

# The impact of community-based micro-finance in urban poverty reduction in Bangladesh: A study on Sylhet city corporation

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## Abstract

**Purpose:** This study aimed to assess the impact of community-based microfinance in reducing urban poverty with a particular focus on Sylhet City, Bangladesh.

**Methodology:** The Community Saving & Credit (CSC) strategy of the Urban Partnership for Poverty Reduction project was chosen as a case in this study. This study used a qualitative research approach by following focus group discussions and in-depth interviews as data collection instruments. The purposive sampling method has been observed to collect data from 20 (twenty) respondents from Sylhet City Corporation's two slum areas, where the Urban Partnerships for Poverty Reduction Project was implemented like other urban areas of Bangladesh.

**Findings:** The study findings show that implementing the Community Saving and Credit (CSC) strategy in Sylhet City has reduced poverty among those who applied for loans. It has enhanced the availability of food, made housing more affordable, diversified income sources, improved health conditions, increased access to education, and amplified the voice of women, especially those in poverty.

**Research implications:** This research will help the government to achieve the Sustainable Development Goals (SDGs). It will also inform the government about local perceptions regarding the dimensions of escaping poverty. After knowing about the locally specific dimensions of getting out of poverty and the effect of the CBM system in reducing poverty, the government and the policymakers can plan additional steps to operate community-based microcredit systems to reduce poverty.

**Keywords:** Community-based, micro-finance, urban poverty, self-help groups, Bangladesh.

## 1. Introduction

Poverty is a worldwide rather than a national issue. It is widely accepted that various social, political, and economic factors contribute to it and create a vicious cyclical process that cannot be easily overcome. It gives birth to many social issues like- lack of access to education, low quality of life, lack of health facilities, lack of sanitation, and absence of social life (Ali & Hatta, 2010). Bangladesh continues to be one of the most impoverished, densely inhabited, and developing countries, particularly distinguished by widespread poverty in both rural and urban regions. The severity of poverty may be particularly problematic in rural areas where inequality and unemployment are escalating quickly (Khatun et al., 2012). So, the government of Bangladesh has implemented several programs to combat poverty since 1996. The community-saving and credit strategy (based on community-driven microfinance) under the Urban Partnership for Poverty Reduction Project is one of such newer tools to reduce poverty at the urban level. To reduce poverty, microfinance programs have been encouraged to address the issues and needs of low-income households that governments cannot fully address. It offers various financial services to low-income families and their micro businesses outside conventional financial institutions, including deposits, loans, savings, payment services, money transfers, and insurance (Bali et al., 2008). A significant example of innovation in microfinance services for low-income and marginalized people throughout Asia, Africa, and the Americas is the credit-focused peer-monitoring strategy developed by the Grameen Bank of Bangladesh for disadvantaged women (Hulme & Moore, 2006). With rapid urbanization, urban poverty has become an urgent priority in urban and rural areas, seeing a decrease in income poverty. It has been a critical issue, especially in developing countries (Lemanski & Marx, 2015), which engenders minimal access to essential services for the urban poor (The Population Council, 2020). The rate of urban poverty in the developing world is 11.6%, relating to its population (World Bank, 2013). It is one of the gravest adversities for developing and the least developed countries, particularly in Asia (Mathur, 2013). The urban poverty rate in developing Asia is 13.7% of its populace (World Bank, 2013). In Bangladesh, the rate is 18.9% (World Bank, 2017). In contrast, in Bangladesh, urban poverty is relatively high, whereas 19% of urban residents, or about 1 in 5 people, live under the poverty line (Rahman & Hill, 2019). That is why additional attention should be placed on diminishing urban poverty because its character and severity are exactly the same as those of rural poverty, and the urban poverty are expanding rapidly than the rural poverty (Bashar & Rashid, 2012).

Microfinance has become essential to economic growth and alleviation initiatives (Bashar & Rashid, 2012). Over the past 20 years, microfinance, or the distribution of small loans to the poor to remove them from poverty, has spread quickly and widely and is now present in more than 60 countries (Bateman, 2010). Small loans offered to low-income households to promote self-employment and income generation are one of the most straightforward definitions of microfinance. In this context, financial services for low-income people are called 'microfinance.' Most microfinance organizations focus

on offering credit as small working capital loans that allude to the extensive financial assistance (i.e., loans, insurance, savings, etc.) to low-income people. In Bangladesh, microfinance programs have emerged as a revolutionary concept to help reduce poverty since the 1980s (The Bangladesh Development Studies, 2004).

