Volume 18 Issue 33
Originally issued as E7



Global Journal of HUMAN-SOCIAL SCIENCE: E Economics
Volume 18 Issue 7 Version 1.0 Year 2018
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals
Online ISSN: 2249-460x & Print ISSN: 0975-587X

The Proliferation of the Urban Microfinance and its Problems and Prospects in Bangladesh

By Basharat Hossain & Dr. Syed Naimul Wadood
International Islamic University

Abstract- The goal of this article is to inspect the current status, problems and, prospects of urban microfinance in Bangladesh. This article employs the descriptive research methods based on secondary data. This paper Illustrates the present scenario of urban microfinance by using tables, graphs and the trend analysis. This paper finds that the urban microfinance in Bangladesh has been growing tremendously during the last decades. During the 2006-2017 period, the number of members within the urban microfinance program has increased by 110.69%. Besides the amount of loan amount disbursed in the urban microfinance program has increased by 110.54 % during the last four years (2014-2017). Also, the rate of increases of the total net savings of the urban microfinance members (373.33%) was higher than the rate of increases of the total net savings of the rural microfinance members (152.36%) during the 2009-2017 period. The loan Interest rate varies in between 15% and 30%. With regards to recovering the loan amount, 95% of the microfinance institutions (MFIs) apply the flat interest rate while the remaining 5% of the MFIs use the declining method.

Keywords: urban microfinance, problems and prospects, bangladesh.

GJHSS-E Classification: FOR Code: 140299



Strictly as per the compliance and regulations of:



© 2018. Basharat Hossain & Dr. Syed Naimul Wadood. This is a research/review paper, distributed under the terms of the Creative Commons Attribution-Noncommercial 3.0 Unported License http://creativecommons.org/licenses/by-nc/3.0/), permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

The Proliferation of the Urban Microfinance and its Problems and Prospects in Bangladesh

Basharat Hossain [α] & Dr. Syed Naimul Wadood [σ]

Abstract- The goal of this article is to inspect the current status, problems and, prospects of urban microfinance in Bangladesh. This article employs the descriptive research methods based on secondary data. This paper Illustrates the present scenario of urban microfinance by using tables, graphs and the trend analysis. This paper finds that the urban microfinance in Bangladesh has been growing tremendously during the last decades. During the 2006-2017 period, the number of members within the urban microfinance program has increased by 110.69%. Besides the amount of loan amount disbursed in the urban microfinance program has increased by 110.54 % during the last four years (2014-2017). Also, the rate of increases of the total net savings of the urban microfinance members (373.33%) was higher than the rate of increases of the total net savings of the rural microfinance members (152.36%) during the 2009-2017 period. The loan Interest rate varies in between 15% and 30%. With regards to recovering the loan amount, 95% of the microfinance institutions (MFIs) apply the flat interest rate while the remaining 5% of the MFIs use the declining method. The loan recovery rate varied from 94.27 to 98.61 per cent during the 2006-2016 period. Finally, this paper inspires the urban microfinance institutions (urban MFIs) and recommends to concentrate more on the urban poor people to make them economically as well as socially empowered.

Keywords: urban microfinance, problems and prospects, bangladesh.

JEL Code: D14, D04, G21

I. Background of the Study

Bangladesh has a long urban history, although its level of urbanization remains low, in recent decades, it has been experiencing a rapid rate of urbanization. The percentage of population in the urban areas of Bangladesh has raised from 7.9 per cent in 1971 to 35.30 per cent in 2018, of total population (UNDP, 2016, Khan and Phibbs, 2005 and World meters, 2018). Moreover, during the 1971-2018 period, the urban population in Bangladesh has risen by the 1035.59% (World meters, 2018) and it is expected to rise to 83.2 million and 112.4 million in 2030 and 2050 respectively (UNDP, 2016). Table 1 reveals the scenario of the urbanization for the 1971-2050 periods.

Table 1: The Total Urban Population of Bangladesh, 1971–2050

Year	total urban population (as % of total population)	total urban population (in million)
1971	7.90	5.34
1981	15.80	13.39
1991	20.26	22.26
2001	24.10	32.46
2011	31.23	47.73
2013	32.75	51.28
2016	34.90	56.85
2017	35.70	58.74
2018	35.30	60.64
2030*	45.00	83.20
2050*	56.00	112.4

*Source: UNDP (2016), Khan and Phibbs (2005) and Worldometers (2018), *Projected Value*

Consequently, this pressure of urban population has put a severe burden on the housing accommodations, environment and utility services of the cities of Bangladesh. As a result, these new entrants into the city, especially who have a low income are compelled to live in the urban slums (Hossain 2008a). In addition to the tremendous growth of urban population, the cities are experiencing the problems of poverty, social vulnerability, unplanned and inadequate housing facilities, infrastructure problem, social services, contaminated environment, and low quality of physical and social surroundings, political clashes and inefficient urban management (Siddiqui et al., 2000, World Bank, 2007, Hossain, 2010).

Given this background, the *urban microfinance program* was initiated by the microfinance institutions (MFIs) to mitigate the problem of the urban poor living in the urban slums. This paper is an initiative to give an

Author α: Assistant Professor of Economics, Department of Business Administration, International Islamic University Chittagong, Chittagong, Bangladesh. e-mail: basharatdu@gmail.com

Author σ: Associate Professor, Department of Economics, University of Dhaka, Dhaka, Bangladesh. e-mail: snwadood@econdu.ac.bd

© 2018 Global Journals

overview of the coverage, functions, problems and, prospects of the *urban microfinance program* in Bangladesh.

II. The Objective of the Study

The main aim of this article is to examine the latest status of the *urban microfinance program* in Bangladesh and to identify the problems and prospects of urban microfinance in Bangladesh.

III. Overview of the Literature

Huque (2017) examined the effects of urban microcredit on women's empowerment and found that it fulfills the basic needs of the borrowers but, fails to empower the women in developing the entrepreneurship skills. Nargis and Rahman (2016) examined the effect of microcredit on the consumption patterns of the borrowers within the Dhaka city. Their observation is that it did not significantly improve the consumption patterns of its borrowers. They proposed to increase the size of the loan amount. Bashar and Rashid (2015) explored the potential of the urban microfinance program. They emphasized the issues of enhancing education, development of infrastructure and the informal labour market. Das and Pulla (2014) in their research findings revealed that microcredit could not reduce the poverty of its borrowers, because there were limitations in the current approach of the system. Micro-credit did not reveal the potential of the poor borrower and could not empower the poor.

