Women’s Empowerment or Disempowerment through Microfinance: Evidence from Bangladesh

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Women’s empowerment has been one of the declared goals of Bangladesh’s national development program, and microfinance is playing a leading role in bringing about the realization of this program. Since one of the intended goals of microfinance is to empower women, this concept paper attempts to investigate the success rate—does microfinance truly empower or is it a case of disempowering through “empowerment”? The effectiveness of microfinance today has been a debatable subject in the economic and social work realms, in which it is considered a viable tool for women’s empowerment. Although there are scores of studies that demonstrate that microfinance has a significant impact on livelihood and improves the living standards of women by reducing poverty, this paper contests those claims.

Keywords Bangladesh; microfinance; poverty reduction; women’s empowerment
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Introduction

Women’s empowerment has been one of the top priorities of development agencies and governments around the world, including Bangladesh. International aid donors, governments, scholars, and other development experts have paid much attention to microfinance as a strategy capable of reaching women and involving them in the development process. However, women’s empowerment in the development process has, up to now, been viewed as the achievement of a “better deal” for women, with the concentration mainly on women’s well-being (Sen, 2000).

Bangladesh has been ranked 100th out of 128 countries in the 2007 Gender Gap Index of the World Economic Forum. The index illustrates that labour force participation among women is 55% as compared with 88% for men, and women earn less than half their male counterparts. The literacy rate among women is 31%; however, only 4% of women undertake tertiary education (World Economic Forum, 2007). It has been recognized that, even in the developed countries, women continue to experience various forms of discrimination in one form or another. In developing countries, gender disparity...
or low status of women has been recognized as a significant obstacle to equality and
development (World Economic Forum, 2007).

Presently, in Bangladesh many girls are sent to attend primary school, but completing
a high school education is still a challenge for them as they are usually married off before
the age of sixteen or drop out of school due to poverty (Bhusal, 2010). Boys are compara-
tively privileged compared with girls, but they too are forced to leave their education
early due to severe poverty and continue wandering around big cities in search of menial
employment (Bhusal, 2010). Similar realizations have resulted in the conclusion that
unless, women are economically, socially, and politically empowered, an equal and just
society remains a distant dream.

The concept of microfinance was developed by Friedrich Wilhelm Raiffeisen and
nationalist Jonathan Swift. Their altruistic action was motivated by a concern to assist the
poor rural population to break out of their dependence on money lenders and improve
their welfare. Their principal purpose was to provide small loans with interest for short
periods. From the 1870s, microfinance institutions (MFIs) have expanded rapidly over a
large sector of the Rhine Province and other regions of the German States (Global Envi-
sion, 2006). In Bangladesh, the concept of microfinance was developed in 1976 by
Muhammad Yunus, a Bangladeshi economist, as a means of alleviation poverty and
improving the lives of the very poorest inhabitants in Bangladesh (Grameen Bank, 2012).

Against that backdrop, microfinance emerged as an attractive tool with the impres-
sive claim of empowering poor women at all levels. Microfinance is a small-scale loan to
poor women for income-generating activities with a view to helping them get out of pov-
erty within their family structures. If programs wish to empower women, they should be
grounded in a clear conceptualization of empowerment, rather than assuming that
programs are empowering. As a result, it is difficult to evaluate how programs might
help some women, leave some without help, and cause harm to others (McDermott &
Garofalo, 2004).

Problem statement

Women’s empowerment is conceptually complex and methodologically challenging to
measure and analyze. Measuring empowerment is not only a difficult task, but also a
recent phenomenon in the field of social sciences. It has a very relative meaning too. The
meaning, outcomes, and goals of empowerment differ according to cultural, regional,
social, and political context. Yet, to date, neither the World Bank nor any other major
development agency has developed a rigorous method for measuring and tracking
changes in levels of empowerment. In the absence of such measures, it is difficult for the
international development community to be confident that its efforts to empower women
are succeeding (Malhotra, Schuler & Boender, 2002). It is even more worrying for
Bangladeshis to trust claims from certain quarters that microfinance is succeeding in
empowering women.