In Bangladesh, the microfinance system was established in the 1970s to eradicate rural poverty by providing microcredit loans, and urban microfinance has grown significantly over the past few decades. The Microfinance institutions (MFIs) have adopted several urban microfinance programs to identify the problems of the urban poor residing in urban slums (Hossain & Wadood, 2018) to improve income and asset growth, open up work opportunities, foster skill development, entrepreneurship, and ultimately lessen vulnerability. In light of this, (Hossain & Naimul, 2020) proposed new directions for urban microfinance, like infrastructure, housing, employment in the unorganized sector, and nursing education is among them. That is why it is essential to study the impact of community-based micro-finance on urban poverty reduction in Bangladesh.

On the other hand, Bangladesh has taken several initiatives to manage developed countries to articulate this concern based on the assistance of non-governmental organizations (NGOs) and international donor agencies (Sowgat, 2012). Local Partnership for Urban Poverty Alleviation (LPUPA) (2000–2007) and its successor Urban Partnership for Poverty Reduction (UPPR) (2008–2015) projects are these types of interventions (Zulfiqar et al., 2013). The government of Bangladesh (GoB) implemented these projects with the aid of the United Nations Development Programme (UNDP), the United Nations Human Settlement Programme (UN-Habitat), and the Department for International Development (DFID) (UN-HABITAT, 2010).

Moreover, micro-credit services to the urban poor are predominantly provided by NGOs that act as microfinance institutions (MFIs) (Sowgat, 2012). The Government of Bangladesh (GoB) has encouraged the operation of Micro-Finance Institutions (MFIs) in rural areas to prevent a rapid growth in urban migration; however, the provision of micro-credit services is less than the requirement of the urban poor (Bashar & Rashid, 2012). In this situation, community-based microfinance, a new form of micro-credit, is installed in Bangladesh to reduce urban poverty (BRAC, 2013). It proves that low-interest loans given by MFIs promote economic growth in impoverished areas (Ullah et al., 2020).

Besides, UNDP, UN-Habitat, DFID, and GOB all collaboratively have taken a project, namely Urban Partnerships for Poverty Reduction Project (UPPR), that has employed a strategy named the 'Community Savings and Credit (CSC) Strategy' (UPPR Report, 2016) to reduce urban poverty level. This strategy aimed to save the poor community so that the poorest could take the money as a loan to invest it in small businesses for

personal, household, and social improvement (UNDP, 2016). To determine the influence of this project, several studies have already been conducted regarding the contribution to persons with disabilities (Fremlin, 2015), participation level (Walters, 2018), adaptation for the extremely poor in a climate-change context (Hossain & Rahman, 2017), mapping poor urban settlements (Nazem & Hossain, 2012; Fortuny et al., 2011), overall impact (Rahman & Hashi, 2014) and sustainability assessment (Degert et al., 2016) of this project. Microcredit enables individuals to work for themselves instead of waiting for new employment opportunities. It breaks the crushing hold of poverty on individuals who are poor and women who are having financial difficulties.

The present Government of Bangladesh (GoB) is concerned about implementing the 'Bangladesh Delta Plan-2100', which emphasizes ending extreme poverty by 2030. It has assented to achieve the Sustainable Development Goals (SDGs) by 2030 after succeeding in the Millennium Development Goals (MDGs) that have already been recognized by the United Nations (UN).

Numerous research projects conducted in Bangladesh and elsewhere show a favourable correlation between microloan programs and their advantages regarding job opportunities, earning capacity, and the advancement of societal indicators. As it becomes apparent that adopting microfinance reduces urban poverty. So, microfinance has emerged as a crucial issue for Bangladesh's socioeconomic progress, poverty reduction, and women's advancement. However, more in-depth research is required to fully understand microfinance's role in reducing poverty in urban areas and to investigate how microloan borrowers use their loans and what they do to improve their home development and provide their kids with a better future. This study aims to determine why people in the community use microfinance, how they use it, and how it affects poverty reduction. This study also makes it easier to comprehend how microcredit might eradicate poverty.

## **2. Objectives of the study**

The general objective of this study is to assess the impact of community-based microfinance on urban poverty. The specific purposes are-

- To explore the locally specific dimensions of basic capabilities to escape poverty.
- To examine the community-based microfinance of the 'Community Saving and Credit' (CSC) strategy of the Urban Partnership for Poverty Reduction Project (UPPRP) and whether it reduced the poverty situation of the poor in slums in Sylhet City.

