

# INSIGHTS

## InM Newsletter

### ***Psychological Well Being and Social Poverty Dynamics***

Wellbeing generally refers to optimal functioning and experience of individuals. In psychology, the 'disease model' dominates, viewing wellbeing as the absence of illness rather than the presence of particular qualities.

Psychologists adapt two philosophical traditions to develop ideas about what constitutes wellbeing. The first, known as the hedonic or subjective view, holds that wellbeing consists of subjective perceptions of happiness and the experience of pleasure which accompany the satisfaction of physical, intellectual and social needs. The second, known as the 'eudaimonic' or psychological view, places greater emphasis on cultivation of personal potential, virtue, and meaningful living. This tradition enlists concepts such as autonomy, personal growth, self-acceptance, life purpose, and competence.

From the hedonic perspective, being virtuous and living a meaningful life can yield wellbeing. From the psychological perspective, people must have the opportunity to exercise personal choice, gain a sense of competence and mastery, cultivate healthy relationships, and find meaning and purpose in life.

In reality, hedonic and eudaimonic elements frequently function together, and therefore optimal functioning is best achieved through combining both approaches. It is also plausible that hedonic variables might bring about eudaimonic wellbeing. For example, meta-analysis shows that positive emotions—key indicators of hedonic wellbeing—are antecedents in attaining career success and satisfying marriages. It follows that it may be most desirable to study elements of both hedonic and eudaimonic approaches when seeking to conceptualise wellbeing more broadly.



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We do not necessarily consider psychological wellbeing to be a dimension of poverty, but it is a vitally important aspect of people's lives. Psychological and subjective states of wellbeing have intrinsic and instrumental value. They are a key component of other dimensions of well-being that we adopt in the case of poverty. In practice, poverty surveys include various approaches to measuring psychological wellbeing e.g. happiness, satisfaction overall and by domain, and indicators of basic needs and of meaning in life.

For example, the psychological wellbeing module of Oxford Poverty and Human Development Initiative's international research on poverty has core components of wellbeing in terms of meaning in life. The approach focuses on a psychometric evaluation of a short measure of meaning in life to be used in international measurement of wellbeing, using data from nationally representative samples of households. The component structure of meaning in life, which is invariant across gender and age, is distinct from the items of other wellbeing measures that are assessed e.g. psychological needs, life satisfaction, and domain satisfaction.

A wide array of research suggests that poverty has a broad negative impact on psychological well-being. Poverty is associated with stress, chronic strains, a low level of social support, and problematic family relationships. It is therefore not surprising that the poor also have a comparatively low level of psychological well-being.

Although poverty is generally associated with lowered psychological well-being, its implications do not appear to be uniform. Urban poverty may be especially problematic for certain groups, while rural poverty could be detrimental for other groups. Of course, within the usually available cross-sectional nature of the data set, it is not possible to make causal inferences. Nevertheless, there are strong evidences which show that poverty is not a homogeneous experience for individuals.

Childhood poverty can cause significant psychological damage in adulthood. There are close links between childhood poverty and adult psychological well-being. Childhood disadvantage is linked to adult physical morbidity and mortality. Adults from low-income families manifest chronic physiological stress, higher levels of externalising symptoms (e.g. aggression) but not internalising symptoms (e.g. depression), and more helplessness behaviours.

One study, conducted to measure and compare the psychological well-being of different categories (landless, khas land holders, and share-croppers) of rural poor farmers in Bangladesh, shows that there are significant differences in psychological wellbeing of these three categories of respondents. The study finds that psychological well-being of the farmers who have obtained lease of government khas lands on a long term basis is better than that of the two other groups (share-croppers and landless) of farmers. On the other hand, in a comparison between the landless and share-croppers, no significant difference is found in their psychological well-being.

In 1985, Professor Amartya Sen made a plea that wellbeing not be considered in isolation from human agency. At present, the explosion of research on empowerment in development similarly draws attention to the need for increases in wellbeing to be in part generated and sustained by the communities in question. Measures of empowerment and opportunity structure would contribute clarity regarding the exterior environment. Measures of individual autonomy could potentially provide accurate domain-specific measures of autonomy.

One can use subjective assessment of life-satisfaction or happiness as a proxy measure of 'utility' and estimate well-being function focusing on a number of correlates such as relative wealth, institutional quality, and social trust. In this context, some key hypotheses could be: Is the effect of absolute income bigger than relative income? Is the relative income effect only specific to the non-poor? How does the income effect compare with that of institutional quality, social trust and economic inequality in villages/localities?

