

# The Role of Microcredit Program on Women Empowerment: Empirical Evidence from Rural Bangladesh

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## Abstract:

The empowerment of women is the burning issues in developing countries. This study examined the impact of micro-credit on the empowerment of rural women in Bangladesh. A total of 120 respondents were selected as sample using stratified random sampling technique on Taker bazar Union Parishad under Sylhet Sadar Upazilla in Sylhet district, Bangladesh and data was collected through face to face interview by using survey method. The women empowerment was measured by five dimensions. These dimension were (1) economic decision making, (2) household decision making, (3) freedom of physical movement, (4) ownership of property, (5) political and social awareness. OLS (Ordinary Least Squares) regression was applied to understand the effects of microcredit program on each dimension of women empowerment and aggregate women empowerment. The results showed that microcredit program was positively associated with each dimension of women empowerment as well as aggregate measure of Empowerment. So, this study reveals that microcredit program improves the women empowerment in Bangladesh.

**Keywords:** Microcredit, Empowerment, Effects, Rural Women, Bangladesh.

## 1. Introduction

In modern period, small loan, in its spread scope known as microfinance or micro credit, has become a much favored element for poverty reduction in the developing countries and least development countries (Ahmed, 2004). Bangladesh has 160 million populations, that's why it called one of the largest density countries in the world. However, a lot of amount of this population is still live in the very poor level (Zoynul & Fahmida, 2013). As a goal in itself as means the women empowerment are very much important to achieve greater gender equality. There are another goal of the women's empowerment is that it will also be a process to remove the poverty in the society (Volart, 2004; Mayoux, 2000). However, microcredit almost target women and it is an important tool to empower women from poor household level (Noreen, 2011). Employment women always play a vital role to enhance the national income of the state and manage a sustainable existence of the societies, families and communities, throughout the world. In recently, women although become develops but they run livelihood by many socio- cultural restrictions, such as gender discrimination, family violence, social and religious prejudice, legal barriers, lack of education etc. From the primitive society, women have been marginalized. They are rarely independent by the financial condition and decision making process and often they face more vulnerable problems of society (Zoynul & Fahmida, 2013). About 70% of world's poor are women (Noreen, 2011). In Bangladesh most of the female live in marginal areas, where majority of them engaged in many activities like that management of crops, livestock, fisheries, biological diversity, energy and family (domestic chores as cleaning, cooking, childcare, fetching water and so on). Even the substantial economic contribution of them is largely unacknowledged (Sultana & Hasan, 2010). Women's have a few accesses to trades, industrial institution, educational services, health care and politics leads to a lower wellbeing of the family that retards the progressive goals of the country and shock women (Parveen and Chaudhury, 2009).

Micro-credit has move toward a long way since its start by Professor Yunus, Managing Director of Grameen Bank, in 1974 in Jobra, a village in Chittagong of Bangladesh. The strength of micro-credit lies in its capability to systematize inactive women into a productive workforce with their proven creditworthiness (Chavan and Ramakumar, 2002). He was awarded the 2006 Nobel Peace prize for his contribution in this level. Before Grameen Bank, a lot of governmental and nongovernmental organizations sponsored subsidized credit programs in Bangladesh, such as Bangladesh Krishi (agriculture) Bank (BKB), and other institutions were not successful in accomplishment the poor, more specifically deprived women due to high transaction costs to supply loans to the poor and collateral-based conventional banking system (Islam and Mizanur, 2013). It is assumed that 25 million populace worldwide are now using micro-credit to undertake income-generating or self-employment activities; of these, 90% are women (Chavan and Ramakumar, 2003). The 1997 Microcredit Summit held in Washington D.C., launched a global movement to reach 100 million of the world's poorest families with credit for self-service and other financial and business services by the year 2005. According to the Microcredit Summit Campaign Report, 67.6 million families have been reached by microcredit in 2002 around the world (Ahmed, 2004). Out of that 59.6 million clients are in Asia and Bangladesh alone covered 13 million clients (22.6%). The total coverage of Microcredit programs in Bangladesh is approximately 13 million households (Ahmed, 2004).