### 3. Research questions

- What are the locally specific dimensions of basic capabilities to escape poverty?
- Has the "Community Saving and Credit" strategy of UPPRP reduced the poverty scenario of the poor in slums in Sylhet City?

### 4. Literature review

At present, microfinance is a technique that makes it possible to provide financial facilities to small businesses and the underprivileged individuals in both urban and rural locations (Ullah et al., 2020). It has received much positive attention in recent years. Since 1990, the use of microcredit in Bangladesh has increased significantly. Numerous NGOs adopted and expanded on microcredit's experience (Chowdhury et al., 2005). Most microfinance institutions (MFIs) help those in need and their members. However, members of pre-existing microfinance organizations quickly appear on the rosters because MFIs already maintain a list of individuals who are eligible for help. Ironically, welfare schemes were replaced with microfinance programs to combat poverty and promote female independence (Murshid & Murshid, 2021). In Bangladesh, 13 million underprivileged households have access to loans thanks to the microfinance sector (Zaman, 2004). Many academics and decision-makers believe that microfinance promotes business ownership, increases earnings-generating activity, helps the poor (especially women in developing nations), expands access to health and education, and stimulates social investment within poor and vulnerable communities and thus reduces poverty (Banerjee & Jackson, 2016). Deprivation decreases when people have access to microfinance programs, particularly for female users (Khandker, 2005).

Microcredit programs combat poverty (Huque, 2017) and offer financial and business assistance to extremely low-income people to help them start businesses and earn money. It is generally accepted that poverty reduction is facilitated by increasing income and economic stability. In Bangladesh, urban microfinance has grown significantly over the past few decades. The number of participants in the urban microfinance program increased by 110.69% between 2006 and 2017 (Hossain & Wadood, 2018).

Community-based microfinance (CBM) interventions have been aimed at providing simple savings and loan facilities to a community of its members to make the community self-reliant and ensure its sustained development where the members need more access to formal financial services. It is a strategy through which the impoverished members of a neighborhood can easily save money regularly into an account. The most vulnerable member of the community can then use the saved money as a loan to run a small business, thereby reducing their poverty and repaying the loan at lower fixed interest rates.

A range of methodologies has been applied to evaluate this strategy's impact- from quasi-experimental, survey, and a case study to secondary data-based research (Maina, 2021; Aji & Abraham, 2021; Sharma et al., 2021; Bargoria, 2020; Ollo et al., 2020; Kumar & Kumar, 2021; Siddeswari et al., 2020; Gupta & Rathore, 2021; Venkatraja, 2019). Although these findings are inconclusive, most studies have found positive impacts of microfinance programs in poverty reduction.

The positive impact of Community-Based-Microfinance (CBM) is possible if the loaned money is invested into profitable assets (Abdulai et al., 2021), and in most cases, the women members under this strategy can conduct small businesses with their loaned money (Kumar & Kumar, 2021; Ahlen, 2012). By running lucrative industries, the loan takers can quickly increase their family earnings (Maina, 2021; Sharma et al., 2021; Bargoria, 2020; Siddeswari et al., 2020; Ahlen, 2012) as well as also ensure their children's schooling instead of sending them to the workplace (Siddeswari et al., 2020; Panda, 2009). After taking the credit facility (Kumar & Kumar, 2021), their income level increases, and they tend to save money (Sharma et al., 2021). Moreover, the CBM-loan program enables the members to accumulate more assets and accelerates asset growth by taking loans (Abdulai et al., 2021). Thus, this strategy assists in decreasing poverty and enhancing the economic well-being of the loan takers (Sharma et al., 2021; Venkatraja, 2019; Flynn, 2013). This strategy also helps to include poor people in the financial services who lack access to formal financial services like banks due to a lack of collateral. In this way, it promotes inclusive development (Venkatraja, 2019) and helps ensure the sustainable availability of money and subsequent sustainable development (Venkatraja, 2019).

