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## **Women Empowerment through Microcredit: Rhetoric or Reality? An Evidence from Bangladesh**

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# **Women Empowerment through Microcredit: Rhetoric or Reality? An Evidence from Bangladesh**

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## **Abstract**

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Microcredit has become a key instrument to the path of women empowerment in Bangladesh and has been replicated in many parts of the globe. However, the credit-based model does not go beyond the academic debates. Many scholars have argued that microcredit has brought substantial changes to the pathway of women empowerment. Challenging this view, scholars have claimed that microcredit has no significant effect on empowerment of women rather very often it causes harm to poor women. This paper assumes that the existing literatures have lack in finding the concrete impact of microcredit due to the perception of empowerment from a narrower view. Thus, this study defines empowerment from a broader perspective considering the different levels of empowerment and assesses the impact of microcredit on these levels based on empirical evidences from Bangladesh. It reveals that microcredit has very minimal effect on empowerment due to its overemphasis on income and economic empowerment. The paper concludes that microcredit often cannot bring desired changes to the lives of women in a patriarchal society unless further interventions are made at their social, cultural, perceptual and psychological levels.

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**Keywords:** empowerment, microcredit, NGO, development, women

# **Empoderamiento de las Mujeres a través del Microcrédito: Retórica o Realidad? Evidencias desde Bangladesh**

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## **Resumen**

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Los microcréditos se han convertido en un instrumento clave para el empoderamiento de las mujeres en Bangladesh y ha sido replicado en muchas partes del mundo. Sin embargo, el modelo basada en créditos no va más allá de los debates académicos. Muchos investigadores han argumentado que el microcrédito ha producido cambios substanciales hacia el empoderamiento de las mujeres. Retando esta perspectiva, otros investigadores han manifestado que el microcrédito no ha tenido ningun impacto significativo en el empoderamiento de la mujer y que a menudo ha causado perjuicio a las mujeres pobres. Este artículo asume que en la literatura existente hay una vacío de resultados sobre el impacto concreto de los microcréditos debido a la percepción del empoderamiento desde una vision muy determinada. Además, este estudio define el empoderamiento desde una perspectiva amplia considerando los diferentes niveles del empoderamiento y evalúa el impacto del microcrédito en estos niveles basados en evidencias empíricas en Bangladesh. Este artículo revela que los microcréditos tienen un efecto mínimo en el empoderamiento debido a su énfasis exagerado sobre el salario y el empoderamiento económico. Este artículo concluye que los microcréditos por si solos a menudo no pueden ofrecer los cambios desdeados a las vidas de las mujeres en una sociedad patriarcal a menos que otras intervenciones se realicen a nivel social, cultural, de percepción y a nivel psicológico.

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**Keywords:** empoderamiento, microcrédito, ONG, desarrollo, mujeres

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The microcredit summit held in Washington, D.C. emphasized a striking vision for increasing the amount of financial services, and called for reaching large numbers of women borrowers. The most important reason behind this motivation was to make a significant contribution to the alleviation of global poverty (Mayoux, 1999). All over the developing countries ground-breaking lending programs have emerged with an aim to provide small amounts of capital to low-income entrepreneurs, particularly women, in order to empower them. The most prominent and glaring examples of “minimalist” microcredit programs are in Bangladesh, pioneered by Grameen Bank. These are small-scale credit programs that provide collateral free credit for income generating activities and other services to the poor. Since the 1970s, there has been a phenomenal growth of Non-governmental Organizations (NGOs) and currently 2170 NGOs are registered by NGO Affairs Bureau (NAB) in Bangladesh (NAB, 2012). Many of these NGOs specifically target women in the view that they are more likely to have constraints than men in access to credit, have limited opportunity in the labour market, and have power imbalance in household decision making (Pitt et al., 2006; Swain & Wallentine, 2007). Currently, 512 NGO-MFIs are carrying out micro-finance operation in Bangladesh (MRA, 2012). A good number of these microcredit enterprises have been remarkably successful in providing financial services to the rural poor women. However, the effects of microcredit on empowerment of women have been rather diverse and inconclusive. While many of the studies have found substantial impact on women empowerment, others have seen very marginal or no effect, even cited for negative consequences. Therefore, it is important to address whether, to what extent, and under what conditions microcredit programs could yield success to empower women.