In summary, some above-mentioned studies highlighted the issues of urban microfinance and urban poverty, one other study scrutinizes the nexus between urban microcredit and women empowerment and yet one more study examined the potentials of urban microfinance. In contrast, our paper has presented a complete overview on the proliferation of urban microfinance that incorporates the data on the members, amount of disbursement, savings, loan and savings interest rates, recovery and funding issues. No previous research studies have covered these issues in a single research paper.

IV. Study Methodology

This paper is quantitative research that has been done by collecting and examining secondary data. The background data were compiled from reliable secondary sources including different survey reports, research articles, brochures and, newspaper articles.

V. Status of the Urban Microfinance in Bangladesh

a) *Origins and Evolution of Urban Microfinance in Bangladesh*

Bangladesh has eight administrative divisions. These are Dhaka, Chittagong (recently renamed as Chattogram), Khulna, Sylhet, Barishal, Rajshahi, Rangpur and Mymenshing (Map 1 presents the map of these eight divisions and maps of divisional cities are in the Appendix). In the divisional cities of Bangladesh, the services of urban microfinance were started between the late 1980s and the early 1990s and increased rapidly since 2005 (InM, 2010). Manabik Shahajya Sangstha (MSS), one of the oldest MFIs, initiated the urban microfinance operation in 1984 through an integrated saving and credit program for the urban poor in the Dhaka city (MSS, 2018).



Source: Wikipedia, 2018

Map 1: The Eight Divisions of Bangladesh

Moreover, out of 705 registered MFIs, about 39% MFIs are operating in the Dhaka division followed by the Rajshahi (17%), Khulna (15%), Chittagong (13%), Rangpur (6%), Barishal (5%), Mymensingh (3%) and Sylhet (2%) division respectively (MRA, 2018). Figure 1 reveals the Break-up total MFIs among 8 Divisions of Bangladesh.

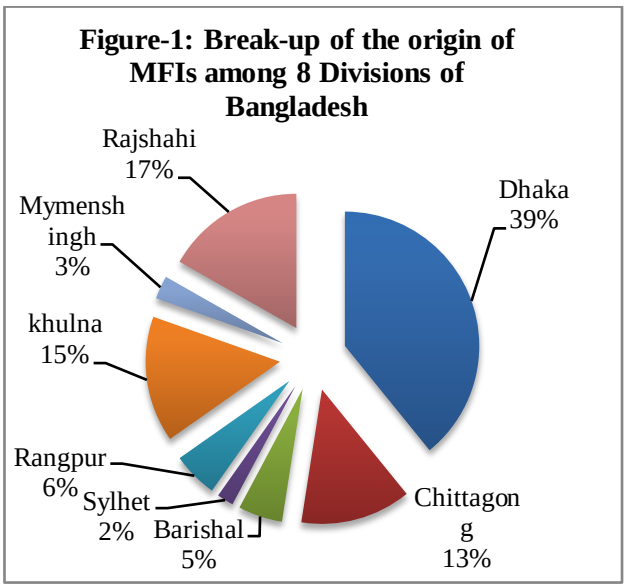


Figure-1: Break-up of the origin of MFIs among 8 Divisions of Bangladesh

© 2018 Global Journals

a) Status of Urbanization and Urban Microfinance in Divisional Cities of Bangladesh

The Dhaka, the 3rd largest division of Bangladesh by the area that has 13 administrative districts and 49.72 million population. However, Dhaka, the capital city (excluding the district area) is the most populous and largest city of Bangladesh with 18.237 million population that has been facing the tremendous growth of urbanization and its population is forecast to reach at 27.37 million by 2030 (WPR,2018a), United Nations World Urbanization Prospects (the 2014 revision). Table-2 represents the demographic scenario of Dhaka city for 1975-2030 period.

Table 2: Population of the Dhaka City during 1975–2030 Period

Years	Total population (in million) of Dhaka city	Percentage of the total urban population
1975	2.20	-
1991	6.48	29.11
2001	10.07	31.02
2011	14.54	30.46
2014	16.98	-
2016	18.23	33.16
2030	27.37	-

Source: (BBS, 2003, 2011) United Nations (2014), WPR (2018a)

However, among the 18.237 million urban population of the Dhaka city, 2.23 million people live in the low-cost slum and shanty (BBS, 2015). They are the target group of the MFIs in the Dhaka city. Currently, about 274 MFIs are working in the Dhaka division while 157 MFIs are providing their services in the Dhaka district (MRA, 2018). The Manabik Shahajya Sangstha (MSS) first started urban microfinance in the Dhaka city way back in 1984. Table 3 highlights the initiators of the urban microfinance program in the Dhaka city. After that, the SAJIDA Foundation, another renowned MFI, started its urban microfinance program in 1987 through a small family-funded school for underprivileged children in Dhaka city. In 1993, it disbursed formal micro-credit to some urban poor women in the Old Dhaka (Sajida, 2018).

Table: 3: List of Some Initiators (MFIs) of Urban Microfinance in Bangladesh

Name of MFIs	Established	Initiated Urban MF	City/Urban area
Manabik Shahajya Sangstha (MSS)	1977	1984	Urban Dhaka
Sajida Foundation	1987	1987	Dhaka
PROSHIKA	1975	1990	Urban Dhaka
Shakti Foundation	1992	1992	Dhaka, Urban slums
DSK	1988	1992	Dhaka
Social and Economic Enhancement Program- SEEP	1985	1995	Dhaka, Urban slums, Mirpur
Safe Save	-	1996	Dhaka
PKSF	1990	1999	Dhaka
Intervida (Spain based) 1994, in Bangladesh	1999	1999	Urban Dhaka
BURO Bangladesh	1990	2004	Uttara, Dhaka
BASA – Bangladesh Association for Social Advancement	1991	2007	Taltala slum of Mirpur, Dhaka
BRAC	1972	-	Urban Slum in divisional cities
ASA	1978	-	Urban Slum

Source: websites of the above MFIs. Collected and formatted by the author

In 1990, Proshika initiated their first operation in the urban areas through their Urban Poor Development Program (Khaze Alam, 1996). Since 1992, the Shakti Foundation has been offering microfinance services to women residing in the slums of the Dhaka city (MFIRB, 2009, SHAKTI, 2018). In the same year, DSK (Dushtha Shasthya Kendra) offered urban microcredit through the Grameen Bank model in an urban slum of the Dhaka city (DSK, 2018). Also, the Safe Save, a savings and credit cooperative gained international fame for its

© 2018 Global Journals

success in the individual lending model in the urban Dhaka since 1996 (MFIRB, 2009). Furthermore, the SEEP (Social and Economic Enhancement Program) started its urban microfinance program in 1995 for the slum children in Mirpur-11 of Dhaka. Besides, it offered different programs for the hard-core child laborers at Ward-5 in Mirpur who were employed in handlooms and embroidery activities (SEEP, 2018). In 1999, PKSF (Palli Karma Sahayak Foundation (PKSF) - a specialized government organization, expanded its coverage in the urban areas by starting urban microcredit (UMC) program for the urban poor (PKSF, 2018). In the same year, the Intervida, a Spain based international NGO has begun its operation in the urban slums of Bangladesh.

