



## DOES MICROFINANCE EMPOWER WOMEN? AN EMPIRICAL EVIDENCE FROM NORTH-EASTERN BANGLADESH

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### **Abstract**

*In recent times several institutions and NGOs have been advocating for the rights of women specifically in developing countries like Bangladesh. However, this is also the fact that this effort not even contributes well to the development of the women community. In developed countries, women's contributions to the country's economy by approximately 50%. However, in Bangladesh due to the low level of women empowerment, this figure is 25% to 30% only. Therefore, the prime objective of this study is to examine the impact of microfinance factors (microcredit, micro insurance, and micro training) on women empowerment in the rural area of Bangladesh. The study has used convenient sampling technique for data collection. Data is collected from 247 women from Sylhet Districts of Bangladesh. Further, to assess the impact of microfinance on women empowerment, ordinary least square regression model has used. The results of the study reveal that microfinance (microcredit, micro insurance, and micro training) has a positive significant relationship with women empowerment. Moreover, findings of the study claimed that women's specifically from the developing countries get the credit from micro institutes than these women's must take the facility of insurance to reduce the risk or vulnerability and institutions must provide the suitable training to women's enhance the skill level and make them empowered to take the strong decisions regarding their micro business, so that they can claim themselves as an asset of the economy. The current study has some limitations with regard to area, sample, and context. Future studies may be conducted with the same model in other developing countries. This study is beneficial for microfinance institutions, the government of Bangladesh, and gender lobbies in clarifying strategies to promote women's empowerment by reducing gender discrimination.*

*Keywords: Microfinance, microcredit, micro insurance, micro training, women empowerment*



## INTRODUCTION

Women play a very significant role in the development of their families, society, and community, especially in developing countries. However, unemployment, poverty, low household income, cultural and societal discrimination are the factors that influence and hindered the efficient performance of women's roles specifically in developing nations. Therefore, most of the women are not part of human resources. Studies have explained that there is a strong need to develop strategies to empower women. So that they can play the role of an effective and efficient resource for country development. According to prior studies of Salia, Hussain, Tingbani, and Kolade (2018) and Chowdhury, Salleh, Rusmita, and Sukmaningrum (2019), developing countries face two main challenges of poverty and unemployment and try to develop different strategies to cope up with these problems. For instance, countries launch poverty alleviation programs, empowerment programs. However, despite all these programs these countries have failed to address the issues of poverty and empowerment among women of the country specifically in Bangladesh. Hence, the prime objective of the current study is to suggest a suitable solution for women empowerment specifically in rural areas of Bangladesh.

Currently, microfinance has emerged as the most significant strategy in order to support and empower women in developing countries like Bangladesh. Particularly to resolve the issues of poverty and unemployment through women empowerment. As discussed by Khan and Noreen (2012), Mallick (2012) and Chowdhury et al. (2019), in their studies that microfinance is the possible solution of poverty reduction and unemployment through women empowerment. This movement of women was started in the 1970s, in various countries especially in developing countries in the favor of women's access to the poverty focused credit programs and to gain the benefit from this credit. After that this issue of women's access to poverty focused credit program was firstly highlighted at the first women international conference in Mexico in 1975, leading to setting up of network of women at World Bank. After that in the second conference of women in Nairobi in 1985 there was a huge number of NGO'S and government sponsored programs for income generating programs many of which including savings and credit. From that time there emerged increasing awakening and interest into the need for women to have more access to financial services in the rural setting, since the greater percentage of women live in rural areas.