### **Women Empowerment through Microcredit: Contested Claim**

Microcredit programs in Bangladesh have produced a wealth of literatures. The most deserving issue in many of the literatures is primarily focused on the participation of women in microcredit programs. Therefore, the first question addressed by most of the literatures is why microcredit organizations target women as prospective

clients. Some scholars (Hashemi et al., 1996; Kabeer, 2001) believe that investing in women's capabilities empowers them to make choices, increases women's resource that contributes to the well-being of the family, and also contributes to greater economic growth and development of a country. Conversely, a growing number of microcredit institutions prefer women as credit clients in the view that they are more reliable and trustworthy borrowers compared to men, which can increase their recovery rate (Rahman, 1999; Mayoux, 2002).

The second issue documented in a wealth of microcredit literatures is the potential impact of microcredit on women empowerment. The interpretation and understanding on the impact of microcredit on women's empowerment and its measurement also varies across different studies. Pitt et al. (2006) indicates that credit programs lead to women taking a greater role in household decision making, having better access to financial resources, having greater social networks due to mobility and mutual interaction, more bargaining power vis-à-vis their husbands, and freedom of mobility. Amin et al. (1995) notes that poor women's participation in credit programs for income-earning activities have contributed to their behavioural change regarding fertility and the desire for the number of children. Other studies (e.g.; Mahmud, 2003; Kabeer, 1999) show that participation of women in microcredit programs widens their horizon of movement beyond family precinct which encompasses a number of different domains such as the healthcare centres and NGO office. In a recent study undertaken on Microcredit in India, Banerjee et al. (2009) shows that microfinance has no impact on participants' average monthly expenditure, per capita income, health, education or familial decision making. Accordingly, Sugg's (2010) study mentions that 57% female clients experience a rise in spousal verbal aggression since the start of their loans, and 13% in both verbal and physical violence.

On the contrary, it is claimed that impact of microcredit on women development is narrowly confined at individual level and as ignoring the collective dimension of transforming power relations throughout society (Drolet, 2010). Some studies (Rahman, 1999; Hossain et. al., 2005; Goetz & Gupta, 1996) note that providing financial support in the hand of rural poor women is not sufficient to empower them; rather it increases tensions within families and escalates domestic violence since

many of the borrowers have no control over loan use and consequently face problems in paying instalments. Haque and Yamao's study (2008) notes that microcredit is not suitable for poor women in Bangladesh. It can empower only wealthier women who have a certain level of income, land and assets.

In reviewing the existing literatures, it is anticipated that the effect of microcredit on women's empowerment is inconclusive, both optimistic and pessimistic. The main point of debate with regard to differential outcome of empowerment interventions is how empowerment is to be perceived and how it is to be measured. This paper assumes that the existing literatures have lack in finding the concrete impact of microcredit due to the perception of empowerment from a narrower view. Thus, this study defines empowerment from a broader perspective considering the different levels of empowerment and assesses the impact of microcredit on these levels based on empirical evidences from Bangladesh.

### **Data Sources and Methods**

The data used in this paper is qualitative in nature and respondents were selected from three leading NGOs operating in Bangladesh including Grameen Bank (GB), Bangladesh Rural Advancement Committee (BRAC) and Association for Social Advancement (ASA) of Bangladesh. Three centres were purposively selected from above three NGOs (one from each) working in Sylhet, a division in the North Eastern region of Bangladesh. The area for this study has been selected purposively because NGOs working in Bangladesh most often offer similar programs and follow similar methods of operation in all centres throughout the country. Considering the qualitative nature of the data, a methodological triangulation has been followed in the course of study. First, the data were generated through in-depth interview to discover how microcredit influences the different dimensions of women's lives. A total of 15 female borrowers were selected purposively for interviews taking five from each of the NGOs. For getting access to the borrowers, the researchers collected the list of women borrowers from the respective branches and contacted to the borrowers who have at least two years of experiences as credit clients. The research participants were selected from those who expressed their interests to participate in

the interview. Then the researchers have visited the borrowers' home making appointment prior to the interview. To get relevant data from interview pertinent to research objectives, the researcher used an interview schedule incorporating some semi-structured open-ended questions, such as, why do women become the client of microcredit? How does microcredit bring about a change in their lives? How do women use their credit and in what ways it influences their family decision making? What are the drivers of change in their lives? Second, three focus group discussions (FGD) were arranged involving different cross sectional groups, such as clients, civil society members, NGO staffs and other key figures residing in the project areas. In the FGD, the research asked several questions to the participants including community perception and their observation of women's involvement into credit programs, changes in their social status and access to family decision making. The information obtained from FGD was also used to cross check and verify the data gathered through interviews. Finally, a secondary source of information, such as existing research reports, published books and articles of academic journals has been used to supplement the data used in this study.

