



International Year of **Microcredit** 2005

Fact Sheet

Microfinance and the Millennium Development Goals

Microcredit and microfinance are contributing significantly to the achievement of the United Nations Millennium Development Goals. These eight development targets, agreed to by world leaders at the UN Millennium Summit in September 2000, address standards of health, gender equality and education with the overarching goal of halving extreme poverty by 2015. The Year of Microcredit 2005 will enhance the impact of microcredit and microfinance with the aim of meeting the Goals.

Key Facts and Studies*

- » In Bolivia, microcredit loan clients doubled their income in two years. They were also more likely to access health care and send their children to school (*Global Development Research Center*).
- » In Bangladesh, 48% of the poorest households with access to microcredit loans rose above the poverty line (*World Bank*).
- » In 1999, 96% of Opportunity International's 176,147 poor clients around the world repaid their loans on time at market interest rates, and 276,886 jobs resulted from these loans.
- » In Brazil, almost 15.7 million people work in the informal economy as microentrepreneurs, outnumbering formal sector entrepreneurs by more than 3 to 1. Of these microentrepreneurs, 93% run profitable businesses (*World Business Council for Sustainable Development*).
- » Indonesia has seen borrowers of Bank Rakyat increase their incomes by 12.9% compared to a 3% increase in control groups (*Joe Remenyi and Benjamin Quinones, Jr.*). On the island of Lombok, average incomes of Bank Rakyat clients increased by 112%, and 90% of households moved out of poverty.
- » In India, three fourths of the clients of the microfinance organization SHARE who participated in the programme for longer periods saw significant improvements in their economic well-being, and half the clients graduated out of poverty. There was also a clear shift in employment patterns of clients from irregular, low-paid daily jobs to diversified sources of earnings, increased employment of family members and strong reliance on small business.
- » In Bangladesh, 5% of the Grameen Bank's clients graduated out of poverty each year by participating in microfinance programmes and, more importantly, households were able to sustain these gains over time (*Shahidur Khandker*).

* References for studies cited are available at www.yearofmicrocredit.org



Promoting Children's Education

- » In one Bangladeshi village, almost all the girls in households receiving small loans from the Grameen Bank had some schooling compared to 60% of girls in the comparison group. Of boys, 81% went to school compared to 54% in households that did not receive loans from Grameen (*Helen Todd*).
- » Among children 11-14 years old, basic competency in reading, writing and arithmetic in households receiving small loans from the Bangladesh Rural Advancement Committee (BRAC) doubled from 12% in 1992 to 24% in 1995, compared to only 14% for children in other homes (*Mushtaque Chowdhury and Abbas Bhuiya*).
- » In Honduras, clients receiving small loans from Save the Children increased earnings, which enabled them to send their children to school and to lower dropout rates.

Improving Health

- » In Uganda, the Foundation for Credit and Community Assistance (FOCCAS) microfinance programme has seen 95% of clients engaged in improved health and nutrition practices for their children, compared to 72% of non-clients. Also, 32% of clients had tried at least one AIDS-prevention practice, compared to 18% for non-clients (*USAID-AIMS*).
- » In Bangladesh, fewer BRAC clients suffered from severe malnutrition compared to a control group

and, significantly, the extent of severe malnutrition declined as the length of time of membership increased (*Mushtaque Chowdhury and Abbas Bhuiya*).

- » Rates of contraceptive use were significantly higher for Grameen-financed clients (59%) than for non-clients (43%), reported a survey of clients in Bangladesh (*S.R. Schuler and S.M. Hashemi*). This trend was also noted in a later study (*Mizanur Rahman and Julie DaVanzo*).
- » Access at the household level to credit may act as a substitute for the income generated by child labour (*Patrick Honohan*).

Advancing the Status of Women

- » Microfinance programmes from different regions report increasing decision-making roles of women clients. For example, the Women's Empowerment Program in Nepal found that 68% of its members were making decisions on property, family planning and their daughters' education, and also negotiating their children's marriages (*Susy Cheston and Lisa Kuhn*).
- » In Bolivia and Ghana, microfinance programme participation has led to increased self-confidence in women and improved status within the community. Participants in Ghana played a more active role in community life and ceremonies, while participants in Bolivia were actively involved in local government (*Freedom from Hunger*).

Microfinance is much more than simply an income generation tool. By directly empowering poor people, particularly women, it has become one of the key driving mechanisms towards meeting the Millennium Development Goals, specifically the overreaching target of halving extreme poverty and hunger by 2015.

—Mark Malloch Brown
Administrator of the United Nations Development Programme (UNDP)