The majority of empirical studies do not measure the process element of empower-
ment (Latif, 2001; Osmani, 2007). Additionally, macro-level studies are especially weak
on measuring agency and often do not employ a relevant conceptual framework (Haymanot, 2007; Kurey, 2005; Zaid, 2008). Household-level studies have made significant progress in conceptualizing broader, context-specific frameworks and in specifying indicators that can be said to capture aspects of agency, but considerably more work is required in this area. The lack of empirical research at “meso” levels presents an important gap, as does the relative lack of rigorous research on policy and programmatic efforts.

The scope of empowerment here encompasses social, economic, political, child health or welfare, household well-being, women’s health, and spiritual advancement among individuals within the households as well as communities (Cheston & Kuhn, 2002). Anecdotal evidence suggests a substantive need to explore in greater depth the relationship between microfinance structures and the issues of gender in development and empowerment related to microfinance (Armendiz & Roome, 2008). It is underscored that women’s empowerment is needed to increase poor people’s access to opportunity, security, and empowerment to enable economic growth and poverty reduction in Bangladesh.

**Definition of women’s empowerment**

There is general consensus that empowerment is a process that is manifested in more than one dimension. The most frequently identified dimension is women’s absolute well-being, where empowerment is seen as the process of improving the welfare of women and girls, and is indicated by outcomes that measure current status with respect to literacy and schooling, health and nutrition, labour force participation, contraceptive use, mobility, and ownership of clothing and assets. Another dimension is women’s relative well-being, where empowerment is seen as the process of improving the position of women relative to men within the household, and is indicated by women’s involvement in intra-household processes such as decision-making, control over household income and assets, and control over loans taken. The biggest organization in Bangladesh that represents this school of thought is Proshika, which believes that empowerment of poor women is achieved through raising their consciousness, giving them training in organizational and practical skills, supporting them with resources, and infusing them with the confidence and determination necessary for taking action to improve both their social and economics lives (Drake & Rhyne, 2002).

The microfinance institutions in Bangladesh are working for women’s empowerment in order to reduce poverty. Women’s empowerment is the process by which the powerless gain greater control over the circumstances of their lives. It means not only extrinsic control, but also a growing intrinsic capability; greater self-confidence and an inner transformation of one’s consciousness enable women to overcome external barriers to accessing resources or changing traditional ideology, and monitoring and evaluating them, and can create an environment that is conducive to women’s empowerment (Batliwala, 1994). In this study women’s empowerment is defined as the achievement of expanded rights and opportunities including education, economic self-reliance, ownership and inheritance of property, political participation, and the elimination of all forms of gender-based discrimination, violence, abuse, harassment, and exploitation (Harriet & Sen, 2003).
Microfinance and women’s empowerment in Bangladesh

Microfinance is being promoted as an entry point in the context of a wider strategy for women’s economic and sociopolitical empowerment, which focuses on gender awareness (Kessey, 2005). In addition, access to credit is considered to be an important ingredient of empowerment, simply because it plays a crucial role in the process of developing livelihood strategies for women given their responsibility in fulfilling both social and economic roles in society (Kessey, 2005). Microfinance has become popular not only for its alleged ability to combat poverty but also for its potential to empower the microfinance client, especially those clients who are women (Sugg, 2010). In addition, the study of Haymanot (2007) indicated that participation of women in a microfinance service has had a significant impact on their livelihoods, enhanced their household decision making, and improved other direct and indirect outcomes related to empowerment.

According to Ahmad (2006), approximately 1000 microfinance institutions and services are in existence and operational, serving 17 million active borrowers in more than 85,000 villages in Bangladesh. The largest microfinance sector reaches 37% of Bangladeshi households, which is among the highest coverage in the world (Ahmad, 2006). However, the effectiveness of microfinance programs is not considered to improve the living standards of the poor Bangladeshi women. A study by Mayoux (2005) claimed that microfinance does have the potential to significantly impact the lives of women by empowering them. However, that is not an automatic consequence of women’s access to savings and credit or group formation. In many cases, benefits may be marginal and women may even be disempowered (Mayoux, 2005). Microfinance is not suitable for the majority of poor women in Bangladesh. It can empower only those wealthier women who have a certain level of income, land, and assets and who have had no previous loans (Haque & Yamao, 2008).

