

Improving Well-being of Rural Women Through Participation in Microcredit Programme: Evidence from Bangladesh

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Abstract: Women in rural areas of Bangladesh have very limited access to income producing activities and consequently less opportunity to contribute to the well-being of their families due to a number of social, cultural and religious barriers. In addition, they are not allowed to participate in economic activities outside their home and consequently not able to contribute to their families get out of poverty. In this circumstance, microcredit programme contributes significantly to poverty reduction in Bangladesh by creating income generation and self-employment opportunities for the poor people by providing small loans to them. In the present study, it has been attempted to assess the role of microcredit programme in improving the well-being of poor rural women and their families. The findings of the study show that the rural women, after joining the microcredit programme, engaged themselves in income generating activities and contributed to increase their total family income which helped to improve overall well-being of their family. Therefore, it can be concluded that supply of credit is increasingly being looked upon as a significant contribution to upgrading quality of life of the rural women.

Key words: Rural women, poverty, well-being, microcredit programme, Bangladesh.

INTRODUCTION

Bangladesh is a least developing country and women constitute almost half of its total population of which 80 percent live in rural areas (BBS, 2006). The majority of the rural population, particularly women, is subjected to severe poverty, inequalities and unemployment (Sarker, 2001). They have very limited access to income generating activities and consequently less opportunity to contribute to their family income (Ahmed *et al.* 2011a). In this situation, microcredit programme provides small loans to the very poor in order to undertake self-employment and other financial and business activities to produce better outcomes in terms of income and assets for the poor households.

Microcredit is a veritable tool of mitigating the harsh effects of poverty among vulnerable groups and enhancing the level of income of the beneficiaries (Ayanwale & Alimi, 2004). The studies conducted by Hossain (1988) and Todd (1996) revealed that Grameen Bank borrowers contribute to more than 50 percent of the net household income and more than half of the women surveyed have been able to pull their families out of poverty. By using the loans provided by Grameen Bank, the borrower women in rural areas are able to contribute more to increase their total family income (19%) as compared to non-borrower women (10%) (Ahmed *et al.* 2011b). Ali (2008) conducted a comparative study on poverty reduction among the borrowers of microcredit and non-borrowers and found a sharp reduction in the number of Grameen Bank members living below the poverty line (20%) compared to non-Grameen Bank members (56%). A recent internal survey on impact of microcredit on poverty reduction conducted by Grameen Bank found that 68 percent of its borrower families have crossed the poverty line (Grameen Bank, 2009). The remaining borrower families are moving steadily towards the poverty line from below. Khandker (1998) found that a 10 percent increase in borrowing from a microfinance institution reduces the probability of being below the poverty line by 0.3 percent for males and by 0.2 percent for females. Another study conducted by Khandker (2003) revealed that microcredit helps to reduce extreme poverty (18%) much more than moderate poverty (8.5%). One of the aims of microcredit programme is to provide sustainable livelihood to low income households, which consequently is crucial for

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sustainability of MFIs because increased income of the borrowers could also improve the repaying capacity of loans (Waheed, 2009). Microcredit also improves the capacity of the borrowers to cope with economic difficulties through increasing the well-being of borrowers (Hoque, 2008). So it can have not only a major impact in the fight against poverty but also can help to ensure a sustainable livelihood (Paul and Conroy, 2000). Furthermore, the borrowers have to attend the mandatory group meetings on weekly and monthly basis. In these meetings, the members contribute to savings and insurance funds as well as participate in various types of “consciousness rising” activities which enhance their level of consciousness and learning regarding bank’s rules and regulations and civil responsibilities and develop their skills in guiding investment strategies in profitable businesses (Pitt et al. 1999). An early study by Ahmed (1985) found an important link between participation in the GB and enhanced consciousness among the rural women. Joining the micro credit programme of GB not only contributes to economic development of women borrowers, but also raises their consciousness level about various social injustice such as the effects of dowry, repression, desertion and violence against women (Rahman, 2001). The study conducted by Zafar et al. (2005) found that 41.7 percent of the respondents enjoy freedom in shopping daily items necessary for their family. Participation of rural women in GB improves their status and respect in their family (Ghai, 1984). This paper aims to assess contribution of microcredit programme in reducing poverty and improving well-being of rural poor households. The paper also focuses on the effectiveness of Grameen Bank’s microcredit Programmes in raising consciousness of the rural women.