On the other hand, through this strategy, the women members gain self-confidence, self-determination, and freedom, but also (Aji & Abraham, 2021; Brody et al., 2016) their morality increases (Bargoria, 2020). Moreover, this strategy also increased the influence of women loan-takers over family planning (Brody et al., 2016). Humanitarian experts claim that employing microfinance institutions (MFIs) can significantly improve the situation of low-income people by supplying significant credit flows, typically to very low-income groups or households (Weiss & Montgomery, 2005). All of the aforementioned positive impacts of the CBM strategy helped to achieve a higher degree of women empowerment (Ollo et al., 2020; Kumar & Kumar, 2021; Khan et al., 2020), including social, economic, and political empowerment among its members (Gupta & Rathore, 2021; Swain & Wallentin, 2009). However, it is also found that economic empowerment (women loan-takers) was enhanced more than other types of appointment (Gupta & Rathore, 2021; Khan et al., 2020). Despite the many positive impacts of the CBM strategy, due to a lack of monitoring, regular follow-up, and proper account maintenance, the full potential of this strategy needed to be improved (Panwar, 2015). In every situation, CBM strategies have different results. Geographical location and the particulars of a social group are likely to make it distinct (Narayan, 2000).

Even though a great deal of research has been done, more focused fieldwork is still required to assess the impact of the "Community Savings and Credit Strategy (CSC)" of the "Urban Partnership for Poverty Reduction (UPPR)" initiative from the perspectives of its beneficiaries. Additionally, this study aims to determine how the Urban Partnership for Poverty Reduction (UPPR) project's Community Savings and Credit Strategy (CSC) has affected the severely poor's penurious circumstances, particularly in the Sylhet context. Furthermore, to evaluate poverty in a participatory and qualitative process, this study adopted Sen's 'Capability Approach' (CA), which provides a normative analytical method to assess poverty and well-being (Kimhur, 2020). According to this approach, human development should focus on expanding people's capacity to make meaningful, well-informed decisions for their daily lives (Sen, 1999). Sen's capability approach has provided two basic concepts. One is 'capabilities,' and the other is 'functioning.' Capabilities are the beings (and doings) that people can achieve if they so choose to value (Robeyns & Byskov, 2020), and functioning means to what extent the individuals achieve the capabilities (Sen, 1999). Through this process, the choice of an individual can transform the capabilities into functioning (Yap & Yu, 2016). Capabilities and their functioning can shape people's 'good quality of life.' The capability approach (CA) did not fix the capabilities that shape 'good quality of life,' but provided space for determining contextual, social, or cultural specifications for specifying these capabilities (Alkire, 2005). It also allows listing well-being or capabilities in any specific context (Yap & Yu, 2016). This study has adopted the concept of 'Basic Capabilities' (BC) to assess the state of poverty reduction using the capability approach (CA). These fundamental capabilities have included the freedom to access adequate food, affordable housing costs, stable income sources, and access to health facilities, education, and freedom to speak about rights (based on the participants' viewpoints). Essential Capacities (BC) are the collections of overall capabilities that provide an individual with the 'freedom' to carry out some basic tasks and are necessary to break the cycle of poverty (Robeyns, 2005). Here, freedom is the ability and opportunity to achieve the functioning of the basic capabilities (Frediani, 2019). Thus, essential capacities denote the chance to escape poverty (Robeyns, 2005). This study views poverty as a multidimensional concept and a deprivation of basic capabilities, determined by a participatory approach with the participants of the 'Community Savings and Credit Strategy' (CSC) strategy.

The Capacity Approach measures the impact of interventions on people's essential capacities (Robeyns, 2005) that have changed after attending the CSC strategy. If the change is in the direction of complete freedom in using all of their fundamental capacities, it has shown that they have escaped poverty. Furthermore, changes in the degree to which people are denied or get access to these (interactively achieved) fundamental talents have shown that their impoverished condition has either worsened or improved, accordingly (after joining this intervention). By this procedure,

information on how individuals perceive change has been gathered, and the UPPRP's CSC strategy's impact on poverty has been evaluated.

## **5. Materials and methods**

This study is an exploratory type of research that tries to inquire about the perception of service receivers as well as Community Development Committee (CDC) leaders regarding the impact of community-based micro-finance programs in urban poverty reduction of the extremely poor of slums under Urban Partnerships for Poverty Reduction Project (UPPRP). The study has been conducted at Sylhet City Corporation's (SCC) urban slums. In this study, the qualitative research approach has been followed as a data collection instrument for an in-depth understanding of the dimensions of the poor people (who are beneficiaries) to alleviate poverty. Besides, the data has been collected from both primary and secondary sources. The preliminary data was collected using Focused Group Discussions (FGDs) and an In-Depth Interview (IDI) schedule under the qualitative approach. Here, FGDs have been conducted to identify the variables for the study, and after the discussion with the participants of FGDs, the dimensions of basic capabilities have been specified. These dimensions collected by FGD have assisted in making a checklist for the following In-Depth Interviews (IDIs).