In the Third Millennium, the main goal was the women empowerment. According to that goal when women will be empowered, it may create following impact on society such as (1) able to get control on their own lives, (2) contributing to their children human capital (health, education, and food) in short and in the nation's income growth in large. Additionally, women will contribute towards the collective wellbeing of their nation through their educated children,

daughters, and low fertility (Nessa, Ali, & Abdul-Hakim, 2012). Similarly, Swain and Wallentin (2008), stated that women empowerment especially economic empowerment help in reduction of corruption, violence, social in-balance, conflict and poverty and create opportunities of employment, mobility of human assets, education, health, control of assets and personal security through microfinance savings, and credit. Studies have mentioned that microfinance has various factors that may play a very significant role in women empowerment e.g., microcredit, micro insurance and micro training (Behara & Suryanarayana, 2013; Chowdhury et al., 2019; Karlan & Valdivia, 2011; Werner, 2009). However, the practitioners and researchers hold diverse views on microfinance, its range of services, and its target recipients. Therefore, the objective of the current study is to assess impact of microfinance e.g., microcredit, micro insurance and micro training on women empowerment in rural area of Bangladesh.

## LITERATURE REVIEW

### Micro Credit

Women empowerment and entrepreneurship are important issues of current developing economies where it affects the collective economy. Both the developed and developing countries focused on the micro-credit element of microfinance for women empowerment. Like other developing countries in Bangladesh, a program of microcredit has started to improve the area of women empowerment. According to Chowdhury et al. (2019), microcredit which was previously known as microloan is set to help the poor people when their loan has rejected from the conventional banks due to lack of assurance. Therefore, the financial assistance is provided to them through microcredit to support their business activities, to raise their income level and living standard. Since the women have access to microcredit and NGO's offer microcredit to empower the women in society. From that time women start to find themselves more secure and consider as an effective breadwinner for the family.

Consequently, the women become self-independent and society starts to allow the women to come out for the work and help the other members of the family to manage the family living standard. By the passage of time women have started the small business-like handicrafts, poultry, etc. through micro-credit facility. Besides that, businesswomen enforce their spouses to involve in the business to manage the weekly payments of the loan. This lets the people join the workforce as a result, in women's power of decision and employment rate increased sharply. Moreover, these activities enable the women to have more capability, power, and voice to participate in decision making for good status in the family as well as in society. However, in the context of developing countries like Bangladesh specifically, from the perspective of rural areas the male is the dominating gender in society. Therefore, males force the women to take the

credit from the organization, but the women don't have the opportunity to utilize that credit for profit earning. Besides the education level, other factors may also influence the proper utilization of microcredit such as insurance which saves the amount from loss. This argument is also supported by the theory of women empowerment. Additionally, literature provides evidence that a sufficient amount of credit aids entrepreneurship performance (Behara & Suryanarayana, 2013; Hameed, Hussin, Azeem, Arif, & Basheer, 2017). As a result, credit provides assistance to women entrepreneurs to run their business and enhance their income level. Prior studies have proved that credit has a positive significant relationship with business performance similarly, Hameed et al. (2017), have stated that microcredit has a positive impact on the wellbeing of women and empowerment. That's why this study aims to evaluate the role of microcredit in women empowerment.

*Hypothesis 1: Microcredit has a positive relationship with women empowerment.*

### **Micro Insurance**

Recently, an emerging factor that is significantly associated with microcredit in Bangladesh is micro insurance. Despite the huge research on microcredit in South Asia, micro insurance is still a new sector of research. According to Werner (2009), approximately 36.9 million lives were insured by some of micro insurance in South Asia. Generally, people in rural areas in Bangladesh have lower access to public services and private-sector resources. Furthermore, a study is conducted by Hameed, Nisar, Abbas, Waqas, and Meo (2019), the author stated that there is a significant relationship between micro-insurance and women career development (empowerment). Furthermore, researchers have stated that micro-insurance plays a vital role in the provision of social security and help the women to raise the standard of living. Micro insurance also helpful in educational and skill development of poor women for micro business management. Additionally, micro insurance will help in the women empowerment through the reduction of financial loss and risk and vulnerability. According to McEntire (2004), the effect of vulnerability will boost where people will not have access to insurance. Researchers define the vulnerability is a financial, social and skill loss. Therefore, in the context of microfinance and women empowerment role of micro-insurance is very crucial along with the micro-credit to secure the loss of credit specifically in developing countries like Bangladesh. Besides that prior studies have proved that micro-insurance has positive significant relation with micro-enterprises, education, wellbeing and empowerment (Hameed et al., 2019). Finally, it is claimed by the researcher's micro-credit and micro-insurance together develop the mechanisms of risk breaking. Which reduces the effect of vulnerability factors? Thus, micro-insurance supports