The study by Banerjee, Duflo, Glennerster and Kinnan (2009) asserted that microfinance for women has no impact on participants’ average monthly expenditure per capita, health, education, or their decision making in India. A recent study by Shillabeer (2008) in Bangladesh argued that microfinance created indebtedness and led to poverty traps for poor women. The study of Sugg (2010) conducted with Bangladesh Rural Advancement Committee (BRAC) clients showed a negative correlation between ownership of assets and length of membership with the organization. BRAC beneficiaries reported that they have to sell personal assets in order to repay their debts. In addition, in a study with Grameen Bank clients in Bangladesh, Sugg (2010) showed that 57% of female clients saw a rise in spousal verbal aggression since the start of their loans, and a 13% rise in both verbal and physical violence.

A study by Anderson and Baland (2002) ascertained that the most important motive for women to join the Rotating Savings and Credit Association (ROSCA) saving program was to keep the money away from their husbands. Thus, this finding provides evidence that husbands misuse their spouses’ assets, and this induces new conflicts between husbands and wives in the family. In addition, Mallick (2002) claimed that in some cases the Grameen Bank minimizes its transaction costs by threatening women with “shame”,

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or using or condoning violence (both physical and verbal) as a mechanism for pressuring women to make timely payments. MFIs prefer to lend money to wealthier women, rather than poor women, because they can more easily repay the loans, and this helps ensure the sustainability of the organisations. They regard poor women as too risky for microfinance. Also, MFIs prefer to lend larger amounts of money because they can make a larger profit. Therefore, they discriminate against poor women by providing them with smaller loans (Haque & Yamao, 2008; Swope, 2010).

Additionally, the study of Johnson (2004) showed that having women as a key participant in microfinance programs did not mean empowerment. On the other hand, microfinance had some negative impacts on the family—it increased the workload for women of running a business and caring for children (Cheston & Kuhn, 2002). Traditionally, in Bangladesh, women take care of their children and the household work while the men earn income for the family. More and more women are now entering the public workforce to earn money and make their weekly repayments (Murdoch & Haley, 2002). This creates an enormous double burden for many poor women in Bangladesh. In addition, after getting the loan, women often give the borrowed money to their husbands, who then spend it for their own purposes. When a wife asks her husband for the weekly loan repayment, the husband may become angry and violent to his wife. Thus, the loan creates additional mental and physical harassment for poor women since they are liable for the weekly repayment. In addition, many children are then forced to drop out of school to work at the family business to increase household income and reduce the family’s poverty. The study by Ertel and Rao (2006) claimed that, in spite of having access to credit, some female microfinance clients did not have control over the loans contracted or the income generated by their microenterprises. Microfinance institutions may put pressure on field staff to achieve financial targets and ignore their social responsibilities, such as professional and skill development training for poor women to empower them to building capacity, control their loans, reduce poverty, and improve their living standard (Hulme & Arun, 2011).

Although access to credit and women’s empowerment are inextricably linked in much of the international discourse on the impact of microcredit, within Bangladesh the major policy thrust of microfinance institutions has not been women’s empowerment. However, given the gender- and class-based nature of rural Bangladesh society, it is hardly surprising that the tremendous capacity of microcredit programs to reach poor women should have important consequences for women’s empowerment (Mahmud, 2002). In addition, the focus on female borrowers has promoted the idea that microfinance is a tool for gender empowerment. Finally, the claim that the act of participation in microfinance programs is itself empowering produces contradictory evidence.