### **Conceptual and Analytical Framework**

The notion of 'empowerment' is varied and multidimensional. Women empowerment can be defined as the ability of a woman to do activities that bring her economic well-being, increase her status in the family (and thus in wider community), develop a strategy to be self-dependent, and can challenge the oppression of male dominated society by using her fullest potential. This would ultimately confer a woman's ability to emancipate from all sorts of subordinations in the family and the society at large. Rowlands (1995) defines empowerment as a process that enhances women's ability to control decision making and increase life choices by availing themselves of necessary alternatives to improve their existence in society, self-worth, and their sense of command over their lives, which are supposed to promote gender equity (p. 102). Moser (1993) defines empowerment as "the capacity of women to increase their self-reliance and internal strength" (p. 74). From the perspective of gender inequality, Kabeer (1999) defines empowerment as a process by which those who have been denied the ability to make

choices acquiring such ability (p. 437). Hashemi et al. (1996) creates an empowerment indicator based on the eight criterions: mobility, economic security, ability to make small purchases, large purchases, involvement in major household decisions, and relative freedom from domination by the family, political and legal awareness, participation in public protests and political campaigns. Many scholars emphasizes on cultural perspectives for understanding women empowerment. For them, social context has significant influence on women's lives and the same interventions are not effective everywhere (Sardenberg, 2010). Social context is comprised by social, economic, political, perceptual and cultural dimensions which have direct influences on empowerment practices of a particular society. Thus, the assessment of empowerment should not be based only to material means and interventions, but also to social relationships (Kabeer & Huq, 2010; Sardenberg, 2010), narratives (Priyadarshani & Rahim, 2010), voice (Goez & Musembi, 2008), choice (Kabeer, 2008) and negotiation (Huq, 2010). It is argued that empowerment needs to occur in multiple dimensions: economic, social and cultural, familial/interpersonal, legal, political and psychological (Malhotra, Schuler & Boender, 2002).

Thus, empowerment encompasses various dimensions such as economic, social, political, perceptual and psychological. Following the above explanation, this paper draws a view that empowerment is not merely change in economic well-being; rather it is an integrated process of social change in different forms and levels (a change in women's economic status, the ability to earn and spend money for the family's well-being, the alteration of attitude towards their lives, developing self-confidence, self-esteem and raising the level of consciousness). This new framework of understanding of women empowerment can be better illustrated by the following scheme:



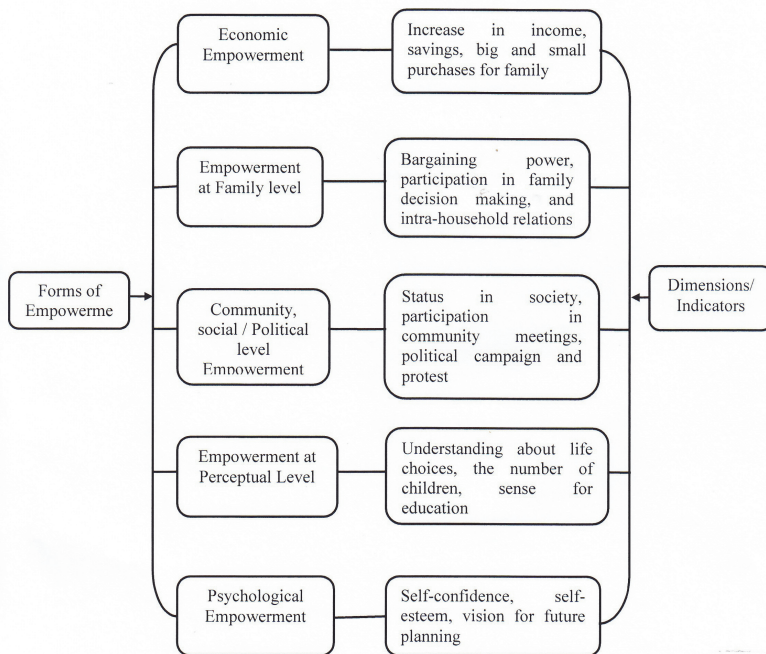


Figure 1. Empowerment Model created by the authors

The economic empowerment denotes an increase in income levels, savings and increasing the ability to make large and small purchases for oneself and family. Women’s empowerment at family level happens when they can improve their bargaining power, participate in familial decision making processes, and get better intra-household relations. Moreover, women also can assume empowerment at community, social and political levels if they can raise their status in society; increase their ability to participate in community meetings, political campaign and protests. Women empowerment at the perceptual level occurs when they can develop their sense of using contraceptive methods for keeping the family size small. Making decisions regarding the number of children also reflect the improved sense of education. Women’s psychological empowerment refers to their ability to develop self-confidence, self-esteem and the vision for future planning.

