through weekly to monthly meeting among the members. Frequent interactions, sharing risks and financial exchanges within the group (as well as with the microfinance officials) have built and fostered social capital in the forms of networks, trust and cooperation. Maintaining and sustaining on such social capital has provided a norm of social behavior which has assured and inspired NGOs/MFIs to invest more in the poor.

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### COMPETING INTERESTS

Authors have declared that no competing interests exist.

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