Additionally, since 2004, the 'BURO Bangladesh' has been providing Microfinance services in urban areas of Dhaka (Uttar Khan, Dakkhin Khan, Turag, Uttara) through their Economic and Social Empowerment of the Hard Core Poor (ESEHP) program. Moreover, during the last two years, it designed another program- 'Hard Core Poor Development Program' for the rural and the urban poor (BURO, 2018). In addition to microcredit, the BRAC provides education and health services to the urban slum population. In 2007, it initiated Manoshi, a community-based healthcare program, at urban slums of nine city corporations in Bangladesh (Manoshi-BRAC, 2018). It also arranges school services for urban poor child (EAC, 2018). Besides, ASA-another MFI- extended its services through 316 branches in urban areas and provides several types of credits, savings, micro-insurance and, loan security products in the urban areas (ASA, 2011). It should be mentioned that a large number of MFIs provide urban microfinance, but the starting year of urban Microfinance is not found on their website.

b) Status of Urbanization and Urban Microfinance in other Divisional Cities of Bangladesh

The Chittagong city is the second largest city of Bangladesh by population. In this city, the urban population grew by 51.35 % between 2011 and 2018 (BBS, 2011b; WPR 2018b). Moreover, out of 3.92 million population; currently, 0.48 million people live in the urban slums (BBS, 2011b; WPR 2018b). One relevant piece of information is that about 40 MFIs are working in Chittagong city, of which 29 MFIs were founded in Chittagong (MRA, 2018).

The Khulna city is the 3rd largest city of Bangladesh regarding population, with a population of 1.34 million. During the last seven years, the urban population grew by 101.93% (BBS, 2011c). About 30 MFIs are working in this city, and 19 of them are Khulna based. These MFIs are working in this city among the 0.079 million urban slum population and other people (MRA, 2018; BBS, 2015).

Table 4: Population of 8 Divisional Cities of Bangladesh

City	2011	2018
Dhaka	about 9 million	18.237 million
Chittagong	2,592,439	3,920,222
Khulna	664,728	1,342,339
Rajshahi	449,756	700,133
Barishal	328,278	400000
Rangpur	796,556	-
Sylhet	485,138	-
Mymensingh	225,126	-

Source: compiled by the author from BBS (2011), WPR (2018)

Also, Rajshahi, the 4th largest city of Bangladesh with respect to the size of the population that has 0.7 million people (WPR, 2018a). The urban population has grown by 55.66% between 2011and 2018 (BBS, 2011, WPR, 2018). About 30 MFIs are offering their services in the Rajshahi city, of which 19 MFIs were founded in the Rajshahi. The target group is the urban slum population of 0.038 million (MRA, 2018, BBS,2015).

Rangpur city is the 5th largest city in Bangladesh regarding population, with a population of 0.34 million (WPR, 2018). Given this background, about 20 MFIs, including 12 local MFIs, have been doing microcredit operations in the Rangpur city among the 0.021 million urban slum population (MRA, 2018, BBS, 2015).

Barishal is the 6th largest city of Bangladesh by the population that has a population of 0.32 million (BBS, 2011). More than 20 MFIs are providing their services in this city; of which 16 MFIs are local (MRA, 2018), they provide services mainly for 0.038 million urban slum population (BBS, 2015).

Sylhet city has a population of 0.23 million, and it is the 7th largest city of Bangladesh by population (WPR, 2018). Currently, about ten MFIs including three local MFIs are working in the Sylhet city among the 0.050 million urban slum population (MRA, 2018, BBS, 2015).

Finally, Mymensingh is the 8th largest city of Bangladesh by population and it has 0.22 million population (WPR, 2018). Currently, about 15 MFIs including ten local MFIs are working in the Mymensingh city (MRA, 2018).

c) Status of Urban Microfinance in Bangladesh

The urban micro-finance programs have been flourishing day by day in Bangladesh. According to the statistics of Microcredit Regulatory Authority (MRA), among the 705 registered MFIs, 220 MFIs are working in cities, and 84 MFIs are working only in the urban areas (Bashar and Rashid, 2012, MRA, 2018). To note that BRAC is the largest MFI in Bangladesh but its operation is highly concentrated in the rural area. Recently it has widened services in urban areas. BRAC and TMSS both have 244,766 and 120,081 active borrowers in the urban areas respectively (Bashar and Rashid, 2012).

© 2018 Global Journals

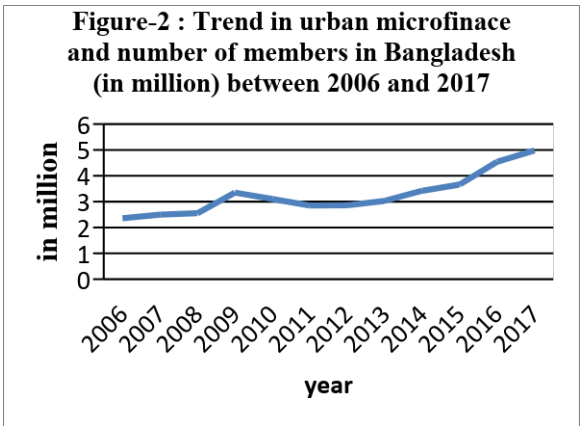


Figure-2: Trend in urban microfinace and number of members in Bangladesh (in million) between 2006 and 2017

However, in Bangladesh, commercial banks and two specialized banks (BKB, Bangladesh Krishi Bank and RAKUB, Rajshahi Krishi Unnauan Bank) also offer microfinance services. Before the appearance of the modern microfinance sector, these banks would provide microcredit in agriculture and trade sector. Besides Bangladesh Small Industries and Commerce Bank Limited, BASIC Bank provides microcredit to the urban poor through linkages with NGOs (BASIC, 2018). Among the commercial banks, they provide Microcredit to individual borrowers mostly in urban centers. The Sonali bank, the state-owned largest commercial bank provide microcredit for the urban poor of Dhaka, Chittagong and Sylhet through the 'Credit for Urban Women Micro-enterprise Development (CUMED) Project' (Sonali bank, 2018). Also, among the private commercial banks, the Islami Bank Bangladesh Ltd (IBBL) has replicated the 'Grameen group-based lending model' and currently has been offering 'Urban Poor Development Scheme (UPDS)' since 2012 (InM, 2013, IBBL, 2018).

