

Economic Empowerment of Women through Microfinance Programs in Rural Bangladesh

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Abstract

Original Research Article

Introduction: Bangladesh has been the pioneering country for microcredit. Microcredit aims that the underprivileged people would use this tiny credit in income generating activities and creates self-employment which would help them to come out of poverty. **Aim of the study:** The aim of the study is to find out whether microfinance has contributed to the development of the women empowerment. **Methods:** This study run by following qualitative and quantitative research process based on secondary data recorded from 2002 to 2012. Study data as number microcredit borrowers have been calculated from Microfinance Information Exchange (MIX) Market Database and rest of the data are collected from the World Bank, Household Income & Expenditure Survey Report and relevant literatures. **Result:** Microcredit increases economic empowerment of women, but the aims of microcredit providing is women empowerment and most of the microcredit borrowers are women, which is violated because the microfinance sector has created direct job opportunities for over 110,734 people, 81% of them are male and 19% are female. **Conclusion:** From this study we found that microcredit ensures access to finance to the poor women which increases their economic movement but the impact of microcredit for women empowerment in Bangladesh has still remained controversial. Further study needed to go on an exact result.

Keywords: Micro finance, Women Empowerment.

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INTRODUCTION

Bangladesh has been the pioneering country for microcredit. Microcredit aims that the underprivileged people would use this tiny credit in income generating activities and creates self-employment which would help them to come out of poverty. Since the late 1970s Prof. M. Yunus started providing microcredit through 'Jobra Experiment' in the village of Jobra. During the same period, the Bangladesh Bank, in collaboration with 'Swanirvor Bangladesh' (NGO), initiated a project 'Dekhi Rin Prokolpa' giving microcredit to the poor people. These small initiatives were supposed to alleviate the sufferings of the poor by providing microcredit, which ultimately will lead to the microcredit movement and make Bangladesh, well-known around the world was really difficult to conceive at that period. Now the microfinance sector has matured in Bangladesh. The total outstanding loan is about \$3.35 billion covering 19.27 million borrowers, providing savings of \$1.22 billion to 24.60 clients and among the borrowers 93% are women, 8 million borrowers are from Grameen-Bank, which accelerates anti-poverty campaign and increases economic growth of the country [1]. Total 649

NGO-MFIs engage in microcredit activities, but only 10 large microcredit institutions (MFIs) including the Grameen Bank cover 87% of total savings of US\$ 1.52 billion. Among the total sector, 81% of total outstanding loans are US\$2.02 billion [1]. Bangladesh is densely populated developing country. The Government of Bangladesh has initiated micro-credit program for self-employment of women to reduce poverty (income poverty and human poverty) and to generate self-employment opportunities. The government of Bangladesh, NGOs and different Banks has disbursed total \$10092.28 billion microcredit as a revolving fund till June, 2012 [2]. The author mentioned that when micro borrowers are women, it increased 18% consumption, but in case of male micro borrowers the consumption rate was only 11%. Income generating activities of the microcredit program enhance self-confidence of the poor women to engage in productive economic activities, which empowers women to take economic decisions. Different researchers give evidence that women's economic involvement improves significantly. This is because women can participate in their household decision making, family planning, health, nutrition and children's education especially for

girl's education [4]. Though another argument focuses that women empowerment depends on whether the woman lives with her husband or not. This indicates that those women who live with their husbands are less empowered though the level of empowerment is improved for those women who are abandoned and widows [5]. This is because in case of abandoned and widow women there are no male members to control their families. In these circumstances Bangladesh uses microcredit as an anti-poverty tool for reducing poverty, especially for women Microcredit Summit, 1997. The study aims to find out whether microfinance has contributed to the development of the women empowerment.

OBJECTIVES

a) General Objective

- To prove that microcredit programs have a positive impact in accelerating women empowerment in rural Bangladesh.

b) Specific Objectives

- To observe the relationship between microcredit and women empowerment.
- To explore the role of microfinance to accelerate women empowerment.