MATERIALS AND METHODS

Survey Design, Sampling Method and Data Collection:

Deriving accurate information is highly dependent upon the survey method. The direct face-to-face interview is the most commonly used approach (Ogunlade and Adebayo, 2009) and is employed in this study. The data for this study is taken to reflect the objectives of the study. Data was collected through interview from the selected samples of Pachagarh Districts of rural women. In this study, sampling design was followed by “purposive random sampling” method. In the first stage of the survey and sampling, the study was purposively selected the samples of the rural women in the Pachagarh District. Grameen Bank members are chosen of respondents. For the samples, this study has selected 200 samples randomly from the listed (about 700) rural women of Grameen Bank members in the Pokhi Laga, Vetor gor, Chand para and Madhuban guchchho gram. The data were collected by the researcher herself using a pre-tested interview schedule and the period was from 1st April to 30 June 2008.

Data Analysis:

After survey of the study, all the data were coded directly on questionnaires and then entered into personal computer. Several analyses of the data have been carried out in the core of this study. Simple descriptive statistics such as sums, means, ranges, percentages and frequency distributions are used to analysis primary data for this paper. This study utilised the Statistical Package for Social Science (SPSS) to analyse the data.

RESULTS AND DISCUSSION

Contribution to the Poverty Alleviation and Sustainable Livelihood of Respondent’s:

Access to microcredit is very important for the rural poor because poor households can get benefit from credit in different ways. It provides them a means to escape from poverty and ensure sustainable livelihoods. The findings of this study demonstrate that Grameen Bank’s microcredit programme contributes to poverty alleviation and sustainable livelihoods of ‘with credit’ respondents. Table 1 reveals that before taking loan from GB, 124 respondents (62% of the total respondents) had 136 beds in their houses, but after taking loan 200 respondents (100%) reported that they have 448 beds. Likewise, most of the respondents (77%) have radios after their involvement with credit while a lower portion of the respondents (22%) were the owner of radio before becoming a borrower. The study also finds that only a few respondents (4) had fans before getting loan but the number of respondents having fan increases to 42 after joining the credit programme. Similarly, all of the borrower respondents were able to have home appliances, such as wardrobe and livelihood assets, for example sewing machine, van, rickshaw and motor cycle after taking the loan. 62 (31%) and 50 respondents (25%) owned 66 acres and 6 acres of land for agriculture and homestead respectively while they did not enter into credit programme, but after receiving the loan, the number of respondents increases to 123 (61.5%) and 150 (75%) who own 181 acres and 26 acres of land for agriculture and homestead respectively.

Finally, before taking loan, only 2 (1%) and 10 respondents (5%) have ponds of 38 decimals area and 70 grams jewellery respectively, while 68 respondents (34%) were able to lease ponds of 6 acres area and the same number of respondents own 257 grams jewellery after getting loan facilities from GB. Wahid (1994) opined that if a woman is able to contribute to improve the material conditions of the household, her status and control over resources will increase and gender inequality will be reduced. As women in developing countries like Bangladesh spend most of their time at home, providing them with home-based economic activities with financial support through credit facilities is the best way to ensure welfare of the entire family. Naturally, women are more concerned about the well-being of their children and meeting household needs, they will spend the extra income earned from the economic activities supported by microcredit for the betterment of their households. It has been statistically proved from the Grameen Bank experience that women are better risk taker than men as debtors (Hasan and Gurrero, 1997). Grameen Bank's microcredit programme increases employment opportunities for the rural poor women and consequently enhances their status in their family and society as a whole (Tinker, 2000). Holcombe (1995) found that after joining Grameen Bank, only 21 percent of the female members considered themselves as unemployed, while this number was 50 percent before joining.

Table 1: Contribution to the poverty alleviation of respondents household

| Items | Responses | | | | | |
|------------------|-------------|------|-----------------|------------|------|-----------------|
| | Before loan | | | After loan | | |
| | No | % | Amount of items | No | % | Amount of items |
| Bed | 124 | 62 | 136 | 200 | 100 | 448 |
| Table | 98 | 49 | 103 | 200 | 100 | 315 |
| Chair | 85 | 42.5 | 109 | 200 | 100 | 440 |
| Dining table | 6 | 3 | 06 | 59 | 29.5 | 60 |
| Wardrobe | 0 | 0 | 00 | 10 | 0.5 | 10 |
| Showcase | 12 | 6 | 12 | 115 | 57.5 | 122 |
| Dressing table | 6 | 3 | 06 | 24 | 12 | 24 |
| Fan | 12 | 2 | 04 | 42 | 21 | 46 |
| Radio | 40 | 20 | 40 | 154 | 77 | 154 |
| Television | 10 | 5 | 10 | 48 | 24 | 48 |
| Sewing machine | 0 | 0 | 00 | 22 | 11 | 22 |
| Jewellery | 10 | 5 | 70 gram | 30 | 15 | 257 gram |
| Van | 0 | 0 | 00 | 28 | 14 | 29 |
| Rickshaw | 0 | 0 | 00 | 18 | 9 | 18 |
| Bicycle | 12 | 6 | 13 | 170 | 85 | 183 |
| Motor cycle | 0 | 0 | 00 | 10 | 5 | 10 |
| Agriculture land | 62 | 31 | 66 acres | 123 | 61.5 | 181 acres |
| Housing land | 50 | 25 | 6 acres | 150 | 75 | 26 acres |
| Pond Lease | 2 | 1 | 38 decimal | 68 | 34 | 6 acres |