On the other hand, purposive sampling has been used to select the participants (who are poor under the CSC strategy of UPPRP), and 20 (twenty) respondents have been chosen as samples (who are the stakeholders of UPPRP) so that data patterns and information trends can be comprehended articulately. Among the 20 respondents, 16 (sixteen) respondents were female beneficiaries of the 'Community Saving and Credit' strategy of UPPRP, who were termed as poor by the respective community through 'Participatory Identification of Poor' (PIP), a tool of UPPRP that intended to identify the poor and extremely poor with the participation of community people through employing of proper need-based approach. On the other hand, among the total respondents, 4 (four) were CDC (Community Development Committee) leaders (to assist in reaching basic capabilities set to escape poverty within local specifications). Male participants could not be selected as respondents because CSC strategy's savings and loan facilities were available for only female participants. At least two years of involvement of the beneficiaries with the 'Community Saving and Credit' strategy of UPPRP has been regarded as inclusive criteria so that they can understand respective interventions carefully.

Data from the beneficiaries have been collected to comprehend the change in the achievement of the functioning or deprivation from the basic capabilities so that the effectiveness of the CSC strategy can be extracted understandably. The list of the essential qualifications has been reached by an interactive internal-external process involving the facilitator and participants- where the participants freely expressed their freedoms and critical things to get out of poverty. According to the participants'



prioritized sequence, the list includes (freedom to access adequate food, space to afford housing costs, freedom to access income sources, freedom to access health facilities, freedom to access education, and freedom to say about rights. Moreover, in this study, data has been analyzed through thematic analysis techniques for systematically identifying, organizing the dataset regarding the impact of the UPPR project on the poverty situation. All respondents were clearly and wholly notified about the purpose of the research. Their verbal consent was obtained before the in-depth interviews, and FGDs had the option and ability to withdraw at any time.

## **6. Results**

Focus group discussions were used to establish a list of the fundamental well-being indicators (essential capacities) required to overcome poverty. Findings of the FGDs (regarding the list of the critical capabilities to escape poverty from the locally specific perceptions of the participants) have assisted in making an in-depth interview checklist to know the change in the intensity of deprivation from or getting access to the freedom of these essential capabilities, indicating they deteriorated or improved poverty situation respectively. The following information was gathered from research participants:

### **6.1 Freedom to access adequate food**

Freedom to access adequate food indicates the ability and opportunity to eat three meals per day, get two or three items in every meal, and have enough protein on the menu. Only a tiny percentage of participants in this study reported having a great time with all these opportunities and abilities. The investigation also revealed that the study's participants periodically were starving before beginning their (the beneficiaries') businesses by taking loans from the CSC program. However, now (after getting the loan), most of them (heirs) can get two or three items and enough protein in their meal menu. Only two participants can access two or three things in every meal. However, only a few beneficiaries have the ability and opportunity to manage meat or fish besides vegetables in their food after taking the loan.

### **6.2 Freedom to afford housing cost**

Freedom to afford housing costs denotes the ability and opportunity to pay house rent, electricity bills, and gas bills, have enough kitchen tools, and be able to repair the house. The study result shows that none of the participants of this research has their own homes. They must pay the house rent to stay in the city with their family. Although almost all participants can provide house rent, electricity bills, and gas bills, only some of them (participants) could manage all the opportunities mentioned above.

The field data reveals that most respondents live in a rental house and must manage house rent, electricity, and gas bills. Moreover, it becomes more accessible after starting their business (by getting the money from this project). Most responders have enough kitchen tools and can fix the water, sanitary, and plumbing systems. However, some

project recipients who earlier could not repair their homes now find it easier to set up clean water systems in their rental homes after using the money they got as a loan.

### **6.3 Freedom to access income sources**

Being capable of meeting basic needs requires the ability and chance to have a source of income, run a steady business, hold a permanent job with a fixed wage, be able to pay for housing, and finally be compensated for time away from work. The study result shows that the participants were all jobless and insolvent before receiving the project's loan facilities. However, they might begin engaging in further income-generating activities after receiving the credit. Among the respondents, some went into business as tailors, cloth sellers, or cloth peddlers; some started working in a street betel shop and creating self-employment. A few respondents can now experience financial stability as they (recipients) can now manage around (15,000–20,000) monthly from their business after taking the loan. Two respondents work as tailors in clothing stores, but their jobs are temporary because the owner can fire them anytime. Also, they do not receive a fixed salary, bonuses, or vacation time.