social status development by raising the women's empowerment and through microfinance. Therefore, it is proposed that

*Hypothesis 2: Micro-insurance has a positive relationship with women empowerment.*

### **Micro Training**

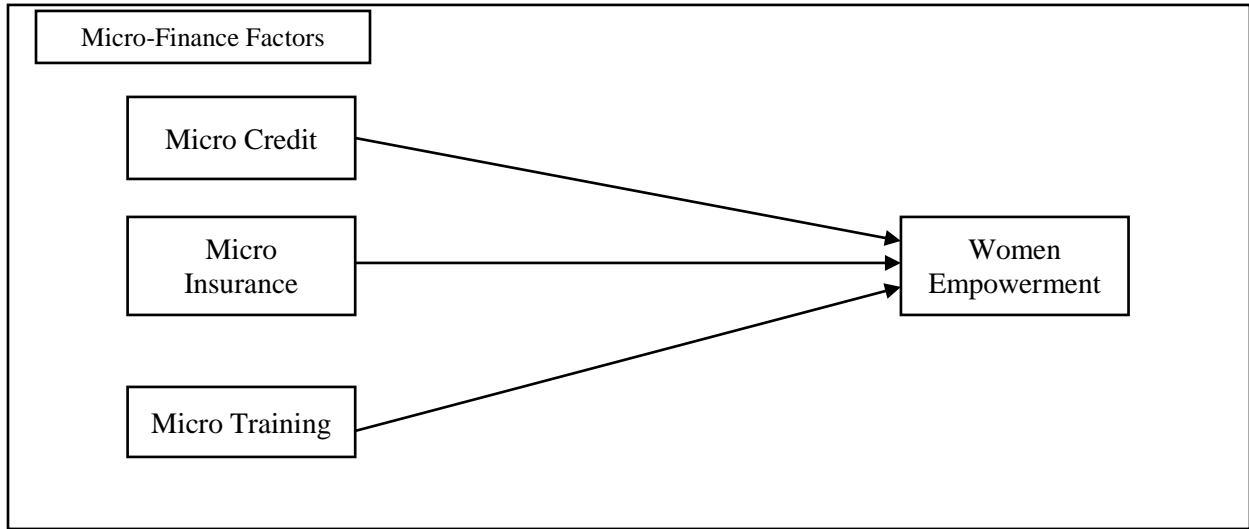
Micro-enterprise training necessity was first recognized in early 1990 (Ladzani & Van Vuuren, 2002). However, very slight training presented, and further, there was a confusion about small business training and entrepreneurship training (Gideon, 2001). Subsequently, with the passage of time training become a significant tool to enhance the skills level of micro-entrepreneur (women) to enhance the performance of their institutes. After that this training is adopted by the microfinance institutions to provide the trainings to their clients for the enhancement of their skill level. Failure in business is due to a lack of skills (Radipere & Van Scheers, 2005). Microfinance institution's clients are unable to use microfinance factors properly because they do not have unique abilities (Hameed et al., 2017). Business owners have responsibility for the acquisition of skills, and they need to learn that how should they learn (Unger, Keith, Hilling, Gielnik, & Frese, 2009). Basically, the training addresses the issues relating to a small business such as problem-solving, business management, personnel management and time constraint (Smith & Perks, 2008). Nurtures of skills depend upon entrepreneurial training, and it enhances the entrepreneurial performance (Nieman, 2001). Furthermore, the generation of new ideas can be affected by training activity. Therefore, training has a significant positive linkage with micro-enterprise success. But education also acts side by side with training because formal education is mandatory for practical implementation.