### **Empowerment through Microcredit: A Rhetoric or Reality?**

This section deals with different forms and dimensions of women's empowerment in the context of the rural society of Bangladesh and evaluates the possible impact of microcredit on these processes. The review of existing literatures in the previous section clearly indicates that the effect of microcredit on women empowerment is contradictory and very often inconclusive. To reach a conclusion, the following section presents experiences of the female clients.

#### **Economic Empowerment**

Women's economic empowerment refers to their increasing ability to generate income through small scale business or any other similar type of loan funded activities. Such activities may help them to save money for further investment, as well as increase their ability to purchase things for satisfying immediate family needs. The findings indicate that small borrowings help them to earn money by investing in small scale business, such as a tea stall, stitching of cloths, vegetable shop, purchasing instruments for fishing and small vehicles, duck and poultry farming and so on. Women borrowers are able to buy household items and can save some amount of money for meeting the future needs. Many household items and appliances (i.e.; television, furniture, and sleeping bed) that were bought from the income of their small business were found in the clients' homes. One client said that involvement in microcredit programs inspired her to save money and it had been possible due to her hard work. She further remarked:

There have been many changes in my life. But truly speaking, these things did not happen only by using loan. My effort was the prime force for it. My husband has two families (wives) and we have a large family. Sometime it also happened that we remained to starve. Now I earn income, maintain the family and enjoy mental peace.

For the last few decades, microcredit has been considered as a way of survival for many poor women, particularly divorced and separated

women and lone mothers who are taking the financial responsibility of the family, challenging the traditional myth of male bread winner role. One interview participant remarks:

We have a large family consisting of nine members. My husband's income is inadequate to cover the cost. Many times we had to starve for having no food in our house. Finally, I decided to earn money and started clothing business taking credit from BRAC. At present, I am maintaining the family because my husband is sick. I have no savings in my hand but at least we have found a way of taking meal twice a day. If I did not get credit from NGOs, Allah (God) knows what would have happened to us.

Though some women have managed to increase their income, this is not the case for all female clients. This study has found much evidence that women failed to reap benefits due to high interest rate charges for such credit. Moreover, women's participation in a microcredit program may increase their family well-being, but it does not necessarily ensure their economic empowerment. The majority of the women use their credit to meet urgent family needs that support the view of Morduch (1998) which notes microcredit programs help smooth consumption of its beneficiaries; it does not alleviate poverty or empower its clients. The recent study conducted by Ali and Hatta (2012) also notes that although microcredit recipients enjoy slightly improved chances of social mobility and increased feelings of self-worth, there is no significant improvement in securing an enhanced economic base.

### **Empowerment at Family Level**

Women access to credit is assumed to strengthen their bargaining power in the household allowing a woman to influence family decision making. Sen (1999) argues that women can participate in family decision making and thus improve their status remarkably if they contribute to family income. However, this study indicates that women's financial contribution does not challenge asymmetric gender relations within the households. During interviews, the researchers found that in most of the cases (more than 90 %) borrowers had no controls over loan use and income. Consequently, it does not significantly affect the bargaining power of women. One respondent shared her experiences as:

Due to the financial crisis of the family, I took loan from ASA and bought a CNG (auto rickshaw) for my husband. He is running the family by the income he earns by driving the CNG. He just gives the amount in my hand at the end of month for repayment and I accordingly do so. I have no control over my loan and income. So, why he will care about my decision and how do you think that I am getting more power in the family through involvement in microcredit programmes?

The above testimony exemplifies that husbands or other male members of the households have the control over loans, but the clients have to retain the full liability for credit reimbursement. Thus it increases her level of stress and dependency (Rahman, 1999). Most of the interviewed women reported that they are more likely to comply with their husband's decision regarding family issues as Kabeer (2001) noted that women may be seeking to increase their influence within joint decision-making processes rather than independent control over income. Thus, microcredit could not be a direct challenge to break these asymmetric gender relations, and thus, does not necessarily increase women's decision making power and improve the relationships at the household level.