d) Number of Members and Borrowers in the Urban Microfinance Program

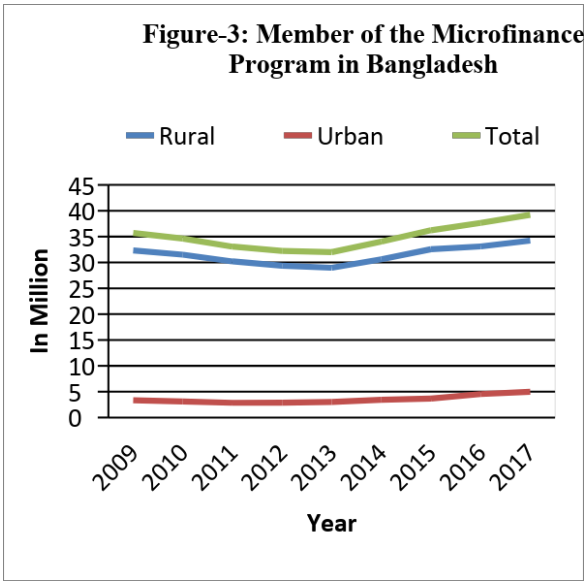


Figure- 3: Comparative scenario between the Trend in Overall, Rural and Urban Microfinance members in Bangladesh during the 2009-2017 period (in million)

Furthermore, the urban microfinance growth shows an upward trend during the last 12 years from 2006 to 2017. The urban micro-finance programs have 4.9 million active members that comprise 4.29 million women and 0.68 million men respectively. The recent statistics (CDF, 2017) reveal that, during 2006-2017 periods, the members in the urban Micro-finance program increased by 110.69%. Moreover, the growth rate of a total number of members in the urban microfinance (48.30%) is higher than the growth rate of rural microfinance (5.83%) during the 2009-2017 period. Again, between 2009 and 2015, the average number of members per MFI in the urban areas (60.58%) grew more than that of rural areas (48.23%) (CDF, 2016a, CDF, 2016b). Figure-3 depicts the membership scenario of the microfinance program of Bangladesh.

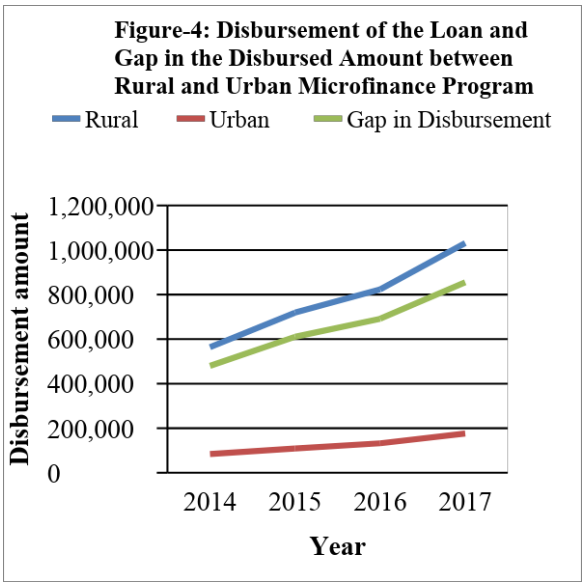
e) Disbursement of the Loan and Loan size

The amount of the disbursed loan in the Rural Microfinance sector was BDT1031385 million that was 485.50 % higher than the total loan of the urban microfinance program. Though the loan in the urban microfinance program increased by 110.54 % during the last four years (2014-2017) compared to the rural microfinance loan (83.01%), but the gap in the loan amount between the rural and the urban microfinance program is also widening by 78.21% in the same period. The Figure-4 illustrates this scenario.

Furthermore, urban MFIs offered a wider loan range for urban members compared the case with the rural members. For example, in ASA, loan range for urban members (BDT 6,000 to BDT 20,000) was higher

© 2018 Global Journals

than that of the rural members (BDT 4,000 to BDT 6,000) (ASA, 2003).



f) Savings

Moreover, during the last nine years, the rate of increases of the total net savings of the urban microfinance members (373.33%) was higher than the rate of increases of the savings of the rural microfinance members (152.36%). Similarly, the growth rate of the net saving per MFI in the urban microfinance (372.72%) was higher compared to the rural areas (192.72%). The probable cause of higher growth in the total savings amounts of urban microfinance is the rapid increase in the coverage of MFIs in urban areas. But the average yearly savings of the rural microfinance program stood at BDT 199,969.88, that is higher than the savings of urban microfinance program (BDT18,957) during 2009-2017 period. A large number of members of the rural microfinance accumulate an amount of savings whereas the members of urban microfinance are smaller in number compared to the rural microfinance.

g) Sectoral Coverage

However, diversification of using urban microfinance has been expanded day by day. Most common businesses or areas of using urban micro-finance are cosmetics business, handy craft, pottery, fish selling, furniture shop, hotel/restaurant, iron shop, rice selling, electric shop, selling chatpati, tea stall, vegetable business, wood-fuel business, cloth/saree business, fruit selling, petty shop keeping, tailoring, scrap material business, rickshaw and garage business etc. (InM field survey 2009).

h) Loan Price: the Interest Rate

However, the reducing balance and the flat model is applied to determine the loan interest rate of MFIs. The flat method is costly for the borrowers compared to the reducing balance technique. Consequently, the declining balance method is beneficial for the borrowers whereas it generates lower profit for MFIs than that of the flat methods (Water field and Duval (1996), Rosenberg (2002)).

According to Bangladesh Microfinance Statistics (2007 and 2018), 95% of the MFIs follow the flat mode while only 5% of the MFIs implement the reducing balance technique including Grameen Bank and RDS (IBBL). Moreover, PKSF- one of the top domestic financiers of MFIs in Bangladesh, charges the 12.5 per cent flat rate on its follower MFIs and declining balance method as 25 per cent. The Microfinance Regulatory Authority set a ceiling of 27% declining interest rate for MFIs (Badruddoza, 2011; CDF, 2016a). Besides, several microfinance institutions impose different fees, for instance, processing charges, operation cost, etc. on its borrowers (Bashar and Rashid, 2012). However, the Microcredit Regulatory Authority (MRA) has also fixed the minimum savings interest rate at 6% per annum. Moreover, it varies from 6 to 10% per annum among MFIs in Bangladesh (CDF, 2016a).

i) Loan Recovery

In the case of loan recovery, the average recovery rate was 99.5 per cent in urban areas. It varied from 94.27 to 98.61 per cent during 2006-2016 periods (CDF, 2017).