### **6.4 Freedom to access good health**

The ability and chance to have sufficient strength to work, pay for medical expenses, buy medicine, become free from the stress of essential requirements, get mental satisfaction, etc., are all indicators of the freedom to access good health.

This study found that almost all of the respondents had enough strength to work after starting their earnings, but before that, they felt weak as they could not eat three meals daily. The participants who worked as housemaids could not work correctly because of their weakness due to lack of food. On the contrary, only a few of them could manage their medical fees and were able to buy medicine during their sickness. That is why they usually go to the public hospital for treatment. Before taking out the loan, though, they required assistance managing their money to receive proper treatment. Most of them also faced hardship during their pregnancy and the delivery period because, at this time, they could not work correctly and could not earn money. Still, they have to pay a significant amount of delivery fees. One of the beneficiaries added that during her first pregnancy period, she had to utilize her business capital to provide medical and medicine costs. As a result, it took her six months to recoup her financial losses because her money was diminished. However, after starting income-generating activities by accepting the loan, the participants now have comparatively better abilities to maintain good physical and mental health. Now, all participants have less tension regarding fulfilling their basic needs, and they are mentally more satisfied after starting their income-generating activities.

### **6.5 Freedom to access education**

The access and possibility to enroll in school, pay admission and tuition fees, and purchase books and stationery are all examples of having the freedom to attend education. According to this study, most participants can enroll their children in school once they earn money. The task of collecting admission and tuition fees is now their responsibility. Among the total respondents, two of the participants are continuing their studies using the profits that they are getting from their businesses.

The field data depicts that their business profits cover a significant portion of beneficiaries' educational expenses. Although it was difficult for them in the past, now it becomes much easier to pay their admission and tuition fees due to the loan. Some of them (beneficiaries) can purchase school supplies directly for their children at the right time. Getting credit enables them to ensure their children's educational access. However, the most unexpected finding is that two participants (beneficiaries) asserted that their children's access to education has remained unchanged.

### **6.6 Freedom to say about rights**

The opportunity and ability to learn about rights, participate in decision-making, stand up to discrimination boldly, and work with others to eradicate discrimination are all examples of the freedom to speak about rights. Several of the abovementioned opportunities and capacities are available to the participants in this study. Most participants are now better informed of their rights than ever among the beneficiaries.

They participate in the UPPR project's monthly sessions to educate the participants about their rights and those of other local females. This study reveals that the beneficiaries become aware of their rights after attending the monthly meeting, which formerly they did not. Almost all of them now provide financial support for their families, giving them the power to influence decisions previously made without their consent. After participating in this activity, all participants can reject prejudice inside the family. However, in the past, they were not given the same opportunity to speak out against discrimination in the workplace and society because doing so would have led to their dismissal from work. After starting the income-generating businesses, the majority of participants may aid others in eliminating prejudice, educating the disadvantaged group of women about their rights, and helping them create their income-generating companies. In this way, they can influence others and participate in family decision-making.

## **7. Findings and discussions**

An economy's prosperity and citizens' well-being are negatively impacted by poverty, but microfinance improves the overall well-being of poor service consumers. That is why most people are fascinated by microfinance (Morduch, 1998) and believe that the microfinance program is a tool for eradicating poverty, especially in developing nations

(Bakare, 2018). Because of its multifaceted nature, it is recognized as one of the most crucial initiatives for reducing poverty and advancing the global economy. Modern microfinance in Bangladesh has expanded to savings and assurance, small-scale businesses, and productive employment, from home-based and self-employment businesses (Sara & Shahidur, 2016).

However, many underprivileged people in developing countries still need full access to microfinance institutions (MFI) services. Due to two factors: insufficient funding and access restrictions—many poor people also do not have access to healthcare and education for their children (Khan, 2022). As a result, those who are poor continue to be poor, either by living below the poverty line or not having access to necessities like food, water, healthcare, education, and other conditions (Smolo, 2007).