METHODOLOGY & MATERIALS

This study run by following qualitative and quantitative research process and secondary data have been used from 2002 to 2012. Relevant data of microcredit have been collected from the Microfinance Information Exchange (MIX) Market Database and Household Income & Survey Report of Bangladesh. Data as a poverty headcount ratio (national line and \$1.25 per day), which means that the poverty headcount ratio (national line) is measured by CBN (Cost of Basic Need) method in Bangladesh and poverty headcount ratio (\$1.25 per day) is measured by income, which is an international standard to measure poverty. Study data as number microcredit borrowers have been calculated from Microfinance Information Exchange (MIX) Market Database and rest of the data are collected from the World Bank, Household Income & Expenditure Survey Report and relevant literatures. Data from the World Development Indicator of World Bank have collected by the estimated average method because the time series data of some years are not available there. Besides that, twenty-one microcredit institution's microcredit average data are used in this study and calculate this data to estimate its contribution to GDP. Other information is gathered from the relevant literatures.

Microcredit and Women empowerment

The primary objective of microfinance program is providing credit to women to accelerate women empowerment and develop women micro entrepreneurs. The ground behind this is that women are more vulnerable than men. Professor M. Yunus mentioned that poor women have a longer vision to change their life and women are cautious enough to spend their money than men. This indicates that women spend all of their money for their family, but men have the tendency to spend their money outside of their family. For example, men can spend their money for smoking, alcohol and gambling. Khandker³ gave evidence that if women handle microloan, they give priority to spend more for education, health, welfare and security of their family members than men. According to Palli Karma-Sahayak Foundation (PKSF), microfinance increases self-confidence and self-esteem as well as raising women micro borrower's voice to make a decision on sending their daughters in school, selling and buying their properties, children's marriage and for family planning. On the other hand, for personal empowerment and being a member of micro group loan borrowers' women are united and they can protest against any domestic violence. This claim that women reduce domestic violence is not agreed by Banerjee *et al.*, [6] because the author mentioned that microcredit has no impact to raise women micro borrowers' decision making power on 'education, savings, investments and household expenditure' [6]. They also explained the most interesting thing that microcredit raises only women micro borrower's voice for bargaining their own right, especially 'personal needs, availing treatment and recreational facilities' [5] because of increasing women's spending in their home but they have no vocal for decision making in their family.

Sultana and Hasan [7] conducted a field study to assess the economic empowerment of women. They selected by the 90 respondents by stratified random sampling method among them 45 respondents are the microcredit borrowers of BRAC and 45 respondents are non-microcredit borrowers. The education level of all of the respondents is primary level Table 1, 2 & 3. Though microcredit increases economic empowerment of women, but the aims of microcredit providing is women empowerment and most of the microcredit borrowers are women, which is violated because the microfinance sector has created direct job opportunities for over 110,734 people, 81% of them are male and 19% are female [1].

Table-1: Personal Income of BRAC and Non-BRAC Respondents

Income Source	BRAC Borrowers	Non-BRAC
Vegetables	\$10.36	\$3.86
Poultry	\$43.08	\$7.36
Small Business	\$14.45	\$3.15
Handicraft	\$28.51	\$21.45
Total	\$96.4	\$35.82

Source: Sultana and Hasan [7]

Table-2: Yearly Savings from Different Sources

Sources of Savings	Average Savings	
	BRAC-Borrowers	Non-BRAC
Cash Savings on Hand	\$29.39	\$13.82
Savings as Crops	\$30.59	\$11.04
Savings in NGO	\$17.50	\$7.20
Savings in Bank	\$66.57	\$61.73
Total	\$144.05	\$93.79

Source: Sultana and Hasan [7]

Table-3: Assets of the Respondents

Types of Asset	BRAC-Borrowers	Non-BRAC
PRODUCTIVE		
Cattle	24.92	15.76
Goat	4.38	1.75
Poultry	\$4.53	\$5.20
NON-PRODUCTIVE		
Jwellery	\$29.51	\$26.66
TV/Radio	\$34.66	\$1.15
Small Vehicle	\$6.02	\$20.20
Total	\$103.12	\$70.72

Source: Sultana and Hasan [7]

However, impact of microcredit in income generating outcomes of the micro borrowers [5]. Most of the studies take the household as a unit of analysis and did not provide the complete information about the impact of microcredit on women regarding 'intra-household allocate patterns, resource allocation, productivities by gender and women empowerment' [8]. In fact, it is not clear that why the studies could not uphold the full picture of the impact of microcredit, whether it is the problem with the microcredit program itself or other factors behind it. The shortcomings of income generating credit programs (high interest, interfere tendency of the male family members) obstacle women in 'capacity building, raising their voice and being empowered at home as well as in the community' [5]. This indicates that the dependency on male family members and lack of access in the financial market are against of women empowerment. In spite of the success of microcredit programs in Bangladesh there is some criticism in income generating activities and women empowerment.

