



Institute for Inclusive
Finance and Development (InM)

INSIGHTS

InM Newsletter

Financial Inclusion and Food Security in Bangladesh

The concept of food security has evolved over time and the world has taken a more comprehensive view of food and nutrition security in recent years. The most widely used and globally endorsed definition of food security maintains that 'food security exists, when all people at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets the dietary needs and food preferences for an active and healthy life'. This definition stresses four major dimensions of food security:

Physical availability of food

Economic, social, and physical access to food

Food utilisation

Stability of above three dimensions over time



Just as poverty is multidimensional, food and nutrition security has many faces in Bangladesh. Even if the poor households may succeed in securing some food, the quality of their diet is not likely to meet dietary energy requirements and would lack protein and essential micronutrients. Thus poverty and undernutrition are entwined in a vicious cycle since undernourished people would be less productive, would have lower lifetime earnings, and would be more prone to chronic illness and disability. For the children in the poor households, malnutrition can have severe and permanent consequences for their physical and intellectual development and they will never make up for the nutritional shortfalls at the beginning of their lives.

Since poverty still remains a rural phenomenon despite increasing urbanisation, the rural poor depend mostly on agriculture, forestry, fisheries and related activities for their survival. The promotion of the rural economy in a sustainable way has the potential of increasing employment opportunities in rural areas, reducing income disparities, limiting pre-mature rural-urban migration, and ultimately reducing poverty at its very source. In addition, development of rural areas contributes to the preservation of the rural landscape, protection of indigenous cultures and traditions while rural societies could serve as a social buffer for the urban poor in periods of economic crisis or other unexpected events.

In Bangladesh, small and marginal farmers, landless peasants, and hired farm workers generally experience a high degree of food insecurity. As such, the majority of the undernourished people, especially malnourished mothers and children, including the people living in absolute poverty can be found on small farms. More than 85 percent of the farms in Bangladesh are less than 1 hectare, and small farmers and their families represent around 60 million people.

Historically, it is observed that the small farmers in Bangladesh have high potential to grow more food in a sustainable manner, improve their livelihoods, and contribute to overall food security. However, the capacity of the small farmers is constrained by several factors such as insecure access to land, limited knowledge of improved technologies and management practices, and inadequate

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access to training, credit, extension, organisation, and marketing services. In view of the potentials, supporting small farmers could be one of the most effective ways to reduce poverty and hunger at the household level and improve food security at the household and national levels in Bangladesh.

Along with financial inclusion, this requires effective designing of investments and public policies for increasing technological, financial, and marketing support to small farmers to improve their productivity and overall food security. Since small farmers are characterised by smaller applications of capital but higher use of labour and other family owned inputs along with having a generally higher index of cropping intensity and diversification, their financial inclusion can play a powerful role in bringing both efficiency and equity gains as well as food and nutrition security.

For the purpose, public policies at the national level have to adequately recognise the multiple potential of the rural economy. The analytical underpinnings of the development strategy for Bangladesh must recognise the strong links of agriculture with other sectors and the wide possibility that productivity-induced agricultural expansion can pull other sectors with it, and increase economic activity and employment opportunities in the rural areas. While good infrastructure and functioning labour and other markets are important for rural areas, there is substantial scope for using an agricultural entry point approach for rural and overall development and poverty alleviation in Bangladesh. It is seen that, despite income diversification by rural households, households in the lowest expenditure categories have a larger share of agriculture in their total income than households in the higher income groups.

Further, it needs to be recognised that an unprecedented transformation of the agricultural sector is currently underway in Bangladesh. Growing per capita incomes are raising the demand for high value food products with greater emphasis on food quality and safety issues creating significant impact on the structure of food systems towards the spread of the modern food chains and consolidation of production, distribution and retail segments of food markets. The role of traditional supply chains is shrinking creating new anti-poverty entry points requiring new skills and capital.

The rapid expansion of 'new agriculture' in Bangladesh points to the need for increased access to finance and modern technologies (research and extension systems) which can support higher quality and safety standards demanded by the consumers. The trend towards greater domestic market integration and globalisation will affect the links between primary agriculture and up-stream and down-stream sectors in different ways. On the one hand, market integration will weaken the links between agriculture and the local economy, but will open up new links to larger national and global markets creating new challenges of domestic and foreign competition for small-farmer dominated agriculture.