According to 2001 Census in Bangladesh 23.39% people lives in urban and 76.61% in rural from the total population (Islam, 2003). Although Bangladesh has huge feasibility for advancement, it is, for a variety of socio-economic reasons, among the poorest countries in the world. About half of the country's population lives below the poverty line with 80% in the rural areas (Ahmed, 2004). The burden of poverty sprays disproportionately on women, who represent half of the entire population. Logically, therefore, poverty alleviation and creation of countryside employment are pinnacle priorities in the enlargement program of the government of Bangladesh which has adopted an extensive based approach to poverty reduction, emphasizing macroeconomic constancy, economic liberalization, and support for a number of government agencies and non-government organizations (Ahmed, 2004).

In recent time, argues are going on whether contribution in micro-finance programs empowers or disempowers women (Kabeer, 2001). There are basically two wide and divergent evidences about the micro-credit's impact on women's empowerment in Bangladesh. One group of scholars (Rahman, 1999; Mizan, 1994; Kabeer, 2001) is hopeful about sustainable micro-finance programs, and the possibility of women's empowerment through micro-credit programs. They argue that credit programs empower women by increasing their income, enabling them to contribute to their families, and strengthening their social networks. On the other hand, another group of scholars (Goetz, 1996; Rahman, 1999; Hunt and Kasynathan, 2001) are pessimistic about micro-credit's impact on women's empowerment. They argue that instead of empowering women, micro-credit leads to greater subordination of women and make them more vulnerable in patriarchal rural society.

Certainly, it can say that in Bangladesh like all third world countries women's access to positions power is too limited. They are dependent on the men by socially, politically, familiarly & economical. Especially rural women are lower level than the urban area and they must struggle to remove the discrimination & reconcile activities outside the home with their traditional roles. For these reason women empowerment is so important in Bangladesh. Micro finance play a vital role for women development and help them in the aspects of decision making process in the personal, family, social, economic, administrative and even in national sector.

In Bangladesh we find a lot of literature about various roles of micro finance programs, but only a few researches have focused specifically on micro-credit's role on women's empowerment. So, this study aimed to understand the effect of micro-credit on the empowerment of rural women in Bangladesh

### **1.1 Literature review**

Sarumathi & Mohon (2011) had analyzed about the micro credit impacts on women empowerment. They found that micro finance was one of the essential elements to remove the poverty and the improvement of rural women capacity. They also discussed the empowerment of the women sensitively, financially and in a social context. Their investigation showed that there was a continuing enlarge in the all the three factors among rural women's. There is a distinct enhancement in mental welfare and public empowerment among rural women consequently participating in micro finance. Camille (2011) found the bottomless relationship between the micro finance and women empowerment, whereas it risen up women empowerment rapidly. He showed the increasing of female development in the aspects of increasing the economical resources. The research's findings specified that microfinance had positively and negatively impacted a range of scope of the women have apparent

empowerment. Parveen & Chaudhury (2009) was intended to analyzed countryside women's financial empowerment as the outcome of micro-credit interventions. Basically women improvement has dependent on three economical elements such as: income, savings and asset. By the use of those resources women enhancements like; to remove gender discrimination, poverty reduction, family power exercise and self-reliance has increased day by day. Noreen (2011) explored the positive impacts of micro finance on the enlargement of women empowerment. She analyzed women empowerment by using five indicators related to child health, education, selection of spouse of children, purchase of basic goods and decision. In this study, She recommended that educational services, family consciousness, strengthen of governmental and nongovernmental institutions and their cooperation had essential to develop the women empowerment. Nessa et al. (2012) discussed the different aspects of micro credit. They analyzed that micro finance not only improve the earnings sources of rural and poor women but also it enhanced better abilities, choices and self-determination in decision making. There were five dimensions in decision making, such as; household, economic, movement, property, political and social. They found that every dimension had significantly increased due to micro finance effects. Garikipati (2010) studied the empowering of women in the family level. Although the loans are benefits for the household but it's not absolutely influences to the women empowerment. Particularly, female whose loans are invested in domestic property can discover the process disempowering. This is due of women not have co-ownership in household's creative assets. Where loan diversion by households cannot be restricted women's joint rights of Household assets come out as fundamental to their empowerment. Loro (2013) evaluated his research study about the gender discrimination in the third world countries. He showed that the rank and supremacy of women had enhanced significantly from the time when NGO opened their activities in developing nations. However, micro finance loans have increased self-esteem and self-respect of women and thereby empowered them. In spite of, credits often economically beneficiary as well as it enhances the higher social status of women. Pitt et al. (2006) said that, credit provided women had statistically significant effects and it's showed the way of women taking a better position in household decision making, having greater access to financial and economic resources, having greater social networks, having greater bargaining power vis-a-vis their husbands, and having greater freedom of mobility. They also analyzed that women's involvement in small loans programs had an encouraging consequence on fertility.