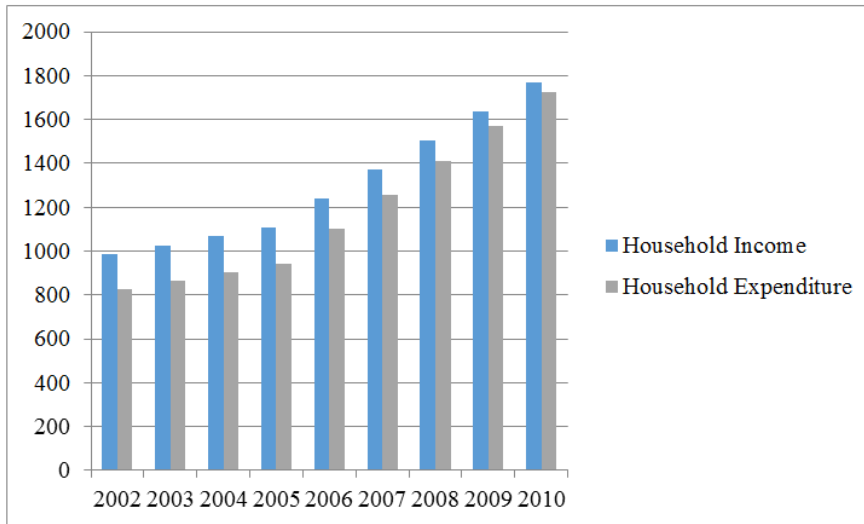
Social structure of Bangladesh is patriarchal and micro credit is provided to the women with minimal training or additional support, which do not 'empower their female participants and may even worsen their situation' [9]. This is because women have

not availed enough power to handle their loan as well as their income at home. When women received credit, they have to surrender it to their husbands or male relatives of their family. As a consequence, they have to depend on their husbands or male relatives for repayment of credit [10]. This creates tensions which lead to a new form of dependency of women on men. So, micro credit ultimately increases the dependency of women rather than enhancing empowerment.

The aim of microcredit programs is to reach the poorest women, but this program has failed to reach them. This is because the tendency of this program is to select those women 'whose initial assets and endowments are in the form of productive resources and educational attainment' [5]. On the contrary, this argument differs by Kabeer [11] because she mentions that 'the success of MFOs in building up the organizational capacity of poor women provides the basis for their social mobilization that many other development interventions have not been able to achieve' [11]. This indicates that microcredit accelerates the mobility of the poor women at least they are not confined at home and the poor women get access to finance, try to a start small business by this credit. Thus, microcredit works as a lift to develop women entrepreneur. From the Household Income and

Expenditure Survey Report, 2010 upholds that overall income and expenditure capacity has increased among the people of Bangladesh throughout the period. Though this indicates that microcredit (% GDP) has positive impact to reduce the income poverty by giving

credit to women, but actually there is no time series data that can specifically calculate the contribution of microcredit to increase income and expenditure capacity among the microcredit borrowers.