### **Social and Political Empowerment**

Microcredit programme is a group lending process through which women get an opportunity to meet the people beyond immediate family relations outside the home, and to discuss the matters concerning various social issues, including political participation and their voting behaviour. Thus, supporters of microcredit argue that involvement of women in microcredit brings them outside family precincts, which is supposedly challenging the traditional norms of private sphere of women at home. This study contradicts with this argument noting that women's involvement in microcredit activities does not bring any worthwhile changes in their social and political lives. According to this study, women seldom participate in social and political activities outside the home with their own choices. All of the borrowers except one cast their votes for the same person decided by the male guardian of the

family. So far the changes in the social and political consciousness among the rural poor women are not an automatic effect of microcredit per se. One client refers the role of mass media in creating awareness. According to her:

I never think if there is any influence of cooperative (NGOs) on us. The little changes that we experience in our lives are not merely the result of microcredit; rather the society has experienced many changes and these are the part of this process. You see everything is always changing.

### **Empowerment at perceptual level**

Supporters of the micro-credit model argue that women's participation in credit programs may bring behavioural change in their lives as centre meetings provide them a scope to discuss many of the social issues regarding fertility, dowry, women power and prestige in the family and society, family relationships and so on (Kabeer, 2008). Discussions in centre meetings increase and expand the level of understanding of the participants. The experiences of women borrowers under this study do not comply with the argument. Women borrowers have found very little scope of sharing their experiences regarding their fertility behaviour and the number of children. All of the interviewed women remarked that they are less likely to sit together to share their experiences. They meet in a place on the day of repayment for few moments and very often send other persons just to handover the monthly instalment. Therefore, microcredit's impact on creating women's self awareness and raising-consciousness about their contraceptive behaviour remain far away from the reality. This is still the norm that husbands will decide whether to have a child or the use of contraceptives. Though there have been evidences of greater reduction in fertility rate in last few decades, this is not the consequence of microcredit. Steele et al. (1998) argues that the contraceptive behaviour of women probably changed in the program villages because the necessary services were already available through the extensive network of family planning clinics and health workers in rural Bangladesh.

### **Psychological empowerment**

Psychological empowerment refers to the development of self esteem and self confidence through which women are able to be motivated into action. Due to the group based lending process, women have to make their face in public places particularly with group members, program staffs, and thus build up wider networks and remain in the process of interactions with each other. Thus, the rituals of participation and contact with group members creates a base for women to develop an identity outside of their families, and with some authority figures, leading to the increase of their self-confidence (Hashemi et al., 1996) and the development of their ability to make future plans for the betterment of life (Schuler & Hashemi, 1994).

Many women borrowers shared that participation in microcredit programs has increased their confidence of handling capital and resources. During a focus group discussion one participant said, “While I took credit from BRAC first time, I was afraid of handling the cash and repayment of instalments. Now I am not worried about repayment of the amount’. The staffs of microfinance institutions also support this statement. During the interview, one staff member from BRAC notes that “few years ago, I thought twice to give loan amounting to Tk. 5000. However, now I feel no doubt to give her Tk. 50, 0000”. One female client also noted in the similar way:

I got an increase in my self-confidence. At first I started a business taking loan tk. 5000. Now I have taken loan amounting to tk. 45000. So what the fear I had at primary stage has been removed now. If I take more money, then I have that much courage to maintain them.

Though the above statement supports the positive impact of microcredit in developing women’s self esteem, it is difficult to generalize this outcome. It is true that some women have been able to increase their business capital, but these examples are very few. Many of the borrowers have lost their capital through family consumption. Moreover, the increasing amount of loan in consecutive years does not reflect the actual development of self esteem of women. Rather it is a process of increasing the burden of loan amount. Many of the instances were found where borrowers had no alternative of taking higher of loan

for paying the previous loan. The rhetoric of targeting women as credit clients is that women have less opportunity to get access to credit and face some constraints in wider society, but in reality women make strategic choices as they pay back the credit with little or no trouble. One woman said:

Microcredit did not bring any change in my life. I am now what I was just before. Take money and give them back in instalment. If I take loan we can work and increase our family income. It can help us for better living, nothings else.