Bangladesh is well-known for various forms of governance crisis. Poor quality of social and legal institutions undermines well-being especially in rural societies. Moreover, the poor quality of public institutions in the country has adverse impacts as well. In a 'highly corrupt society', trust is likely to be low and this in turn can lower well-being.

There is a parallel of this trend in Bangladesh in the broader happiness literature, namely the 'global happiness puzzle', where it is argued that income growth does not lead to gains in well-being. Given the evidence of sustained spell of economic growth without any increase in individual happiness, many ask whether current income is a relevant component in the well-being function.

Some empirical studies on micro-determinants of well-being in rural Bangladesh show that relative income matters for individual well-being: individuals who report their wealth to be lower than others also report less satisfaction with life. There are significant interaction effects as well – poorer individuals draw greater satisfaction from absolute income compared with better-off individuals.

These findings indicate that relative consumption matters for the rich as well as for the poor. However, when compared with the effect of absolute income, these effects remain modest. However, relative deprivation may not be the dominant concern for an average rural person, although well offs could be exceptions.

Empirical evidence increasingly indicates that income poverty is not the sole correlate of wellbeing. Amongst other factors, institutional quality (e.g. confidence in police) also enters as positive determinants of wellbeing function. Similarly, economic equality and infrastructure development may increase life satisfaction of individuals.

In summary, research findings highlight the need to study poverty using a multi-dimensional framework. Presently, almost all quantitative research on poverty in Bangladesh focus on income based indicators of well-being and have subsequently ignored the debate over relative versus absolute notion of deprivation. In addition, existing studies overlook institutional correlates of poverty. Future research on poverty should therefore not only look at psychological indicators of poverty, they should also take into account the quality of local-level public institutions. The meaning of poverty based on a notion of low income should be contrasted with that based on subjective perceptions of economic position.

To be meaningful, evaluations of poverty should look beyond income based indicators and simultaneously assess well-being using subjective indicators. There are different dimensions of subjective wellbeing e.g. satisfaction with health, education and work; adequacy of consumption; and so on in relation to the specific reference group that an individual may choose for social comparison purposes and for identifying psychological correlates of poverty. These issues are relevant for understanding the determinants of well-being to help identify the social aspects of poverty dynamics even in a country like Bangladesh.



## Newly Designed Customised Training Courses at the Field Level

A specialised course titled “Building Skills of Branch Managers on Microfinance Operations and Management at the Field Level” was designed and implemented for the Branch Managers of Community Development Centre (CODEC), Chattogram at their Training Centre. This training especially focused on Risk Management at the branch level highlighting the early signaling techniques to avert losses due to delinquency. A total of 74 Branch Managers joined the course in three batches at CODEC Training Centre (Chattogram, Patuakhali, and Bagerhat). Senior and mid-level InM Trainers were the facilitators.

During the period, InM has also developed and organised a tailor-made course for the Branch Managers of Resource Integration Centre (RIC) on “Risk Management and Monitoring of Microfinance Operations at the Field Level”. The course was specially designed with new concepts in the areas of risk management and its monitoring techniques to control overdue, an emerging concern for the MFIs. A total of 142 Branch Managers of RIC joined the course in six batches. In the coming months, Senior Managers of RIC are expected to take part in Advanced Risk Management Training of InM.

### Training for PKSF Partner Organisations (POs)

InM, jointly with PKSF, organised training programmes for POs where a total of 235 professionals successfully completed the following courses:

- o Training of Trainers (ToT)
- o Accounts and Financial Management for MFIs
- o Loan Management of Microenterprises



### Results of 8th Batch Diploma Published

The results of 8th batch of Diploma programme in Microfinance were published on 6 September 2018. A total of 27 participants passed successfully. They will be formally awarded the Diploma certificates at a ceremony in a convenient time.

### New Guidelines for Internship Programme

New guidelines have been formulated to streamline the Internship programme of the participants in the Diploma in Microfinance to make the programme more effective and results oriented. The internship programme will now be initiated from the beginning of the second quarter and will continue for two months.

### 9th Batch Diploma in Microfinance Begins

The 9th Batch of Diploma programme started on 8th September 2018. The Orientation Programme of the new batch took place on 5th September 2018 at a ceremony chaired by Dr. Mustafa K. Mujeer, Executive Director, InM. A total of 23 participants are enrolled in the programme from 11 NGO-MFIs including BRAC, SOJAG, DSK, PADAKHEP, RIC, BURO Bangladesh, and Sajida Foundation. Three courses, C1: Poverty, Development and Microfinance; C2: Microfinance Operations and Management; and C3: Financial Planning and Analysis for MFIs are being offered in the first quarter.