The study by Haque and Yamao (2008) established that the majority of microfinance clients and their households lived in unhygienic and unhealthy environments. Malnutrition and lack of knowledge pertaining to hygiene and physical illnesses were prevalent among the clients and their households. The findings showed that 30% of the recipients were financially wealthier, 81% were illiterate, about 95% lacked access to medical
facilities due to shortage of money, 91% borrowed money from at least 2.74 microfinance institutions, and 71% indicated that microfinancing had no impact on their lives. Ullah and Routray (2007) established that 73% of microfinance recipients remained below the poverty line and 74% were unemployed. It is also reported that Sufia Begum, the first customer of Muhammad Yunus, died without food and basic needs. The first village named “Jobra”, where his microfinance projects started in 1976, has the same outlook and the level of poverty remains unchanged (Daily Amadershomoy, 2010). Under these overt circumstances, it is vital to scrutinize the effectiveness of microfinancing initiatives in women’s empowerment and poverty reduction, with special reference to Bangladesh.

Social work and women’s empowerment

Empowerment has become a catchword in the field of development, with special reference to poverty reduction and the political inclusion of marginalised groups such as women (Kessey, 2005). Empowerment is used in the context of social work and education where there is broad agreement that empowerment is a process, that it involves some degree of personal development, but that this is not sufficient, and that it involves moving from insight to action (Rowlands, 1997). From the social work view, empowerment means assisting individuals, groups, or communities to enhance or restore their capacity for social functioning, to solve their own problems and to create societal conditions favourable to this goal. Women’s empowerment is an important goal of social work. Therefore, social workers can provide the necessary protection and empower women to control their lives and improve their living standards (Parsloe, 1996).

Empowerment should be practised in all sectors of social work. Without empowerment, something basic is missing from social work practices (Steiner, 1975). Empowering women involves the women themselves analyzing the sources of their problems, exploring their needs and developing their own strategies for poverty reduction (Mayo, 2000). In addition, the process of women’s empowerment creates self-maintaining, problem-solving structures, stimulates wide interest and participation in community affairs, fosters collaborative attitudes and practices among people, and enhances indigenous leadership and local problem-solving capacity for poverty reduction (Rothman, 1964).

The process of women’s empowerment could be directed to individuals, families, groups, organizations, or communities, and also to different levels of people’s lives in Bangladesh. Before empowering groups, communities and organizations, it is essential to develop a practice which empowers individuals. Individuals’ empowerment involves taking power over their own lives, being able to influence each other, and bringing about change for poverty reduction in Bangladesh (Croft & Beresford, 2000). However, an individual’s empowerment is not effective without empowering groups, communities, and organizations. Empowered groups can provide their members with a positive experience for improving living standards. Empowering strategies offer people in communities ways of improving their coping skills and self-confidence and may give them greater control over their lives (Adams, 2003).
Women’s empowerment is essential for poor communities and could help improve access to resources by linking them with other groups through social movements or by connecting them to others who can represent their interests in different arenas. However, the empowerment process can be more effective for poverty reduction if it involves broad coalitions between policy makers or government agents and active citizens (German et al., 2008). Empowerment of women and their full participation on an equal basis in all spheres of society, including participation in the decision-making process and access to power, are fundamental for the achievement of equality, development, and poverty reduction in Bangladesh (Dooren, 2007).

Women’s empowerment also helps to ensure a more equitable distribution of resources and to improve the financial status of low-income communities (Gamble & Weil, 1995). Community participation can empower people and offer more ownership, and it also makes the development process more transparent and accountable (Dorsner, 2004). The concept of women’s empowerment is said to have its origin in the fight against poverty among women in poor communities (Barry & Sidaway, 1999). Therefore, participation by local people in decision making may help empower women to reduce poverty (Hardina, 2003).

People living in poverty are generally regarded as lacking normative and other knowledge about improving living standards, including lack of family planning, inability to plan a budget, inadequate parenting skills, and lack of interpersonal skills (Nevo, 2005). Community social workers may help their clients tackle wider problems arising from poverty, including unemployment, poor housing, and inadequate health-care and social services (Adams & Palgrave Macmillan, 2003). The community social worker should educate and inspire poor women to be enterprising, autonomous, and innovative, as individuals and communities to help reduce poverty (Jordan, 2008).

The majority of poor women in Bangladesh are illiterate and they have little knowledge about making effective changes for themselves and their families, especially poverty reduction (Encyclopaedia of Bangladesh, 2010). Hence, community social workers could help to empower individual women, as well as families and communities, by providing them with the skills they need to effect change for poverty reduction in Bangladesh.