The nonfarm rural economy will also be subjected to greater competition from cheaper consumer goods of the supermarkets and other retail outlets. This may force the small scale and artisanal food processing to give way to more organised and capital intensive processing including other activities in up or down-stream primary agriculture (e.g. transport or input processing and other activities). In such cases, even if the inverse relationship between farm size and productivity holds in primary production especially of staples, larger farmers are likely to have an advantage in producing what will increasingly be demanded: high value products requiring capital intensive technologies and human and managerial capital. However, the disadvantages of small farmers and their rural livelihoods are not without opportunities: access to larger markets and higher value alternatives will also be available for those who innovate and are able to take up opportunities created by the changing agriculture.

In these circumstances, public policy will have a significant role to play. In addition to providing traditional public goods, new agriculture also needs assistance in dealing with new product requirements and creating proper institutional and regulatory framework to enable small farmers to organise for exploiting available economies of scale and promoting competition.

In Bangladesh, the growing concern over food and nutrition security and sustainable development brings into the forefront the need to explore new paths for future growth with focus on environmental sustainability. In so far as agriculture is concerned, the policies are required to promote agriculture growth that is employment generating, spatially broad based, economically efficient and environmentally sustainable. The policy framework should address issues of natural resource sustainability on the one hand and the livelihood of the people depending on agriculture (as the main user of natural resources) on the other.

Some Facts on
Food Security
(Bangladesh)



Source: FAO (2013), UNICEF (2009, 2014), <http://www.foodsecurityportal.org/bangladesh>

Moving towards Inclusive Insurance in Bangladesh

Developing a poor-friendly and inclusive micro insurance (MI) sector is a priority for Bangladesh as poor households recurrently face various types of adverse shocks including natural disasters. These households have very limited coping capacity and need support of insurance mechanisms to cope with shocks and disasters. InM is conducting a research with support from the Japan International Cooperation Agency (JICA) to indicate important parameters for developing inclusive MI products and design implementation modalities by the proposed PKSF Inclusive Insurance Unit (PKSF-IIU). The InM study highlights two MI products: micro health insurance and property micro-insurance.

Under the study, InM is conducting field level investigations, including data collection, case studies and discussions with potential MI beneficiaries and other stakeholders, to identify and estimate the parameters and design suitable MI products and appropriate delivery mechanisms for the vulnerable populations. The field surveys in the disaster-prone areas bring out important dimensions for designing poor-friendly MI products.

For moving out of poverty in a sustainable manner, the critical challenge for the poor is to acquire and accumulate productive assets that will create sustainable sources of raising household income and generate a virtuous cycle of increasing well being of household members. In the presence of very limited formal institutional mechanism of risk mitigation for the poor and low income population, the disaster-affected poor households resort to coping mechanisms (e.g., informal borrowing or selling assets) which, in most cases, create negative impacts on their survival strategies. While microcredit may be a good option in some situations, but now it is widely believed that microinsurance's time has come in Bangladesh and microfinance is not a 'fix-all' solution to poverty in the country.



General Health Camp Operated by MFI



Household Survey in Progress



Health Card

Hospital Cash Benefit Insurance

Mohammad Rahim Uddin (not his real name) is a grocery shopkeeper of Shyamnagar in Satkhira district. His monthly income is approximately BDT 6,000. He lives in his father in law's house with his wife and two children. In 2014, he bought the 'Hospital Cash Benefit (HCB) Insurance' from Nowabekni Gonomukhi Foundation (NGF). The premium per year was BDT 250. While his wife got pregnant, she had to go through caesarean operation. His wife stayed for five days in the hospital. She also received general health checkups from the health camp. He received BDT 800 as cash benefit against his wife's two days stay in the hospital. Other members of his family also got general healthcare services for diseases like fever, allergy, diarrhoea etc. from the paramedics of NGF.

Along with the primary healthcare services, they also receive health awareness building education from the paramedics. Now, they are more conscious and aware about basic health and sanitation issues. He is very satisfied with the services. He mentions that these services are effective as well as less expensive than the quack.

Impact of Climate Change and Role of Institutions

InM Research Team visited several areas of Shayamnagar and held discussions with the village people, local government representatives and MFI staff as a component of research on 'Financial Inclusion for the Climate Resilient Households and Communities' funded by JICA. This write up is based on discussion meetings and field observations.