### 1.3 Women empowerment

In developing countries women are discriminated by socially, economically and politically. Sometimes their positions have seen lower level in family or household activities. In generally, empowerment is refers as the processes by which women take control and ownership of their lives through expansion of their choices (Kabeer, 2001). Whenever women get freedom to lead their life and assets it's called women empowerment. Baltiwala (1995) defines empowerment as control over material assets, economic resources and ideology. Bennett (2002) described empowerment as "the enhancement of assets and capabilities of diverse individuals and groups to engage, influence and hold accountable the institutions which affect them." Mbwewe and Keller (1991) described women empowerment as "a process whereby women become able to organize themselves to increase their own self-reliance, to assert their independent right to make choices and to control resources which will assist in challenging and eliminating their own subordination". The empowerment of women is also called an important precondition for the mitigation of poverty and the maintenance of human rights and basic needs, in particular at the individual level, as it helps to construct a base for social mobility (DFID, 2006).

Women empowerment generally used for improving women's condition, in real sense it may be applied to any underprivileged part of society for bringing them to the same level of advanced section. In simple sense, empowerment is a process which redistributes power from the powerful to the powerless. In the context of Bangladesh, empowerment of women means women should be given freedom of choice for fulfillment and self-development, as well as equal access to domestic and community resources, opportunities and power (Kumar et al., 2013). There are two measurements to realize the women empowerment. The first is social mobilization and collective agency, as poor women hardly have the essential capabilities and self-assurance to counter and challenge existing disparities and barriers against them. Often, modify agents are needed to catalyze social mobilization consciously. Second, the process of social mobilization needs to be accompanied and complemented by economic security. As long as the disadvantaged suffer from economic deprivation and livelihood insecurity, they will not be in a position to mobilize (UNDP, 2001). Almost all definitions of women empowerment include some reference to an expansion of choices and freedom to make decision and take action necessary to shape life outcomes (Malhotra and Schular, 2005). Finally, it can easily say that women empowerment define as a human being if female achieved fundamental & basic rights such as: food, shelter,

medicine, education, entertainment; to develop financial strengths, to involve decision making activities (from family to state stages) and remove all violence and discrimination over them .

**2. Data and methods:** The primary data was collected a survey conducted at Taker bazar Union Parishad under Sylhet sadar upazilla in Sylhet district, Bangladesh. The survey was conducted in January 2014.

Ward no. 3 was purposively selected for the study area .This ward was selected because most of the women were involved in microcredit programmes. Total 120 respondents were selected by using stratified random sampling method. Among the total sample, 60 respondents were involved in any microcredit scheme. These respondents were selected randomly from the available list of the microcredit offices (BRAC, Gramen Bank, ASA). The other, 60 respondents were also selected randomly from this area who are not involve in any microcredit scheme. Both of the two groups had a similar socio-economic status. Data were collected by face to face interview through a semi-structure questionnaire.

The SPSS (Statistical package for social science) 20 programs was used to analyze the data. At first the data were presented as percentage, mean, standard deviation .Next, OLS (Ordinary Least Squares) technique was applied to measure the effects of microcredit on women empowerment.

### 2.1 Variables of the study

The independent variables of the study were involved in microfinance institution (MFI), age, years of schooling and annual income. The women empowerment was the dependent variable. The women empowerment was measured by five dimensions. These dimension were (1) Economic decision making, (2) Household decision making, (3) Freedom of physical movement, (4) Ownership of property, (5) Political and social awareness. These dimensions were derived from various previous literatures (Haque et al., 2011; Nessa et al., 2012). Each item of the dimension were measured by 5 point range. Then, the each dimension of empowerment score was measured adding the scores obtained in all items in that class (Nessa et al, 2012).The aggregate index of empowerment was measured by adding all five dimensions score and then have divided by the total number of item (Nessa et al, 2012).