It is proposed from prior research, that there is a need to study on credit, jointly with training on free enterprise in developing countries. Specifically, in the context of women empowerment as an element of microfinance. As in developing and low-income countries, women have a low educational level. Therefore, it is recommended by the literature that training plays an important role in women empowerment. Further, researchers have mentioned that training is an important factor of microfinance either training is little or more. According to the literature, without training, microcredit cannot be an effective tool for poverty alleviation and women empowerment. By taking microcredit from microfinance institutes, poor people (Women) start micro-business, but they need training to run that business. As Bernard, Kevin and Khin (2016), have mentioned in his study that women and poor people easily get the credit from the micro institutes and they run their business with proper training. Hence, it is clear that as like the other factors of microfinance (micro-credit and micro-insurance) micro training is also equally important to ensure the right use of microcredit and make the women more empower able to run

the micro-business smoothly. Therefore, a combination of micro-credit and micro-training is adopted in this study to develop a framework for micro-finance for the women empowerment. Therefore, on the basis of the previous discussion, it is hypothesized that

*Hypothesis 3: Micro Training has positive relationship with women empowerment*

Figure 1 Proposed Research Framework



## METHODOLOGY

The study adopted a descriptive research design.

### Data

A self-designed structured questionnaire was used to analyze the data collected through field survey. Using convenient sampling technique, the primary data was collected from the various regions of Sylhet District in Bangladesh for the current study. The survey questionnaires were distributed in-between the period of September and October 2019 among the women entrepreneurs that get the micro-credit through an individual person for each area. A comparison group was also set to observe the difference between microfinance beneficiary and non-beneficiary. Finally, there were 247 women were interviewed who answered the questions completely from the rural areas of Gowainghat, Sylhet Sadar, Jaintiapur, and Kanaighat.

### Model and Variable Description

The central hypothesis of our study is that access to microfinance is associated with higher women empowerment. A positive effect of access to microfinance on women empowerment can be statistically obtained by following empirical model.

$$Wempower = \alpha + \beta_1 Age + \beta_2 Education + \beta_3 Income + \beta_4 M\_credit + \beta_5 M\_training + \beta_6 M\_insurance + \varepsilon$$

Where,

Age = respondent's age in years

Education = respondents' level of education

Income = household monthly income

M\_credit = respondent's perception on access to microcredit

M\_training = respondent's perception on access to micro training

M\_insurance = respondent's perception on access to micro insurance

Wempower = respondent's perception on empowering socio-economic status due to microfinance access

The current study uses the descriptive analysis used to outline respondent's profile and ordinary least square (OLS) regression model to achieve the objectives of this study.

## RESULTS AND DISCUSSION

The study survey was conducted using structured questionnaire comprising 247 respondents. The basic characteristics of the samples are given below. The study interviewed 247 respondents' women in different regions of Sylhet District. The sociodemographic profile of the respondents is summarized in Table 1.

Concerning the respondent's age, the majority of the respondents fell within the age bracket of 21-35, which constituted 60% of total samples. The next highest categories were those whose age fell in the range of 36-50 which comprised 10% of the total sample. On the educational background, the number of respondents who never received any formal education was very low. It was 6% of the total sample. In attaining formal education, most respondents had an elementary education (consisting of 24% of the total sample). The highest percentage of women were found to have secondary educational qualification (29% of the total sample). The total income of the household was calculated from all sources. From Table 1, we can see that 42% of the respondents in the study area had an income far less than the national average of BDT31,883 (BBS, 2016). Notably, the higher percentage of the samples (73% of total respondents) fell in within the income range of below national average. The finding showed most of the households in the study area were in poor socio-economic condition.