Shayamnagar upazila is located at the southern part of Satkhira district, by the side of the Sundarbans and surrounded by rivers. The upazila was severely affected during the cyclone Aila which destroyed about 45 thousand houses in Shayamnagar. It damaged crops, livestock and sources of drinking water. Further, Aila increased the soil salinity of Shayamnagar so badly that no crops could be grown for the next three to four years. Restoring livelihoods and living places emerged as the greatest challenge for the poor people in Shayamnagar and other areas in the south-western region. Despite various rehabilitation and other efforts by the government and other organisations, many people in Shayamnagar are still fighting the devastations of the disaster.

In particular, increased level of salinity has two major impacts: first, drinking water has become scarce, and, second, saline water is not usable for crop irrigation and other activities. In most areas, crops can be grown only during the rainy season with rain water for irrigation. Many farm lands have been transformed into Ghers for shrimp cultivation by the influential people in an unplanned manner further worsening the situation. River erosion and flooding is another problem faced by the people of Shayamnagar almost every year.

The people of Shayamnagar needs increased and more productive economic activities and alternative technologies for crop production, sustainable sources of drinking water and water preservation methods, improved durability of living places and improved availability of public physical infrastructures. While the government and other initiatives are helping the people to overcome their disadvantages; people consider these initiatives mostly as traditional with low focus on tackling climate change vulnerabilities in the area.

On the other hand, several initiatives taken by the MFIs are somewhat widespread probably reflecting their better networking with the vulnerable people; helping them to identify the actual needs of the vulnerable people and identify right initiatives. In Shayamnagar, some MFIs have setup desalination water plant in different places. People living around the plant may take direct supply line from the plant on payment. People who live in distant places may also purchase water from the plant. This reduces the scarcity of drinking water, at least in these locations. The preservation of rain water is another method promoted for meeting the demand for drinking water in the off-rain season. However, traditional approach to preserving rain water in small jars or containers do not serve the full needs. Some MFIs distribute water tank (1,000 to 2,000 liter capacity) among the vulnerable people while some others have provision of taking loan to buy big water tanks to preserve rain water.



Billboard of an MFI to Promote Economic Activities

MFIs are also trying to promote economic activities suitable to specific locations. One such attempt is to promote crab cultivation among the poor people. Crab cultivation requires a small piece of land/water body, and provides positive returns to the cultivators. Many households have started crab cultivation over the last two years. MFIs along with the Agriculture Extension Department are trying to promote salinity tolerant variants of crops among the people. However, people still consider such cultivation risky, as poor people with financial hardships avoid the risks of experimenting with new crops.

MFIs also disseminate climate change related knowledge among the members in the community. In particular, females are now more aware on climate change issues. This is considered important to help reduce climate change vulnerability and generate more resilience against future climate change adversities.



Desalination Plant at Atulia Union, Shayamnagar

Financial Inclusion of Vulnerable Working and Street Children

The InM study on 'Financial Empowerment for Vulnerable Working and Street Children/Youth', with support from JICA, provides a review of several financial products for children and youth in general across different countries of the world. However, many of these products are not designed considering the demand of low income vulnerable working and street children. The majority of the financial programmes especially for age group below 18 are implemented by private organisations including commercial banks which are not necessarily suitable for the vulnerable low income groups.

Available statistics show that, despite a number of initiatives, child labour still remains a fact of life in Bangladesh; and it will require time to eliminate child labour fully from the country. Amongst these working children, some return home at night while others live full-time on the streets while all experiences a concern about the safeguard of their meagre earned surplus kept for meeting emergencies and other pressing needs. This financial exclusion makes a meticulous irony for working and street children as their resourcefulness and hard work are undermined. Their security with their wages is hampered as they are often the target of thieves and cheats. As a result, working children are more likely to waste their earned money on unnecessary items to reduce the chance of their money being stolen or lost, or hoard in a way that amplifies the risk of exploitation, such as with their employer. Overall, the extent of financial inclusion of children and youth is very low in Bangladesh. According to World Bank Financial Inclusion Data Book 2015, only 20.8 percent of all young adults (aged 15-25 years) have a bank account in Bangladesh, while only 1.6 percent of young adults over 15 years use bank accounts to receive wages. This shows that opening bank accounts for the working and street children will no doubt ensure their financial inclusion in a sustainable manner.