Community social workers could organize community members to identify problems, identify community assets, locate resources, analyse the local power structure, assess human needs, and explore other concerns related to women’s empowerment and poverty reduction in Bangladesh (Ali & Hatta, 2010). In addition, community social workers can also assist political parties to persuade the government and microfinance policy makers to develop new policies or reverse existing policies; they may also be able to influence those involved in the implementation of MFI programs, from local and international human services institutions or organizations, to adopt new strategies to minimize the issue of poverty in Bangladesh. The United Nations Educational, Scientific and Cultural Organization (UNESCO) suggests that the full and genuine participation of poor and vulnerable women in poverty assessments, planning and implementation of anti-poverty programs, as well as monitoring and evaluation of impacts of these programs help to
improve the living standards of poor communities, especially in Bangladesh (UNESCO, 2000).

**Conclusion**

Microfinance institutions in Bangladesh seem to assess the success of their programs mainly in light of repayment rate and self-sustainability, whereas, the real impact on the beneficiaries is not adequately prioritized. Although long-term microfinance beneficiaries enjoy slightly improved chances of social mobility and have increased feelings of self-worth, there is no significant improvement in securing an enhanced economic base and, at the same time, the longstanding issues of gender disparity and powerlessness remained unchallenged. Thus, the link between minimalist microfinance and women’s empowerment is not as strong as it is normally perceived. It is important that microfinance institutions (MFIs) promote independent academic studies and research in order to verify anecdotal claims. In addition, it has been clearly proven that a single intervention such as microfinance cannot dramatically improve women’s empowerment or lives of women who have historically been oppressed by the traditional patriarchal society in Bangladesh. Minimalist microfinance seems to have many limitations and, thus, cannot contribute effectively to the empowerment of poor women in Bangladesh. Like microfinance beneficiaries, it is important that donor agencies also recognize the deficiencies of minimalist microfinance as a financial service to the poor and not have unrealistic expectations. If microfinance is to succeed and provide more productive results, it should be accompanied by a significant amount of skills training and educational opportunities for poor women to help increase capacity building. In addition, integrated MFIs in cooperation with other non-government organizations (NGOs) can also promote the organization and “empowerment” of the poor, particularly poor women, through a combination of awareness raising, proper training for group members, and other social services for capacity building towards sustainable community development.

As has already been realized by some microfinance practitioners, community social workers, donor agencies and academic, alternative models of microfinance are needed in the near future to reduce poverty and increase women’s empowerment. Women in Bangladesh are facing great challenges at the family, community and state levels, ranging from poverty, illiteracy, and irreligious patriarchy to sociopolitical exclusion. The government should embark on a comprehensive programme for local women, focusing on enhancing their capacity building and increasing their productivity. This would enable them to play a vital role in increasing their own sense of empowerment. Building capacity is about putting people at the centre of development. It is about people realizing their potential, increasing their choices and enjoying the freedom to lead better lives. Building capacity of women in family and communities, so they can form partnerships with local leaders and institutions to bring about social change, has been another effective means of empowering women and engaging them in transforming their lives. Social development activities based on adult education, and trade-related technical and vocational training can enhance women’s income-generating activities and empower them to reduce poverty.
Unfortunately, Bangladesh’s government programs do not have enough adequately trained personnel for effective capacity building or to assist poor women in their empowerment process. If the government sets up a separate comprehensive training or educational unit intended for the poor, there is no doubt that more productive results will be achieved and a meaningful process of empowering the poor will begin. The focus should be on building capacity of poor women in Bangladesh, not merely on raising the income of the poor. Capacity building involves more than simply stimulus assistance through microfinance. This paper has presented sufficient evidence to show that microfinance has fallen short of empowering the poor women of Bangladesh. The impressive claim that microfinance empowers poor women at all levels has to be categorically qualified. What is needed is an integration of efforts comprising several fronts, such as capacity building of women. Microfinance in itself does not necessarily bring about capacity building. As mentioned above, if programs wish to empower women, they should be grounded in a clear conceptualization of empowerment, rather than assuming that programs are empowering.

References


