The Role of Micro-Financing in Poverty Reduction in Azerbaijan

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Introduction

Poverty and Micro finance

Poverty nowadays still is a big problem in the world. In 2008 about 963 million people starved in the world. 907 millions of them live in the developing countries [1].

Micro finance is one of the most actual strategies to overcome poverty in the world and therefore is widely used in developing countries as an instrument for reducing poverty.

In 2008 poverty level in Azerbaijan was 13,2% [2].

Purpose & Data

Purpose

Identification the poverty level between new and old micro finance customers and the differences in the regions.

Data collection

For the analysis data gained by the Azerbaijani statistical committee and Azerbaijan Microfinance Association is used.

The interviews were carried out in 10 regions with 2000 micro finance customers and 12 micro financial institutions.

The interviewees were divided into 2 groups: new customers (the last 17 months of micro credit agree) and old customers (more than 18 months and constantly micro credit agree).

In the analysis 70 AzN had been assumed to be poverty line and 49 AzN* (70% of poverty line) to indicate absolute poverty.
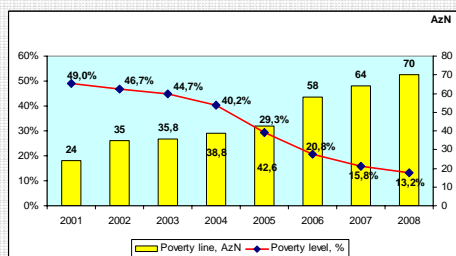
Poverty in Azerbaijan

Fig. 1: Poverty level and poverty line in Azerbaijan [3]

Micro financing in Azerbaijan

Micro financing already exists since approx. 10 years in Azerbaijan and orientates itself by low and middle income layer of the population. About 300 Tsd. customers use micro finance credits. There credits are up to approx. 600 millions $. That is 1.5% of the BIP in the land [4].

Results of the analysis

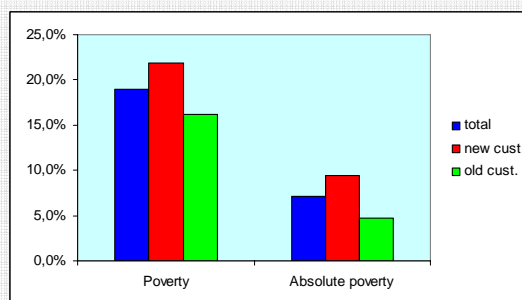The analysis shows that the micro financing has certain role by the poverty reduction.

Fig. 2: Poverty and absolute poverty in random sample [4]

Within random sample the poverty level amounts to 19%. Thus it is higher than in the whole land, but within the group of the old customers it is 26% lower (16.2%) than the new customers. The difference between old and new customers in rural space (61%) is higher because in rural space the micro financing is almost the only outside financing possibility.
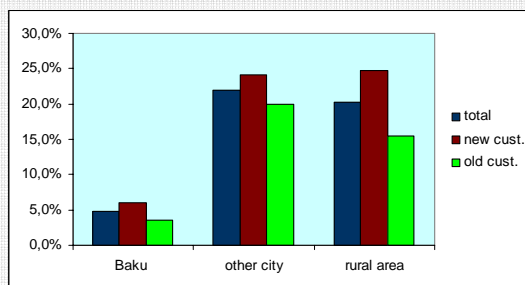

Fig. 3: Poverty level in rural and urbane area in random sample [4]

Still noteworthy results of the analysis is the big difference with the poverty level in capital of Baku and other regions. This shows that there is a big difference between the income and life level of Baku and the rest of the land. The poverty level is almost the same in rural and urbane regions except Baku.

Results of the analysis

In Baku (approx. 5 %) and around Baku (Absheron, approx. 10 %) the poverty level is much lower between the interviewees than in other regions, even distinction is 2-3times lower.
It was observed a distinction in the regions. e.g. in the region Guba-Chachmaz the poverty level is much lower in the random check in the comparison with other regions, in old customers is poverty level 5.2%.

Tab. 1: Poverty level in regions in random sample and the influence of the micro financing [4]

Regions	Poverty, %			Difference old too new customers	
	Whole	New cust.	Old cust.	Absolute	%
Baku	4,8	6,0	3,5	-1,5 %	-42,9%
Absheron	7,9	10	5,6	- 4,4 %	-78,6%
Gandja – Gasach	18,2	20,0	16,3	- 3,7%	-22,7%
Sheki – Zaqatala	28,5	31,0	26,5	- 4,5 %	-17,0%
Lenkaran	22,6	24,0	20,4	- 3,6 %	-17,6%
Guba – Chachmaz	13,0	19,0	5,2	- 13,8 %	-265,4%
Aran	28,0	30,0	26,7	- 3,3 %	-12,4%
Yuxari Kharabag	21,0	28,0	14,0	-14,0 %	-100,0%
Berg Shirvan	25,0	40,2	9,0	- 30,8 %	-342,2%
Nachtschewan	17,2	21,5	14,2	- 7,3 %	-51,4%
To refugees of occupied regions	15	17,0	14,0	- 3,0 %	-21,4%

Conclusion

1. Although the poverty level in the last years decreases, poverty remains a severe problem. The base of the calculations does not exactly describe the reliability of the poverty level in the land.
2. Among the old customers the poverty level is almost the same according to the information of the statistical committee. Among the new customers the level is approx. 40% higher.
3. The poverty level is different in different regions, especially if one compares Baku with the rest of the land (poverty level in Baku approx. 5%; in Aran region approx. 28 %).
4. Micro financing has positive influence on poverty reduction.
5. In rural areas the poverty level of old customers is approx. 60 % lower than it is for new customers. even this difference is 3.4 times lower in the region of the Shirvan mountain.

Quelle: [1] FAO, Dec. 2008, [2] Report of minister's cabinet more than 2008, [3] Azerbaijan Statistical Committee, 2008 [4] Report of Azerbaijan Micro-finance Association, 2008

* 1 AzN = 0,85 € (Central bank of Azerbaijan, 30.09.2009)