### 3. Results

The summary statistics shows the women empowerment dimensions and other socio-economic factors (table 1).The minimum score of economic decision making empowerment was 1.48, household decision making empowerment was 1.20, freedom of movement empowerment was 1.50, ownership of property empowerment was 1.16, political and social awareness empowerment was 2.10, aggregate women empowerment was 1.60, age was 20 year, years of schooling is 0 and annual income was 1000 Taka. The maximum score of economic decision making empowerment was 4.80, household decision making empowerment was 4.75, freedom of movement empowerment was 4.20, ownership of property empowerment was 4.10, political and social awareness empowerment was 4.63, aggregate women empowerment was 60, age was 4.61 year, years of schooling was 18, annual income was 40,000 Taka.

The table 1 shows the mean score of the women empowerment dimensions and other socio-economic factors .The mean score of economic decision making empowerment was 2.935, household decision making empowerment was 3.022, freedom of movement empowerment was 2.370, ownership of property empowerment was 2.555, political & social awareness empowerment is 2.7268, Aggregate social capital index was 2.951, age was 27.62, years of schooling was 7.66 and annual income was 1200.60 Taka.

The table 2 shows the results that the factors related to empowerment dimension as well as total empowerment. The coefficient of economic decision making empowerment was 0.989.This indicates that for each unit increase MFI, economic decision making empowerment increases by 0.989 units. The coefficient of household decision making empowerment was 0.769. This indicates that for each unit increase MFI, household decision making empowerment increases by 0.769 units. The coefficient of freedom of movement empowerment was 0.892. This indicates that for each unit increase MFI, Freedom of movement empowerment making empowerment increases by 0.892 units. The coefficient of ownership of property empowerment was 0.889. This indicates that for each unit increase MFI, ownership of property empowerment making empowerment increases by 0.889 units. The coefficient of political and social awareness empowerment was 0.678. This indicates that for each unit increase MFI, political & social awareness empowerment making empowerment increases by 0.889 units. The coefficient

of total empowerment index was 0.829. This indicates that for each unit increase MFI, Aggregate empowerment increases by 0.829 units. The coefficient of annual income on economic decision making was 2.25. This indicates that for each unit increase annual income, economic decision making empowerment increases by 2.25 units. The coefficient of annual income on household decision making was 1.20. This indicates that for each unit increase annual income, household decision making empowerment increases by 1.20 units. The coefficient of annual income on freedom of movement was 0.896. This indicates that for each unit increase annual income, freedom of movement empowerment increases by 0.896 units. The coefficient of annual income on political and social is 0.025. This indicates that for each unit increase annual income, political and social awareness empowerment increases by 3.33 units. The coefficient of annual income of aggregate empowerment was 2.22. This indicates that for each unit increase annual income, aggregate empowerment increases by 2.22 units. Among the background characteristics, the table shows that coefficient of women age also positive of all women empowerment dimensions and total women empowerment. The result shows the each unit increases the years of schooling, economic, decision making and household decision making empowerment decreases by 0.042 and 0.031 units but the reverse result found in aggregate women empowerment, each unit increases the years of schooling, aggregate empowerment increases by 0.011 units.

#### 4. Discussion:

This study tries to examine the effect of microcredit on women empowerment. This study reveals that microcredit programs enhance the women empowerment in rural area of Bangladesh. The microcredit participants are more capable of taking their economic and household decision making (Pitt et al., 2006). Women age is important for women empowerment. Evidence supported that women age had positive effect of women empowerment in Bangladesh (Haque et al., 2011). Older women have more empowerment compare to younger women because older women have more experience with life and better understanding about their demand (Noreen, 2011). So, women empowerment increases as the age of the women increases. We found that women education was positively associated with women empowerment but negative association was found with economic decision making, household decision making and ownership of property. This study shows that annual income is most important to all dimensions of women empowerment as well as overall empowerment too. Women who have involved in income generation activities may lead to higher empowerments that are not involving any income generation activities (Nessa et al, 2012). Microcredit is an important strategy in empowering income for poor women (Sultana & Hasan, 2010)

