

Microfinance in Bangladesh



গুরুত্বপূর্ণ উক্তি সমূহ:

"Poor people are bonsai people. There is nothing wrong with their seeds. Only society never gave them a base to grow on."
— Dr. Mohammad Yunus.

"Microfinance is not just giving small loans. Its about giving people an opportunity to take charge of their own destinies."
— Dr. Md. Yunus.

"Give a man a fish, he will eat for the day. Give a women a microcredit, she, her husband, her children and her extended family will eat for a life time."
— Bono.

"Social business is not philanthropy. Its not charity. Its a business created to solve a particular social problem."
— Dr. Mohammad Yunus.

Microcredit in Bangladesh

"Microcredit is not about giving small loans. It is about giving people an opportunity to take charge of their own destinies."

- Dr. Mohammad Yunus.

This profound statement by Nobel Peace prize laureate Dr. Muhammad Yunus encapsulates the transformative essence of microcredit in Bangladesh. In the mid-1970s, Dr. Yunus initiated a ground-breaking experiment in the village of jobra, Chittagong by providing small, collateral-free loans to the impoverished individuals, particularly women.

Microcredit in Bangladesh transcends mere financial transactions; it fosters dignity, self reliance, and social mobility. By offering access to capital, it enables individuals to transform their lives and communities; which results in a model of financial inclusion.

"Microfinance stands as one of the most promising and cost effective tools in the fight against global poverty."

- Jonathon Morduch
Microfinance expert.

Microfinance :

Microfinance is a financial service that provides small scale loans, saving, insurance, and other financial products to people who do not have access to traditional banking - especially the poor and marginalized. It bridges the gap between financial exclusion and economic opportunity.

In Bangladesh MFIs like Grameen Bank, BRAC, ASA and PKSF have transformed rural and semi-urban economies by enabling the poor to borrow small amounts of loan with minimal collateral requirements.

These loans are used for :-

- ⇒ starting small scale businesses (tailoring, farming, grocery stores)
- ⇒ Investing in livestock and agriculture
- ⇒ Sending children to school
- ⇒ Improving housing and sanitation.

Microfinance is not just about money, it's about opportunity, dignity and economic independence for those who have been excluded from the formal financial system.



Key characteristics of MFIs

- (i) Targeting low income people.
- (ii) Small loan.
- (iii) Collateral free lending.
- (iv) Focus on women empowerment.
- (v) Short loan tenure and frequent repayment.
- (vi) Emphasis on social impact.
- (vii) Utilization of technology.



MFIs in Bangladesh: an overview

- ⇒ Number of Licensed MFIs :- 724 (as of June 2024 according to MRA).
- ⇒ Client base :- These institutions collectively serve over 40 million members.
- ⇒ Financial portfolios :-
 - outstanding loan - over 2 lakh 50 thousand crores.
 - total savings - 62,000 crore + taka.
- ⇒ Employment :-
around 200,000 individuals and operates more than 25,000 branches across the country.
- ⇒ Leading MFIs :- BRAC, ASA, Grameen Bank, BURS Bangladesh etc.

Impact of Microfinance:

As of 2025, over 40 million Bangladeshis are beneficiaries of microfinance services. The sector's impact includes:-

⇒ Reduction of Extreme poverty:

Microloans have helped many families escape the cycle of poverty by building sustainable income streams.

⇒ Women's empowerment:

90% of microfinance clients are women. Access to credit has improved their decision making power and social standing.



⇒ Entrepreneurial growth:

Small and micro enterprises now contribute significantly to GDP and employment.

⇒ Financial inclusion:

Digital microfinance services have reached previously unbanked populations, especially in rural zones.

Digital Transformation in Microfinance:

The evolution of microfinance in BD is being accelerated by technology. In 2025 MFIs are adopting digital platforms for :-

⇒ mobile based loan disbursement and repayment (Bkash / Nagad / Rocket)

⇒ Digital ID and biometric verification for faster onboarding.

⇒ AI based credit scoring to assess risks more accurately.

⇒ Real time dashboards for transparency and monitoring.

These innovations have made microfinance more efficient, scalable and secure, reaching even the most remote communities.

II Microfinance and other sector:

Microfinance intersects with several key development areas :-

- ① Education : Loans are used to pay school fees and buy books.
- ② Healthcare : Microfinance helps cover emergency medical costs.
- ③ Housing : - Low interest housing loans to support construction and upgrades.



Micro finance and Women Empowerment :



"Give a man a fish, he will eat for the day, Give a woman microcredit, she, her husband, her children and her extended family will eat for a lifetime."

— Bono.

Micro credit has been a transformative force in empowering women across Bangladesh, fostering economic independence, enhancing social status and promoting active participation in community life.

⇒ Economic Empowerment :

By providing small, collateral free loans, MFIs enable women to start income generating activities.

⇒ Social and political empowerment :

Beyond economic gains, microcredit has facilitated women's social and political empowerment. Access to financial resources has increased women's confidence and decision-making power within households and communities including sense of agency and leadership among women.

II Microfinance and Socio-economic Development:

Microfinance has been instrumental in Bangladesh's socio-economic development, serving as a catalyst for poverty alleviation, women empowerment and community development.

By providing small and collateral-free loans MFIs are contributing to run the wheel of the rural economy by enabling millions to initiate income generating activities and earn their livelihoods and improve living standards.

Challenges in the Sector:



Despite its success, Microfinance in Bangladesh faces ongoing challenges:-

⇒ Over indebtedness: Multiple loans from different MFIs can lead to repayment stress.

⇒ High interest rate: Microfinance institutions often charge high interest rates which is substantially higher than traditional banks in Bangladesh. These high rates can strain borrowers and contribute to the cycle of debt.

⇒ Lack of financial literacy: Limited understanding of credit management can lead to misutilization of funds.

⇒ Climate risks: Floods, droughts and other disasters can derail small business and impact loan repayment.

⇒ Competition from Digital Financial Services:

The rapid growth of Agent Banking, MFS and emerging digital banks presents a competitive challenge to traditional MFIs.

⇒ Regulatory and operational challenges:

MFIs face regulatory hurdles and operational inefficiencies, including weak organizational infrastructure, unplanned loan disbursement and inadequate supervision.



Govt. Policies and Initiatives:

Bangladesh Bank along with Microcredit Regulatory Authority (MRA) provide oversight and guidance to ensure transparency and financial stability. Govt. initiatives include :-

- Establishment of MRA in 2006
- caps on interest rates.
- Loan classification and provisioning guidelines.
- Client protection framework
- promoting digital microfinance ecosystem.



Finally microfinance has been a transformative force in Bangladesh, empowering millions - especially women - to overcome poverty through entrepreneurship and financial inclusion.

Despite its remarkable success, the sector faces challenges such as overindebtedness, high interest rates and the need for stronger regulatory oversight. Addressing these issues is crucial to ensure that microfinance continues to serve as a sustainable and empowering tool for development.