VI. The Problem and Prospects of Urban Microfinance in Bangladesh

a) The Problem of Urban Microfinance in Bangladesh

Rapid urbanization in Bangladesh increases the poor people in urban areas and shifts the poverty from the rural areas to the urban areas. But urban MFIs do not have required funds, infrastructure, workers and technology to provide services for the migrant poor. Out of 705 MFIs in Bangladesh, only 50 MFIs work only in the urban areas, and 220 MFIs provide some services for the urban poor (Bashir and Rashid, 2012; MRA, 2018).

Moreover, climate change is another cause of suffering, displacement, and migration of rural people that increase the urban population. There is a possibility of the dislodgment of about 20 million people from the villages and expected to migrate to the town areas. It also threatens the urban Microfinance program (Hermes, 2011).

Furthermore, urban members of MFIs face higher interest rates due to a gap between demand and supply. On the other hand, the extremely poor people cannot enter into the coverage of MFIs because of their level of poverty. The most important point is that several MFIs are functioning in the same urban slums while many areas are untouched by the MFIs (Bashar and

© 2018 Global Journals

Rashid, 2012). In recent years, the urban MFIs face some difficulties in portfolio quality, human resources management, application of information and comm.-unication technology and support for business expansion (InM (2009)). Another finding is that, about 33.4% MFI members in the urban Dhaka not yet taken any loans from MFIs (CUS, 2006).

Furthermore, A BRAC's research finds that cash and food provided by MFIs are consumed by the recipient because of extreme poverty. So, training and capacity building program is essential to building up their livelihoods by strengthening materials and social assets. BRAC urges the MFIs to provide both cash payments and an asset, such as a cow, along with functional education, health-support services, social protection schemes, and rights awareness building" (Lewis, 2011, Sharma, 2018).

Another problem is that most of the urban members reside in the slum and most of them have no adequate literacy and numerical competence. Besides, they have no stable home due to frequent slum ejections; that further jeopardizes the recovery of loans (MFIRB, 2009).

Hulme and Aron (2009) mentioned in their research that, "the poor can save, do save, and want to save money." But insufficient financial services in the urban slums make it difficult for the poor to save money in a safe place.

Besides, Bangladesh has not taken full advantage of the potential of urban microfinance. Microfinance institutions have the potential to build social capital and to implement both national and local level programs. It may further make an innovative change in the urban poverty policy. It needs investment in infrastructure and housing, informal sector labor and nursing education (Bashar and Rashid, 2015).

Also, demand and supply gap is higher in urban areas that further increase the interest rate of the loan. The demand is at least three times greater than the supply of credit. The study of Rashid (2012) shows that around 72.9% borrowers want more credit than they received.

The threat is that many members and borrowers spend the loaned money in unproductive or non-income-generating purposes, for instance, food and non-food consumption, entertainment, buying cloth, home materials, TV, mobile phone set, furniture, jewelry, and in medical treatment and house repairing purposes, etc.

b) Prospects of Urban Microfinance in Bangladesh

Urban micro-finance institutions has many advantages compared to rural areas such as lower transaction costs of services, large number of women's participation rate, high recovery rate, higher level of net saving growth compared to borrowing rate, urban economic environment, and urban informal sectors and diversified economic opportunities for urban people (Bashar and Rashid (2015).

Due to the activities of MFIs in urban areas, average numbers of borrowers per institution (ABI) and average loan size (ALS) in Bangladesh have increased day by day. Moreover, Bangladesh has 18 MFIs (including both rural and urban) in the list of most influential and active MFIs in South Asia that ranks South Asia as the 4th biggest Microfinance region in the world (Harmincova and Janda, 2014).

We note that the MFIs build social capital, that is an asset capable of producing further products and services. Social capital makes the poor, capable to get urban services. Besides, it increases the income, asset, entrepreneurship development, employment creation, social well-being and low rates of vulnerability (Prema, 2010, Bashar and Rashid, 2015).

It is the matter of great hope that recently many programs were developed by the national and international MFIs to make the microfinance program more effective. The Sajida foundation adopted such a program named, OPTIX, Optimizing Performance through Improved Cross (X)-Sell, to provide support for the MFIs and cooperatives in four countries–Bangladesh, Mexico, Colombia, and Vietnam. Met-life foundation, USA funded this program (Sajida, 2018).

The sector activities of the rural Microfinance program are confined to agriculture, poultry, and livestock, handy craft, etc., but the potentials of an urban microfinance program regarding employment creation, expansions of unregistered business are higher than the rural Microfinance program. Besides, women's participation in urban Microfinance is also higher because of having better access to financial and non-financial resources and the labor market, better influence in the family and more freedom of movement, etc. (PKSF, 2015).

Finally, the average loan size is increasing day by day for expanding businesses or to start a new micro-enterprise in the urban microfinance program. It is the sign of improvement of economic conditions of the borrowers by using the urban microfinance (InM field survey 2009).

VII. Conclusion and Policy Recommendations

Finally, we note that, though the size of the urban microfinance program is small compared to the rural microfinance program, actually it has potential. This is the case because the growth of the urban microfinance program is higher than the rural microfinance program for a large number of indicators such as the number of members, loan amount disbursed, members' savings, increasing coverage and recovering the loan. This paper recommends the

© 2018 Global Journals

following steps to strengthen the urban microfinance program.

1. The Microfinance Regulatory Authority (MRA) does not provide separate data on the urban microfinance program. They should update data on it to measure the performance of urban microfinance program.
2. The MFIs do not provide loan for the extremely poor people, who have no tenure security, as the floating population. The Government should rehabilitate them with collaborations and joint projects with the MFIs and the donor agencies.
3. The higher interest rate on loans still causes a problem in the microfinance program (this varies between 15 and 30%). In contrast, the savings interest rate of the borrowers differs from 5% to 8%. The MFIs should reduce the gap between the loan and the savings interest rates.
4. The inherent goal of the microfinance program is to empower the marginal people and reduce poverty, through informal financing, but not the only profit earning. Therefore, in addition to microcredit, the MFIs should also increase the nonfinancial services.
5. The MFIs should apply the declining method instead of the flat method in collecting the loan. In Bangladesh, more than 90% of the MFIs apply flat method. From loan receivers, this flat method does not protect their interests.
6. Funding of the MFIs is still a problem that affects the loan interest rate. The MRA may create a fund with the help of the donor agencies and supports from other offices of the Government.