For promoting financial inclusion, Banking for Working Children Advocacy Group (BWCAG) has been formed as a coalition in advocating for creating mainstream banking services for working and street children. Basically, BWCAG is an alliance formed with the representatives of 11 NGOs, who are working to establish the rights of street and working children in Bangladesh while twelve commercial banks are implementing this service both in urban and rural areas of the country. A significant change in procedural requirements is that it drops the earlier requirement of co-signature of a parent or guardian since there are a significant number of cases where the child is an orphan or has been forced to leave home. To resolve the issue, the accounts for the working or street children under the programme require a co-signature from an NGO staff, who retain the control of it until the child turns 18. The NGO participation is aimed at making certain that children's money may be used in meeting their major needs like education, urgent needs and planning for the future.

As the street and working children are most vulnerable, the NGOs act as mentors for the children rather than deciding how the money is spent and participating NGOs are closely monitored. Bangladesh Bank has its own monitoring system for the working children's accounts. Among the 56 scheduled banks sixteen have so far opened street children's accounts. The banks are Sonali Bank, Janata Bank, Rupali Bank, Agrani Bank, Bangladesh Krishi Bank, Bank Asia, Mercantile Bank, Mutual Trust Bank, National Bank, NCC Bank, One Bank, Pubali Bank, City Bank, Trust Bank, Al-Arafah Islami Bank, and Uttara Bank. After the circular issued to the banks, 3,465 accounts have been opened for the working and street children by 30 June, 2016. According to Bangladesh Bank data, Tk. 22.01 lakh have been deposited in the street children's accounts until the end of June 2016.

Under this inclusive programme, children can keep their earned money safe along with ability to use savings in an emergency for themselves or their families. Working and street children also get used to having formal savings and this helps to build positive attitude towards savings for future which would benefit them as adults. They get interests against their savings and become more familiar with formal banking activities. Thus, the accounts create a key and hopefully lasting connection between children and the banking system. The process helps in recognising the children as dignified and respectable citizens which enhance the opportunities for non-discriminatory participation of children and increases child participation on issues that benefit children. The accounts further increase the incentives for the street and working children to come into contact with NGOs and grassroots organisations building their skills in numeracy, saving and financial planning. Overall, this effort is considered as a promising step in the right direction to see street and working children to avail socioeconomic opportunities to build their future.



Children Development Bank

Padakhep, an NGO started a programme which aims to encourage the habit of savings from a young age by providing flexible savings and withdrawal options for street children. It also aims to develop enterprising capability among the street children. Hence they keep the provision of taking loan against the savings amount. Combining efforts from the street children and the stakeholders have made the savings and credit programme fruitful. According to one study by Ahammed (2009), the total outstanding loan amount is \$295,000 and children that have borrowed earned on average \$2 per day. Till June 2009, about 7,000 street children have borrowed from Padakhep. One key lesson that emerged from Ahammed's study is that Padakhep's flexible terms and conditions for non-financial and financial products have made this programme a success for vulnerable street children.



Interview with the Street Children



Interview with Dr. Atiur Rahman, Professor, Department of Development Studies, University of Dhaka and former Governor, Bangladesh Bank

Recognising the perception that street and working children do not save for their future, Aparajeyo Bangladesh initiated the Children's Development Bank (CDB) in 2008. The street children usually end up their spending whatever they have earned, as they do not have any savings facilities. Aparajeyo Bangladesh started Children's Development Bank following the CDB model in India which provides security to street and working children to save their money for their future life. It aims to provide savings and credit facilities to the street and working children which is organised and operated by its members (the children). This programme is targeted to street and working children aged 8-16 years. One of the important features of this saving scheme is that the savings can be recycled into loans, and this makes the children much more careful on how they use the loans that they take out, as they know that it is their money, and the savings of their friends that is at risk. It is also important to note that this saving scheme discourages the children to earn from illegal sources to save.

Paper in International Conference

Dr. Farhana Nargis, Senior Research Associate, InM recently presented a research paper entitled “Poverty Reduction and Human Development: Impact of ENRICH Programme on Income Poverty in Bangladesh” in the 10th Annual Poverty and Social Protection Conference held in Bangkok during 9–11 March 2017. The paper is based on a research carried out by InM on the impact of ENRICH programme at the household level. The three days programme was attended by both young educators and future leaders as well as experienced professionals and social workers from different parts of the world.