There were two research goals in this study: the first was to explore the locally specific aspects of essential capacities to escape poverty, and the second was to look at community-based microfinance of the CSC approach of the UPPR project to determine whether it could help people experiencing poverty in Sylhet City's urban slum areas. According to the study's findings, microfinance programs benefit microloan borrowers and aid in their efforts to combat poverty. The effectiveness of reducing poverty will increase if training and monitoring systems can be built and appropriately maintained.

Furthermore, among the locally specific features examined in this study are the freedoms to speak up for one's rights, have access to enough food, pay for housing, locate a source of income, have access to good health care, have access to education, and so on. The participants' fundamental functioning and capacities declined before engaging in the project's strategy. After receiving a loan from the CSC strategy under the UPPR project, they all started income-generating activities. Because of this, everyone who took part can now manage three meals a day, pay the rent, electricity bill, and gas bill, be physically fit enough to work, and be emotionally satisfied, which they previously could not. All participants, except one, now have access to education for themselves or their children and have more influence over family decision-making than they had in the past. By accepting the credit facilities from the project, their performance toward their desired basic capabilities has improved. As a result, the CSC strategy's community-based microfinance program has improved the poverty situation for Sylhet City's poor slum dwellers. Almost all participants can now enjoy the functioning of all their choices regarding basic capabilities.

Microfinance's influence on reducing poverty has been the subject of numerous research studies, each producing a distinct set of findings. This study found that credit has a favorable impact on the economic welfare of the household. Honor has a more significant effect on the financial well-being of poorer families. Low-income families

can use microfinance, a potent tool, to become free from poverty and drastically improve their quality of life (Quach et al., 2015). Additionally, another research shows that most microfinance programs do not target the poorest individuals, but when they do, the poorest can benefit from microfinance through higher income and decreased vulnerability (Morduch & Haley, 2002).

However, (Mahmood, Hussain, & Matlay, 2014; Rashid & Ejaz, 2019) later clarified that the majority of those who are in need, however, seek for microcredit to fulfill their urgent requirements (rather than to establish new or expand current businesses), which does not lead to increased employment or a decrease in poverty. Moreover, this study shows that microcredit programs help borrowers improve their capacity to accumulate assets and decrease their vulnerability by balancing their savings and expenditures across different life stages, making them less susceptible to economic shocks (Taha, 2012).

This qualitative study intended to shed light on Bangladeshi women's experiences with micro-finance services. According to the survey, most female participants (beneficiaries) were proud of their business owners' successes but felt they had additional responsibilities inside and outside their homes. They are fortunate to have this opportunity to get out of poverty as they obtain the capital necessary to operate a business. Due to microfinance, women can now fulfill short-term nutritional needs and take on more responsibilities simultaneously (Murshid & Murshid, 2018).

Microfinance institutions (MFIs) have expanded dramatically during the past 10 to 15 years. According to the Microcredit Summit Campaign (2012), from 7.6 million in 1997 to 137.5 million in 2010, the number of severely low-income families receiving microloans increased by more than 18 times. Despite having a higher likelihood of starting multiple firms simultaneously, they were no longer likely to launch brand-new ventures. Additionally, they increased their investments in their already operating businesses—the average monthly cost per individual made a tiny difference. The development outcomes that are commonly thought to be impacted by microfinance, such as women's empowerment, health, and education, did not change, according to our findings (Banerjee et al., 2013).

Another study findings further supported the widespread perception among beneficiaries that microfinance has positive social and economic effects at the local level (Ullah et al., 2020). On the other hand, it is also shown that to increase their income and improve their living conditions, which positively affects poverty, providing micro-credit among people experiencing poverty has been considered globally as an economic and social mechanism for self-employment (Khatun et al., 2012). This is true for both rural and urban poor people. Another study focused on utilizing the microfinance system to tackle poverty. Microfinance aims to combat global poverty and provide opportunities for the world's most vulnerable citizens. Microfinance techniques need to offer more solutions

to eradicate poverty. Otherwise, it aids the underprivileged, especially women, in starting enterprises and escaping poverty via small loans and financial services. Programs for microfinance typically target women as clients (Altay, 2007).

According to the study, this strategy enables poor people to manage three meals per day. The results of (Entz, Karsgaard, & Salomons, 2016), which showed that Self Help Groups (SHGs) (another name for community-based microcredit) have a favorable influence on food security, are comparable to this study's findings. In addition, by operating a small business, the study's participants have increased their access to a source of income. It also supports the results of (Ahlen, 2012), who found that SHGs help manage small businesses and raise revenue. In this study, it is revealed that participants could pay for their own or their children's admission and tuition expenses as a result of this intervention, and similar results were also found in the (Panda, 2009) study, which concluded that SHGs have a favorable effect on the rise in literacy rate.