Evidence supported that economic empowerment of women could be enhanced through their income generation activities (Parveen & Chaudhury, 2009). Evidence supports that women participating in group saving and credit programs help to rural women start small-scale income generation activities (Acharya et al., 2007). Microcredit enables the women managing during crisis, creates new earning source, build assets and improve the social and economic status of the women (Hashemi et al., 1996). Economic condition is an important factor of empowerment of people (Sultana & Hasan, 2010). So, it generally understands, involving in microcredit program, increase the economic status of the women compare to non participants in microcredit program. So, microcredit participation's women are more empowered than non involvement in microcredit program due to their better economic status. Our study reveals that involvement in microcredit programs increases the political and social awareness of the women. Evidence supports that participation in MFI increases the probability that a woman knows the name of the Member of Parliament in her area, increases the probability that a women voted in last election independently (Pitt et al., 2006). Involvement in microcredit program not only enhances the ability of make decisions in various project activities but also enhances the ability in household decision making process (Zoinal & Famida, 2012). Women participating in microcredit programs creates social capital or trust that enhances the political empowerment (Denham,...). This political empowerment of women is useful for removing bad situation and problems (Denham,...). Microcredit promotes the women self confidences and prosper their skill and self worthiness (Sarumathi and Mohan, 2011). The study reveals that microcredit programs enhance the household decision making empowerment. A study conducted in Bangladesh by Khan et al. (2013) found that microcredit involvement women were more likely to exercise on various household decision making process freely including fertility related issue as when to take child and what types contraceptive method was used to stop child bearing compared to non participants in microcredit programs (Khan et al, 2013). Evidence supported that microcredit participants women were more able to in decision making regarding conjugal life, loan taking, spending money received from micro credit, interest in politics, voting behavior and Purchase or sale of materials (Khan et al, 2013).

**4. Conclusion:** This study shows that MFI is positively related to economic decision making empowerment, household decision making empowerment, freedom of movement empowerment, ownership of property empowerment, political and social awareness and overall empowerment. So, participations in microcredit group increase the women empowerment. This study also reveals that women age also positively associated with of all women empowerment dimensions and total women empowerment. This study reveals that women's income have strong positive effects on all dimensions of women empowerment and overall women empowerment too.

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Table 1. Summary statistics of the variables

Variable	Minimum	Maximum	Mean	Standard Deviation
Economic decision making empowerment	1.48	4.80	2.935	0.737
Household decision making empowerment	1.20	4.75	3.022	0.7403
Freedom of movement empowerment	1.50	4.20	2.370	0.574
Ownership of property empowerment	1.16	4.10	2.555	0.728
Political & social awareness empowerment	2.10	4.63	2.7268	0.8161
Aggregate women empowerment	1.60	4.61	2.951	0.696
Age (years)	20	55	34.012	8.825
Years of schooling	0	18	7.590	5.096
Microfinance institution (MFI)	0	1		
Income(annual) Taka	1000	40000	11333.333	12297.80285

Table 2. The regression coefficient showed the effects of participation in MFI on empowerment

Independent variables	Economic decision making	Household decision making	Freedom of movement	Ownership of property	Political & social awareness	Aggregate empowerment
Constant	0.989*	0.769*	0.892*	0.889*	0.678*	0.829**
MFI <sup>1</sup>	0.849***	0.652**	0.667**	0.522*	0.379***	0.679***
Age	0.122*	0.116*	0.152*	0.101*	0.133*	0.112*
Education	-0.042**	-0.031*	0.021	-0.011	0.021	0.011***
Annual income	2.25***	1.20*	.896*	.025*	3.33*	2.22***
R square	0.898	0.789	0.786	0.689	0.886	0.796

Significant at \*\*\*p<0.01; \*\*p<0.05; \*p<0.10

<sup>1</sup>Involvement with MFI (Dummy variable: 0=MFI non-member, 1=MFI member)

Total 120 respondents