### **Problems Surrounding Microcredit**

Research findings, including the fieldwork of this study, have shown that microcredit has very minimal effect on women's empowerment and even linked it to negative consequences (Hume & Mosley, 1996; Mayoux, 2002; Rahman, 1999). Therefore, few questions are very pertinent that need to be addressed for a fair conclusion on the impact of microcredit on empowerment, such as, why the effect of microcredit on women empowerment is marginal? Is it the lack of empowerment potential of microcredit? What efforts are needed to get intended outcomes of microcredit? Responding to these issues, this section will address first the ineffectiveness of microcredit, and then will turn to the second question. The marginal impact of microcredit may be for a few reasons. **First**, it is observed that Microcredit Institutions (MCIs) are dealing with the clients who have the potential to repay the instalment. Less potential clients are not targeted to avoid risk of loan recovery. Therefore, the client who actually needs loans is sometimes denied. **Second**, women are the strategic choice of distributing loans but they are not their end users. It is the male members who really use and control the loans (Karim, 2008). This study has explored that women's lack of entrepreneurial skills and socio-cultural practices put barriers to the use and control of loan. **Third**, the main idea of the credit model is that small scale microfinance will help the borrowers to develop individual entrepreneurs where they will be self-employed and own private property (Todd, 1996). However, in practice credit is not used for women development. In many cases, it is used for household

consumptions e.g.; repairing houses, buying household items, payment for the dues, recurring cost for marriage and sick of the members (Ahmad, 2003; Hulme & Arun, 2011). NGOs are claiming that they are imparting training to their clients but in practice they are just giving loans and in due course, they collect it from the clients. This is not their concern how and for what purposes the clients are using the loans. **Fourth**, women are not integrated in mainstream development processes. NGO staff has openly stated that women are a strategic choice to NGOs for loan recovery instead of mainstreaming them into development. **Fifth**, male members have the responsibility for repayment as they use the credit, but many do not actually pay the loans. Women borrowers try to substitute their loans from alternative sources, either by selling their personal properties (e.g; ornaments) or borrowing loans from other NGOs through which many of the borrowers are getting into the trap of 'loan cycle' (Goetz & Gupta, 1996; Ahmad, 2003). Sixth, some credit organizations are reported to have put pressure upon women if they fail to repay the instalments in due time, and they are verbally abused in front of other peer groups for not making regular repayments (Rahman, 1999; Ahmad, 2003). One respondent notes:

If I cannot pay the instalment in time, they use vituperative language. Personnel from NGO come to our home and stay sitting until I pay the instalment. They never consider our situation whether we are capable or not to pay the dues for that moment.

However, the field evidences of this study do not completely deny the potential of microcredit, rather it is perceived as a way of survival for rural poor women. The problem underlies in the distribution and management of credit. Credit is, of course, a way of empowerment, but it would not be sufficient if efforts are not made to change the patriarchal social structure (Hashemi et al., 1996; Hossain et al., 2005; Drolet, 2010). Likely to other researchers (e.g.; Drolet, 2010; Kabeer, 1999), this study finds that social, economic, political and cultural factors determine gender relations, which in turn influence a woman's ability to use microcredit. Women need to confront existing norms and culture in order to achieve their freedom and rights, which necessitates intervention at the social, cultural and perceptual levels.



### **Concluding Remarks**

The study suggests that microcredit could become a good intervention in reducing the vulnerability of women. This is due to the fact that it could be conducive to generate income and thus build an asset base through small scale business enterprises of households. However, the practical evidence on the effects of microcredit has shown that credit alone is not often enough to empower women in the context of Bangladesh. Bangladeshi society and culture treat men and women differently and hence people hold a gender differentiated outlook towards their lives. Women empowerment in Bangladesh is embedded in the socio-religious and cultural practices that require a comprehensive change at all levels of human functioning including social, economic, political, psychological and perceptual levels. Microcredit serves as one of the catalysts towards this end. Many scholars (Hashemi et al., 1996; Kabeer, 1999) confirm that credit based models may contribute to the improvement of individual situations but are unable to break the patriarchal bond that constrains women's inclusion in development activities. Therefore, it is more rational to assume that women's empowerment may not reach its culmination unless change happens in gender perceptions. Credit with other social supports and activities (proposed as 'credit plus approach') may be a successful model for microcredit institutions. Some credit programs combined with a social program of skills training, education and awareness building, and livelihood protection may be considered very successful in order to empower the poor credit clients.

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