New Research of InM



Business Finance for the Poor in Bangladesh (BFP-B) Project

InM has initiated a new research on 'Demand-Side Study for National Financial Inclusion Strategy for Bangladesh' in March 2017 with support from DFID's Business Finance for the Poor in Bangladesh (BFP-B) Project. The overall objective of the study is to understand the current status of existing financial services of Bangladesh especially focusing on demand side characteristics of major excluded groups from these services. In the process, the study will identify the demand and affordability of the excluded people in terms of prices and convenience of getting financial services. It will also identify key challenges that the excluded groups face in the way of accessing financial services, and recommend how to develop suitable financial products for the excluded group considering their common as well as specific demand side characteristics. This will further involve explicit consideration of geographic characteristics vis-a-vis affordable and sustainable financial products and/or services and delivery channels.

The study will serve as an input document in preparing the National Financial Inclusion Strategy of Bangladesh (NFIS-B) being undertaken by the Bank and Financial Institutions Division, Ministry of Finance in collaboration with the Bangladesh Bank.

InM Training

Training for MRA Licensed MFIs

InM offers training and capacity development programmes jointly with the Microcredit Regulatory Authority (MRA) for the licensed and temporarily approved MFIs. Till now, InM has provided training to 1,456 senior executives and management staff of MFIs under different training modules. During the period until March 2017, InM has organised six batches of training on 'Financial Management and Internal Control for MFIs' for 135 participants of MRA licensed MFIs. InM plans to provide training to an additional 200 participants by June 2017.

Training for PKSF Partner Organisations (POs)

During this quarter, InM and PKSF jointly organised training programmes where a total of 427 professionals of POs successfully completed eight training courses. The courses are: 1. *Savings and Microcredit Management*; 2. *Monitoring and Evaluation*; 3. *Enterprise Management and Promotion of Private Business*; 4. *Financial Product Design and Development*; 5. *Value Chain Development Project Design and Management*; 6. *Accounts and Financial Management for MFIs*; 7. *Preventing Environmental Degradation and Improving Conditions in Work Place*; and 8. *Training of Trainers*. Besides, Training Division is working on developing a two-day training programme on awareness and capacity building for implementation of Sustainable Development Goals (SDGs) at the grassroots level. The aim is to empower the NGO-MFIs to translate and integrate SDGs into their regular programmes.

InM Education

Visit to SOJAG

An InM team from Education and Training divisions accompanied the participants of the 6th Batch of Diploma in Microfinance programme on a day-long exposure visit to acquaint with the activities of Somaj-O-Jati Gathan (SOJAG), an NGO of Dhamrai near Dhaka. The team visited different projects such as, cereal seed production, cattle rearing, artificial insemination, urea granules production, biogas plant etc. Besides, they visited the Training Centre at Kalampur and a branch of the organisation at Kawalipara. They also held discussions on various aspects of SOJAG programmes with the Director and other staff of SOJAG at their main office in Shailan where a presentation on cattle insurance was also made.



Final Results of 6th Batch Published

The final results of the 6th batch Diploma programme was published on 7 March 2017. Out of a total of 15 enrolled participants, 13 have come out successfully. The successful participants will be awarded Diploma Certificates in a graduation ceremony to be held at a later date.

7th Batch Diploma in Microfinance Begins

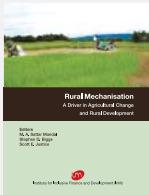
The sessions of the 7th batch Diploma programme started on 11 February 2017. The Orientation Programme of the new batch took place on 9 February 2017. A total of 31 participants are enrolled in the programme. The participants have joined from various organisations including BRAC, SOJAG, UDDIPAN, CODEC, RIC, CDIP, Sajida Foundation as well as under individual initiatives.

The course design of the programme has significantly been revised from the current batch. In the 7th batch, experienced in-house faculty of InM has assumed the full responsibility of conducting the sessions. Session materials, translated in Bangla, are also given to the participants. Besides, an eminent and highly experienced resource person is invited in each session to share his/her knowledge and experience on issues related to specific themes of the session. Among others, Dr. Qazi Kholiduzzaman Ahmad, Chairman of InM and PKSF and Mr. S. N. Kairy, Chief Financial Officer of BRAC participated in the initiative in March 2017.



InM Publications

Book



Bangla Booklet

‘ਪਰੰਥਗਾ’ celebrating a decade of InM’s journey.



Sponsorship Opportunities

Under the InM's 'Deepening Knowledge on Inclusive Finance in Bangladesh (DKIF-B)' Programme, InM undertakes a series of activities including research and database development starting from 2016. Under the Programme, sponsorship opportunities are offered. Interested government agencies, banks, financial institutions, microfinance institutions, corporate bodies, and other organisations are requested to contact: Coordinator, DKIF-B, InM; email: info@inm.org.bd.

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