Table 1. Socio-economic Profile of the Respondents

Characteristics	Frequency (n=247)	(%)
<i>Age</i>		
Under 20	17	7
21–35	148	60
36–50	37	15
51–65	25	10
66 or older	20	8
Total	247	100
<i>Net income</i>		
Under 10,000	104	42
10,001–20,000	77	31
20,001- 30,000	42	17
30,001-40,000	17	7
40,001 or higher	7	3
Total	247	100
<i>Education level</i>		
No Schooling	15	6
Elementary School	59	24
Secondary School	72	29
High School	49	20
Undergraduate	30	12
Postgraduate	22	9
Total	247	100
<i>Microcredit Source</i>		
NGOs	180	73
MFI	52	21
Others	15	6
Total	247	100

The regression results of microfinance and women empowerment are measured by OLS is presented in the table 1.2. The F-statistics that explains the overall significance of the model is found to be significant at 0.000 levels with R-squared of 0.6785. It shows that regression model consisting of *Age*, *Education*, *Income*, *M\_credit*, *M\_training* and *M\_insurance* could explain 67.85 percent changes in OLS model. The predictor variables, such as, *M\_credit*, *M\_training* and *M\_insurance* is found to be significant which are supporting the hypotheses. However, *M\_insurance* is found to be insignificant. Meanwhile among the three sociodemographic



variables, *Age*, is negatively significant whereas *Education* is positively significant. The results of the regression analysis indicate that microfinance products, such as microcredit and microtraing have an impact on women empowerment.

Table 2. Estimated OLS Model

Independent Variable	Estimated Coefficients	P>t
<i>Age</i>	-.1926351*** (.0270295)	0.001
<i>Education</i>	.2356958 (.025603)	0.164
<i>Income</i>	.3431729** (.0189982)	0.023
<i>M_credit</i>	.5878282*** (.0209607)	0.000
<i>M_training</i>	.2761673*** (.021664)	0.000
<i>M_insurance</i>	.040067*** (.0216827)	0.003
Constatnt	.3832862*** (.0825916)	0.000
R-squared	0.6785	
Adj R-squared	0.6164	
Degrees of freedom	5	
F Statistics	0.000	
observation	247	

Note: Robust standard errors in parentheses, \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

## CONCLUSION AND RECOMMENDATIONS

Microfinance plays a vital and remarkable role as a tool for poverty eradication in developing countries specifically in Bangladesh. It also considers a blessing for poor people especially for women who are not capable to earn their livelihood for their families. Prior literature has proved that microfinance (microcredit, micro insurance, and micro training) empowers the women of developing countries in South Asia and Bangladesh. Moreover, from the last three decades, Bangladesh has set an example of the successful implementation of micro-credit along with micro-insurance and micro-credit schemes. Microfinance institutions are not only contributing to community development, human capital development and also contributing to the economy of

the country and financial growth along with conventional banks by providing small loans and microcredit to needy people such as women. This study will help the micro-finance institutions to take the strong steps and processes to make the micro-credit system into an effective and value-added system to achieve the best efficiency.

The current study aims to explain the impact of microfinance (microcredit, micro insurance, and microcredit) on the women empowerment. Findings of the study have proved that microfinance has a positive significant impact on women empowerment through micro-credit, micro-training and micro-insurance which help the poor women of developing countries like Bangladesh to play their part in the economic development of their country. Hence, it is clear that microfinance makes women more empowering. Based on the results of the current study it can be recommended that the government and microfinance institutes of Bangladesh take few steps for women empowerment. By offering them micro-credit with the facility of insurance women can start their micro-business then micro institutes and government consider the provision of micro training to women to reduce the risk of skill loss and business financial loss through micro-credit. The policymakers may implement the development and training projects to enhance the economic activities across the country. The researchers may investigate further studies to identify the gap between borrowers and MFIs (micro-finance institutes) in order to develop the implementation of credit facilities in a larger area.

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