References Références Referencias

1. ASA (Various Years), *Annual Report, Various Years*, Dhaka: ASA, Retrieved 19 October 2018, from http://asa.org.bd/report-archives/
2. Banglapedia (2018), Chittagong City Corporation, Retrieved 19 October 2018, from http://en.banglapedia.org/index.php?title=Chittagong_City_Corporation
3. Bashar, Toriqul and Rashid, Salim (2015), The Potential of Urban Microfinance: Illustrations from Bangladesh, *British Journal of Education, Society &Behavioural Science*, 5(2), 131-141.
4. Bassar, A. T. M. Zinnatul and Habib, Md. Ahoshan (2017), Environmental Crisis of Rangpur City Corporation: A Case Study in Radhakrishnapur and South Binnatari Village. *International Journal of Environmental Protection and Policy.* Vol. 5, No. 1, 2017, pp. 12-18. DOI: 10.11648/j.ijepp.20170501.12
5. BCC (2018), BCC maps, Retrieved 19 October 2018, Barisal City Corporation, from:http:// barisalcity.gov.bd/pages/view/bcc_maps
6. Badruddoza, S (2011), "*Microfinance in Bangladesh: Red and Green Lights"*, paper presented at the Department of International Relations, University of Dhaka.
7. BASIC Bank (2018), Functions, Retrieved from 19 October 2018, from http://www.basicbanklimited.com/about_us.php?about_us=1
8. Bashar, Toriqul, and Rashid, Salim (2012), "Urban Microfinance and Urban Poverty in Bangladesh" *Journal of the Asia Pacific Economy* 17 (1), 151-170
9. Bashar, Toriqul and Rashid, Salim (2015), "The Potential of Urban Microfinance: Illustrations from Bangladesh", *British Journal of Education, Society & Behavioural Science*, 5(2), 131-141.
10. BBS (2001-2011), *Population Census 2011*, Preliminary Report (Population and Housing Census 2011) (p.3-10).Dhaka: Ministry of planning, Bangladesh, Retrieved 19 October 2018, from http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/7b7b171a_731a_4854_8e0a_f8f7dede4a4a/PHC2011PreliminaryReport.pdf
11. BBS (2011b); POPULATION & HOUSING CENSUS 2011; ZILA REPORT :Chittagong; Retrieved 19 October 2018, from:http://203. 112.218.65:8008/WebTestApplication/userfiles/Image/PopCen2011/Com_Chittagong.pdf
12. BBS (2011c); POPULATION & HOUSING CENSUS 2011; ZILA REPORT : KHULNA; Retrieved 19 October 2018, from:http://203.112. 218.65:8008/WebTestApplication/userfiles/Image/PopCenZilz2011/Zila-Khulna.pdf
13. BBS (2015), *Preliminary Report on the Census of Slum Areas and Floating Population 2014(p.6-13)*, Dhaka: Ministry of Planning, Government of the People's Republic of Bangladesh, Retrieved 18 January 2017, from http://203.112.218.65/ Web TestApplication/userfiles/Image/Slum/Preli_Slum_Census.pdf
14. BURO (2018), BURO Bangladesh, *Donor funded Project operation*, Retrieved 19 October 2018, from: http://www.burobd.org/?p=231 and http://www.burobd.org
15. CDF (2016a), *CDF Statistics 2015 & 2016 (2-6)*, Development of Microfinance Sector, Retrieved 19 October 2018, from: http://www.cdfbd.org/new/Chapter%201.doc
16. CDF (2016b), *CDF Statistics 2015 & 2016 (14-19)*, trends and growth of Microfinance programs of MFIs, Retrieved 19 October 2018, from http://www.cdfbd.org/new/Chapter%202.doc
17. CDF & In M (2010), *Bangladesh Microfinance Statistics 2010,* (18-35), Dhaka: Credit and Development Forum (CDF) & Institute of Microfinance (InM)
18. CDF (2006- 2015), *Bangladesh Microfinance Country Profile*, (3-4, 10-13), Dhaka: Credit and Development Forum (CDF), Bangladesh, Retrieved