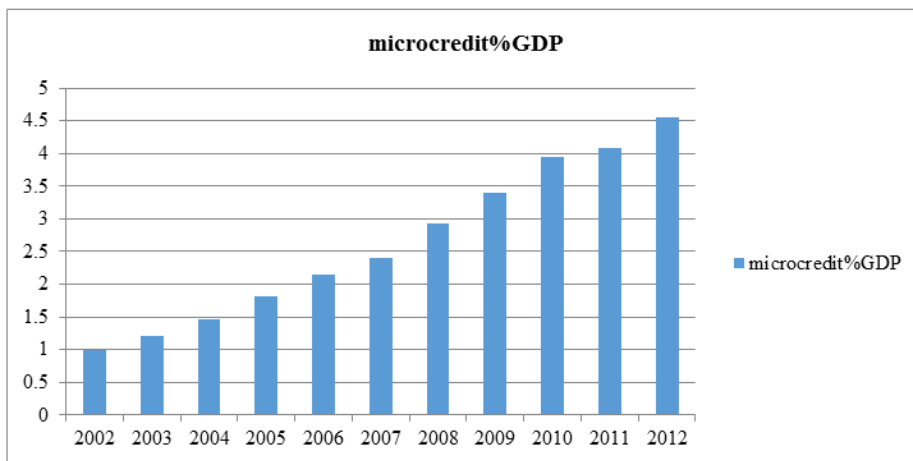


Source: Household Income & Expenditure Survey Report, 2010

There are some studies from different periods which were conducted to assess the impact of microcredit on household income and expenditure of the microcredit borrowers especially women. Women micro credit borrowers tend to invest in ‘low risk, traditional, low productivity activities’.⁵ Women do not have access to the market and micro credit institutions do not facilitate women’s access to the market. This is because social-cultural constraints prohibit ‘women’s

physical access to market’ [8]. Thus, women lose their opportunity to participate in the production process.

The impact of microcredit for women empowerment in Bangladesh has still remained controversial. Khandker [12] and Morduch [13] have used the same data, though they have used different methodologies to assess the impact of microcredit on reducing poverty, which is collected by the World Bank in 1992, but they have gotten widely varying results.



Source: Mix market and World Bank

From the microcredit GDP%, it is seen that from 2002 to 2012, the contribution of microcredit (% GDP) is increased gradually, but from the table it is clear that the increasing trend of GDP per capita (\$2005) is higher than microcredit (% GDP). This indicates that there are other factors rather than

microfinance, which contributes to raise the income of GDP per capita. This means that though microcredit influences to raise the income of GDP per capita, but its influencing rate is not significant enough to increase income of women. Besides income, another important indicator of ensuring a decent standard of living is

improved water and sanitation facilities. Khandker [12] mentions that access to credit has an impact to reduce poverty, but Morduch [13] argue that the impact of microcredit is minimal in poverty reduction. Though Morduch [13] and Weiss and Montgomery [16] point out that Khandker's [12] analysis has a selectivity correction problem. Morduch [13] has not found any evidence that microfinance increases consumption as well as poverty reduction by using the same data, though he has used an alternative approach correcting for selectivity. However, he finds that microcredit influences to reduce household vulnerability. On the other hand, Morduch's findings mention that though borrowers have not benefitted in terms of consumption level, but they receive credit because this money makes them strong enough to raise their voice at home to protect them from domestic violence [15].

They also found that microcredit programs have increased female employment among the Rural Development Scheme (RDS) members. At last, they mentioned that though this credit is the only factor of short-term capital in the production process, but it will not be possible to expect that it will bring a major shift in the level of income within a very short period. Thus, it will take time to realize the benefits of microcredit from self-employed activities.

Limitations of the Study

The main limitation of the study is that it is totally 'desk based' and secondary data have to be used for this study. Primary data collection is not possible for this study because of time constrains and lack of fund. Besides that, household income and expenditure survey report are conducted after every five years. So, estimation technique has to apply to get yearly annual poverty data. Moreover, it is really difficult to measure that microcredit has improved women empowerment. This is because, there are no field survey data that how many women are participated to take their household decision. Likewise, there is no time series data regarding women empowerment, which means that every year how many women can develop them as an entrepreneur by utilizing microcredit, this data is not available.

CONCLUSION & RECOMMENDATIONS

From this study we found that the level of women empowerment is improved when there is no male member to control over them in their family. Thus, credit alone will not ensure women empowerment. So, it has to ensure that women can achieve the right to utilize their credit and participate in decision making at home. But after this which still remain unanswered, that how many women entrepreneurs develop every year in Bangladesh by utilizing microcredit. Further study can try to find out these answers through field surveys for the better availability of data.

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