Conversely, the female participants' functioning in influencing and making decisions in their families has proven the freedom they have attained. This finding is comparable to those made by (Swain & Wallentin, 2009), who found that SHGs had a significant positive impact on women's empowerment. Due to their income-generating activities, the participants in this study also revealed that they had developed mental courage after participating in this strategy. This finding contrasts with that of (Brody et al., 2016), who found no evidence that SHGs had any positive effects on the psychological empowerment of women. The results of this study show that although this community-based microcredit intervention did not enable the recipients to leave poverty, it did lessen their poverty situation. Nevertheless, for the most part, it has helped them eliminate their terrible poverty. (Flynn, 2013) also came to a similar conclusion, concluding that SHG effectively reduces severe poverty.

## **8. Concluding remarks with proposed strategies**

Finally, microfinance initiatives have created a constructive cycle to break the cycle of poverty. It is anticipated to help the borrower transcend poverty because it allows for self-employment, increases income, and promotes actions that lead to greater consumption or savings. These microcredit programs have benefited the impoverished, especially women. The recipient households no longer utilize moneylenders, and their wealth, standard of life, degree of human development, and housing conditions have all increased. Thus, community-based microfinance has a significant impact on reducing urban poverty. However, more research may be necessary to have a more thorough knowledge of the precise effect of microfinance on Bangladesh's efforts to reduce urban poverty.

Microfinance institutions (MFI) have implemented urban microfinance programs to boost our economy by effectively reducing urban poverty. In this case, the Community

Saving and Credit (CSC) approach would assist in creating long-term employment, reducing overdependence on agriculture, and assisting people by removing their reliance on moneylenders and informal credit providers. By taking advantage of these services, poor individuals could care for their health and education. They would also contribute to the sustainability of the MFI by making their payments on time. On the other hand, it can be assumed from this study that one of its key findings shows that the Community Saving and Credit (CSC) strategy has been implemented in the study area of Sylhet City has improved access to food, affordable housing costs, income sources, better health, access to education, and speaking about the rights of women, inferior women. The overall poverty level among loan applicants has decreased due to this strategy.

This study also found that the CSC strategy has several disadvantages, including- reduced loan amounts, high-interest rates, and non-availability for all loan seekers, and the members under this strategy could only enjoy partial potential improvements in their poverty situation. However, this study also suggested several initiatives that might be implemented to make this strategy more effective, including encouraging members to save money and offering stimulus packages to higher savers, creating an advisory committee to provide advice to new loan applicants about starting a small business or another type of entrepreneurship; and adding new members who are not considered poor under this strategy so that they can save and use the money to create opportunities for themselves.

Furthermore, using a qualitative method, this study solely considered subjective poverty when assessing how community-based microfinance affected the urban poor. As a result, additional research can be conducted utilizing a mixed approach to analyze poverty using subjective and objective criteria to obtain a more thorough understanding of the strategy's effects. It is also possible to discuss the project's impact on women's empowerment because it primarily targeted impoverished urban women. More comparative studies can be conducted to determine which factors led to the more advantageous outcomes of this intervention. These factors can guide further planning for this kind of intervention to enhance the welfare of urban poor women.

However, the study findings indicate that loan recipients can enhance their diet with meat, fish, and vegetables. Most respondents reported that after receiving funds from this project, they found that repairing their rented homes' sanitation and water systems was more accessible using the provided funds. Moreover, according to the study's findings, a significant number of respondents can currently enjoy financial stability. After starting their income-generating activities, the participants experience less stress and feel more psychologically satisfied. They can secure their children's educational accessibility after receiving credit.

Furthermore, most participants may also help others by eradicating discrimination and educating the underprivileged group of women about their rights. They also get the capacity to exert influence over others and take part in family decision-making in this way. Moreover, in this study, data has been analyzed through thematic analysis techniques for systematically identifying, organizing, and offering insight into patterns of meaning across the dataset regarding the impact of the UPPR project on the poverty situation. All respondents were clearly and wholly notified about the purpose of the research. Their verbal consent was obtained before the in-depth interviews, and FGDs had the option and ability to withdraw at any time.

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## Author biography

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