© 2018 Global Journals

October 2018, from: http://www. Microfinancegateway.org/sites/default/files/mfg-en-paper-bangladesh-Microfinance-country-profile-2006.pdf
19. CDF (2017), *Bangladesh Microfinance Statistics 2016-17,* (18-35), Dhaka: Credit and Development Forum (CDF)CUS (2005), *Slum of Urban Bangladesh: Mapping and Census 2005 (11, 20-22),* (for USAID), Dhaka: Centre for Urban Studies (CUS), Retrieved 19 October 2018from: https://www.measureevaluation.org/resources/publications/tr-06-35/at_download/document
20. Das, Tulshi Kumar and Pulla, Venkat (2014), Is Micro Credit in Urban Poverty Making a Difference? A Review from Bangladesh; *International Journal of Social Work and Human Services Practice;* Horizon Research Publishing Vol.2. No.2; pp. 73-81
21. DSK (2018), *DSK Micro Finance, Executive Summary,* DSK (Dushtha Shasthya Kendra), Retrieved 19 October 2018, from http://www. dskbangladesh.org/?s=DSK+Micro+Finance&submit=Search
22. DSK Website (2018), *Working Area*, *Dushtha Shasthya Kendra*, DSK, Retrieved 19 October 2018, from http://www. dskbang-ladesh.org/?s=Working Area & submit=Search
23. EAC, (2015), *Educate A Child: BRAC Urban Slums Schools*, Retrieved 19 October 2018, from http://educateachild.org/our-partners-projects/projects/brac-urban-slums-schools
24. GB (2018), *Introduction,* Grameen Bank, Retrieved 19 October 2018, from http://www.grameen. com/introduction/
25. GF (2018), Grameen Foundation, *Where we work*, Retrieved 19 October 2018, from http://www.grameenfoundation.org/where-we-work/
26. Huque, Marjan (2017), Effectiveness of Micro-Credit on Urban Poor Women in Dhaka City: An Empirical Study; *International Journal of Research in Humanities and Social Studies,* Volume 4, Issue 10, 2017, PP 1-8.
27. Harmincova, Zuzana and Janda, Karel (2014), *Microfinance around the world: regional SWOT analysis by* Munich Personal RePEc Archive*, (*Munich Personal RePEc Archive (MPRA) Paper No. 58171), Retrieved 19 October 2018, from http://mpra.ub.uni-muenchen.de/58171/
28. Hermes, Niels (2011). "Microfinance: Its Impact, Outreach, and Sustainability." *World Development Journal, 39*(6), 875-881
29. Hossain, Mahbub. (2002*). Credit for Alleviation of Rural Poverty: The Experience of Grameen Bank in Bangladesh*", in A. Rahman, R. I. Rahman, M. Hossain and S. M. Hossain (eds.) *Early Impact of Grameen: A Multi-Dimensional Analysis: Outcome of a BIDS Research Study*. Grameen Trust, Dhaka.
30. Hossain, Mohammad Kamal (2012), Measuring the Impact of BRAC Microfinance Operations: A Case Study of a Village, *International business Research*, 5(4):112-123; DOI: http://dx.doi.org/ 10.5539/ ibr.v5n4p112.
31. Hulme, David and Arun, Thankom (2009), *Microfinance: A Reader*, Chapter 2: Finance for the Poor: The way forward? p. (7-16), New York: Routledge
32. Index Mundi, (2015), *Bangladesh - Urban population*, Retrieved 19 October 2018, from http://www.indexmundi.com/facts/bangladesh/urban-population
33. In M (2008-2013), *Bangladesh Microfinance Statistics: 2008-2012*, (p.6-25) Dhaka: Institute of Microfinance, Retrieved 19 October 2018, from http://www.uplbooks.com/book/bangladesh-Micro-finance- statistics
34. InM, (2010), *access to financial services (ATFS) in Bangladesh,* Dhaka: Institute of Microfinance, Retrieved 19 October 2018, from http:// inm.org.bd/wp-content/uploads/2016/01/ATFS-Brochure.pdf
35. InM (2012), *Urban Microfinance State, Impact, and Potential for Income Generation and Employment*, Dhaka: Institute of Microfinance.
36. KCC (2018), Map of Khulna city, Retrieved 19 October 2018, from http://www.khulnacity. org/Content/index.php?page=About_KCC&ZWg&pid=30
37. Khan, A. and Phibbs, P. (2005), *Housing and Education: An Example of a Non-shelter Outcome*. In: The Refereed 46th Annual Conference of American Collegiate Schools of Planning (ACSP), pp. 27–30, Kansas City, MO.
38. Lewis, David (2011). *Bangladesh: Politics, Economy and Civil Society*, (p.120), New York: Cambridge University Press Media Bangladesh (2018), Map of Dhaka city, Retrieved 19 October 2018, from: http://www.mediabangladesh.net/dhaka-city-map-south-and-north-city-corporation/
39. MRA (2018), List of Licensed MFIs as of Sep 18, 2018, Retrieved 19 October 2018, from http://mra.gov.bd/images/Licensed_NGO_MFIs/lic25092018en.pdf
40. Manoshi-BRAC (2018), *Manoshi*, Retrieved 19 October 2018, from http://health.brac.net/manoshi
41. MFIRB (2009), *Microfinance Industry Report, Bangladesh-2009* (p.11-12), Dhaka: The Banking with the Poor Network in collaboration with the SEEP Network. Retrieved 19 October 2018, from http://www.bwtp.org/files/MF_Industry_Report_Bangladesh_ELECTRONIC.pdf
42. MSS (2018), Manabik Shahajya Sangstha, *Background of the Organization*, Retrieved 19 October 2018; from http://mssbd.org/?page_id=96
43. Nargis; Nusrat and Rahman; Shah-Noor (2016), Assessing the Impact on Consumption Pattern due to of Micro Credit: A Case Study on Dhaka City;

© 2018 Global Journals

Daffodil International University Journal of Business and Economics, Vol. 10, No. 2, PP. 160-170
44. PKSF (2018), *Urban Microcredit*, Palli Karma Sahayak Foundation (PKSF), Retrieved 19 October 2018, from http://www.pksf-bd.org/?page_id=108
45. Prema, B (2010), Measuring Effectiveness of Social Capital in Microfinance: A Case Study of the Urban Microfinance Program in India. *International Journal of Social Inquiry*, 3(2), 25-43.
46. RCC (2018), *Bivagio Shohor Rajshahi*, Retrieved 19 October 2018, from: https://erajshahi.portal.gov.bd/site/page/d111d49a-1f23-46fd-a540-6cb11e2e482e/বিভাগীয়-শহর-রাজশাহী (Map in Bangla font)
47. Rashid, Harun (2012), *Microfinance and the Poor, An Overview of the Sector in Bangladesh*, Care INCOME, Frank Matsaert-DFID Bangladesh.
48. Rosenberg, Richard (2002), *Microcredit Interest Rates* by CGAP, (CGAP Occasional Paper, No.1). Retrieved 19 October 2018, from: https://www.cgap.org/sites/default/files/CGAP-Occasional-Paper-Microcredit-Interest-Rates-Nov-2002.pdf
49. Sajida (2018a), *OPTIX-Optimizing Performance through Improved Cross (X),* Sajida Foundation, Retrieved 19 October 2018, from http://www.sajidafoundation.org/index.php?option=com_content&view=article&id=269&Itemid=43
50. Sajida, (2018b), *Where we started*, retrieved 19 October 2018, from http://www. sajidafoundation.org/index.php?option=com_content&view=article&id=279&Itemid=3
51. Sajida (2016), *Sajida Annual report (12-30.)*, retrieved 19 October 2018, from http://www.sajidafoundation.org/wp-content/uploads/annual-report-2016.pdf
52. SCC (2018), আমাদের-নগরী , Retrieved 19 October 2018, from:https://scc.gov.bd/আমাদের-নগরী/
53. SEEP, (2018), Social and Economic Enhancement Programme, *Welcome*, SEEP, Retrieved 19 October 2018, from http://www.seep.org.bd
54. Sharma, Prof; Feor, Brittany (2018); Eradicating Poverty in Bangladesh: Surveying Microfinance Initiatives in Bangladesh, DVM, Retrieved 19 October 2018, from https://socialsciences. uottawa.ca/sites/socialsciences.uottawa.ca/files/b.feor_-_poverty_and_Microfinance_in_bangladesh_20129.pdf
55. Sonali bank, (2018), *Micro Credit Division*, Retrieved 19 October 2018, from http://www.sonalibank. com.bd/micro_credit.php
56. United Nations (2014), *Urbanization Prospects: The 2014 Revision, Highlights (ST/ESA/SER.A/352), (*26), Department of Economic and Social Affairs, Population Division. new York: United Nations, Retrieved 19 October 2018, from https:// esa.un.org/unpd/wup/publications/files/wup2014-highlights.Pdf
57. UNDP, (2016), *Asia –Pacific Human Development Report, shaping the future: how changing demographics can power human development*, TABLE 15: Trends and share of the Urban population, 1950-2050, p.239, Dhaka: the United Nations Development Program (UNDP)
58. Water field, Charles and Duval, Ann (1996); "*CARE Savings and Credit Sourcebook*", Chapter 7: Pricing for Microfinance, The Russia Microfinance Project, Document No.55, a U.S. Department of State/NISCUP Funded Partnership among the University of Washington-Evans school of Public Affairs, The Siberian Academy of Public Administration, and the Irkutsk State University. Retrieved 19 October 2018from: http://depts.washington.edu/mfinance/eng/curriculum/docs/55_pricing.pdf
59. Wikipedia (2018) , Division of Bangladesh, retrieved 19 October 2018, from: https://en.wikipedia.org/wiki/Divisions_of_Bangladesh
60. World Bank (2012), World Bank population estimates, retrieved 19 October 2018, from http://www.tradingeconomics.com/bangladesh/urban-population-wb-data.html
61. Worldometers (2018), Population of Bangladesh (2018 and historical), Retrieved October 5, 2018, from http://www.worldometers.info/world-population/bangladesh-population/
62. WPR (2018a), *World Population Review- Dhaka Population 2016*, retrieved 5 October 2018, from http://worldpopulationreview.com/world-cities/dhaka-population/
63. WPR (2018b), *Population of Cities in Bangladesh* (2018); retrieved 5 October 2018, from http://worldpopulationreview.com/countries/ bangladesh-population/cities/