### Working Paper 57

#### Impact of Access to Credit on Microenterprise Development

The paper addresses three key issues: rate of financial and economic returns to investment in microenterprises; impact of access to finance on production efficiency; and impact of microenterprises on employment. The results show positive average rate of financial and economic returns. In general, the study supports the hypothesis that access to finance contributes to flourishing of enterprises, employment and financing agencies' profitability. The paper advocates for a comprehensive approach that will combine plausible instruments involving all financial institutions so that the policies can be implemented in an effective manner.



### Eminent Resource Persons Visit Diploma Classes

As a part of the efforts to enrich the Diploma curricula, leaders and eminent persons in the development sector are regularly invited to share their views and experience to enlighten the participants with theoretical underpinnings and practical knowledge. Dr. Qazi Kholiquzzaman Ahmad, Chairman, InM shared his long experiences in the “Poverty Development and Microfinance” course in a session on 3 November 2018.

Under the programme, Mr. Abdul Matin, Executive Director, SOJAG delivered a speech on “Personal and institutional Experience on Operation of Microfinance – Past, Present and Future” in a session on 20 October 2018. Further, Mr. Md. Eftekhari Ali, FCA conducted a session on “Financial Planning and Analysis for MFIs” on 10 November 2018.





## Newspaper Articles

- Rising inequalities in Bangladesh.  
The Financial Express, 19 September 2018.
- Small farmers: Harnessing benefits of the Fourth Industrial Revolution.  
The Financial Express, dated 26 September 2018
- খাদ্য নিরাপত্তা:  
The Banik Barta, dated 1 October 2018,
- Crony capitalism afflicts the economy: Why and remedies?  
The Financial Express, dated 2 October 2018
- Will the middle class be the country's agent of change?  
The Financial Express, dated 14 October 2018
- Evolving microfinance: Towards a new business model  
The Financial Express, dated 12 November 2018
- 'How does national election affect the economy?'  
The Financial Express, dated 29 November 2018



## Be a Member

FIN-B is now receiving membership applications. Interested organisations and individuals can download the application form and join the Network.

For details, please visit:

[www.inm.org.bd/financial-inclusion-network-bangladesh-fin-b1/](http://www.inm.org.bd/financial-inclusion-network-bangladesh-fin-b1/)



## Visit of Indian Delegates to InM

A discussion meeting was organised on 25 September 2018 on the occasion of the visit to InM by a six-member delegation from India. The visit was sponsored by the Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP), an inter-governmental organisation headquartered in Dhaka.

The members of the delegation included Dr. Pranesh Rao, Director; Dr. M. Srikanth, Associate Professor; Dr. Lakhan Sing, Assistant Professor; Dr. Raj Kumar Pammi, Assistant Professor; Dr. Ruchira Bhattacharya, Assistant Professor; and Dr. S. K Sathyaprabha, Assistant Professor, the National Institute of Rural Development and Panchayati Raj (NIRD&PR) and the State Institute of Rural Development, Ministry of Rural Development, Government of India.

The discussions covered various aspects of development in the microfinance sector in Bangladesh and a comparative analysis of microfinance evolution in Bangladesh and India. The deliberations also covered important challenges that have emerged in the microfinance sector such as expansion of multiple borrowing, high interest rates as well as commercialisation and potential 'mission drift' involving issues of sustainability of the microfinance sector.

InM senior officials presented a video documentary and multimedia presentation on microfinance evolution and best practices in Bangladesh. Dr. Mustafa K. Mujeri, Executive Director, InM was in the chair.

## Other Publications



Download the digitised and latest release of InM Publications:  
[www.inm.org.bd/All-Publication/](http://www.inm.org.bd/All-Publication/)



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## FIN-B Events

- FIN-B Conference
- FIN-B Inclusion Fair

## FIN-B CONFERENCE 2019

Accessing affordable financial services delivered responsibly and sustainably.

FIN-B, a unique Platform, will bring together all financial sector stakeholders, grassroots organisations, development practitioners and financially excluded community in "FIN-B Conference 2019".

Share your ideas and best practices and join the conference: [www.inm.org.bd/FIN-B News/](http://www.inm.org.bd/FIN-B News/) to be held in June 2019.

### WHY JOIN?

- Facilitate cross-learning among financial stakeholders
- Share your views.
- Promote your organisation, products & services at the Inclusion Fair.
- Connect with nation-wide and global financial player.

Sponsoring opportunity is open: [finb@inm.org.bd](mailto:finb@inm.org.bd)

[www.inm.org.bd/financial-inclusion-network-bangladesh-fin-b1/](http://www.inm.org.bd/financial-inclusion-network-bangladesh-fin-b1/)

## Open

for reservation

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