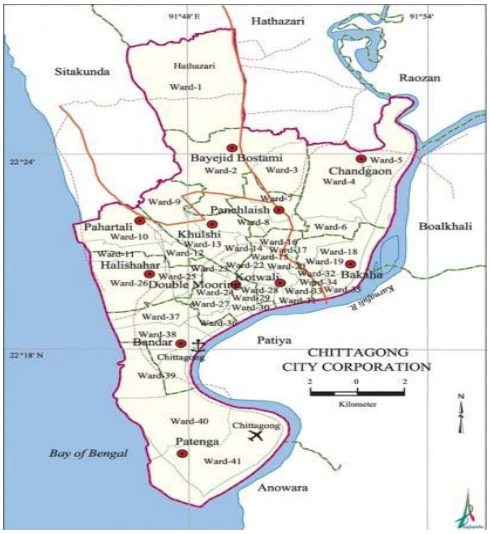
Appendix



Source: Media Bangladesh (2018)

Map-1: Dhaka City Corporation

© 2018 Global Journals



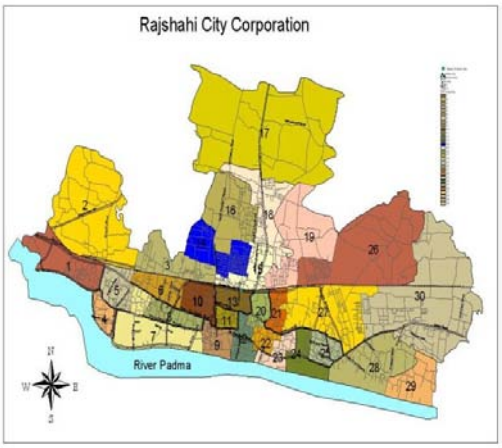
Source: Banglapedia (2018)

Map-2: Chittagong City Corporation



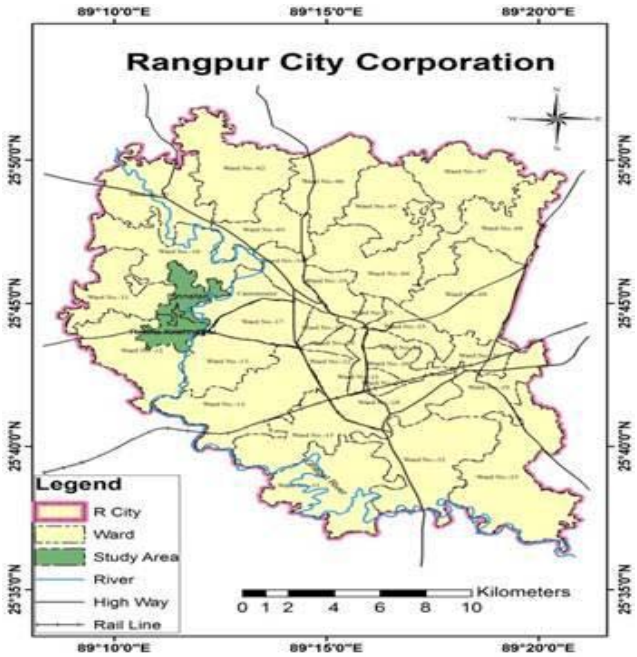
Source: KCC (2018)

Map-3: Khulna City Corporation



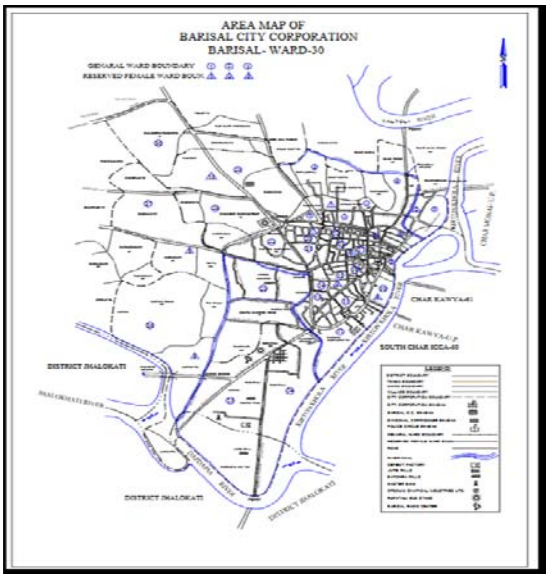
Source: RCC (2018)

Map-4: Rajshahi City Corporation



Source: Bassar and Habib (2017)

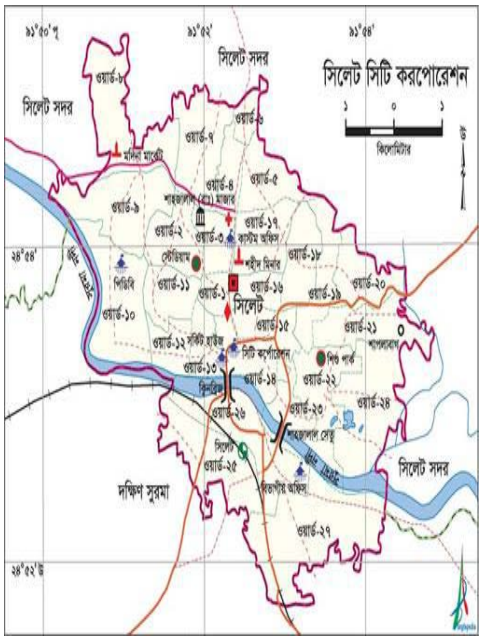
Map-5: Rangpur City Corporation



Source: BCC (2018)

Map-6: Barisal City Corporation

© 2018 Global Journals



Source: SCC (2018)

Map-7: Sylhet City Corporation

© 2018 Global Journals