Source: Field Survey, 2008

Drake and Rhyne (2000) claimed that microcredit programme is a cost-effective, sustainable development model that reaches the poorest, increases their income, empowers women and enables the poor families to access to better health care, education and nutrition. According to Harka Gurung (2000), 'Microfinance is an essential key of the creation of sustainable livelihoods that are productive enough to afford poor households an escape route from poverty based on self-help and mutual support for self-reliance'. Similarly, Dwyer and Bruce (1983) found that microcredit contributes positively in improving women's livelihoods and bringing about more fundamental changes in their lives, in terms of their self-esteem, confidence, participation in political and community life, and family decision-making power and status. Other studies on microcredit programme argued that well-organized and group-based lending is an effective way of addressing the needs of the poor which can improve their income as well as help them escape from poverty (Hulme and Mosley, 1996; Hashemi, 1997). Fleischer (1999) conducted a case study on Grameen Bank replication programme in Papua New Guinea and found that the participants of the microcredit programme had not only increased their household incomes but also improved the quality of their lives by utilising small loans.

Improvement of Consciousness:

Table 2 shows that improvement of consciousness of rural women was noticeable. After participation in microcredit programmes women in particular seem to be more empowered about going to market. This point has been more clearly reflected in Table 2.

Table 2: Improvement of consciousness on GB member's

| Sources | Responses | | | |
|------------------------------------|-----------|---------|--------|---------|
| | Before | | After | |
| | Number | Percent | Number | Percent |
| Do you go to Markets for shopping? | | | | |
| Often | 12 | 6.0 | 102 | 51.0 |
| Sometimes | 39 | 19.5 | 48 | 24.0 |
| Seldom | 55 | 27.5 | 31 | 15.5 |
| Not at all | 94 | 47.0 | 19 | 9.5 |
| Total | 200 | 100.0 | 200 | 100.0 |

Source: Field Survey, 2008

Female borrowers of Grameen Bank enjoy higher level of freedom in decision making about their family matters as compared to non-borrowers. Indeed, Grameen Bank's borrowers exercise their authority in various family related matters, particularly in going to market for shopping, visiting neighbours and relatives, adopting family planning decisions, and supporting other female members of the family in doing job outside home.

Distribution of Indicators about Effectiveness of Grameen Bank Programmes:

Table 3 shows the effectiveness of GB loan to respondents. The result shows that for 85 percent of respondents, their family income increased compared to prior joining GB programmes. Increase in their family expenditure affects 72.5 percent of respondents, their family expenditure increased compared to prior joining GB programmes. In terms of self-confidence, the study found that for 84 percent of respondents, their self-confidence is increased compared to prior joining GB programme. However, 70.5 percent reported that their family well-being has increased compared to prior them joining GB programme. Based on the respondents subjective evaluation on whether the amount of loans they had received were sufficient or otherwise, the result showed that 74 percent of them indicated that the amount of loans they had borrowed were sufficient. Those who were not satisfied at all with the amount of loan given to them represent only 26 percent. Among all the respondents under study, 92.5 percent mentioned that the terms and conditions were accepted and reasonable. Those who not satisfied with the terms and conditions are only 7.5 percent.

Table 3: Distribution of indicators about effectiveness of GB programmes

| Respondents n = 200 | Frequency | Percent |
|---------------------------------|-----------|---------|
| Increased in family income | | |
| Yes | 170 | 85.0 |
| No | 30 | 15.0 |
| Increased in family expenditure | | |
| Yes | 145 | 72.5 |
| No | 55 | 27.5 |
| Increased self confidence | | |
| Yes | 168 | 84.0 |
| No | 32 | 16.0 |
| Increased family well-being | | |
| Yes | 141 | 70.5 |
| No | 59 | 29.5 |
| Loan given by GB enough | | |
| Yes | 148 | 74 |
| No | 52 | 26 |
| Term and condition reasonable | | |
| Yes | 159 | 79.5 |
| No | 41 | 20.5 |
| Is GB programme give a benefit | | |
| Yes | 185 | 92.5 |
| No | 15 | 7.5 |

Source: Field Survey, 2008

In terms of the respondent's subjective evaluation of GB microcredit programme performance, the findings showed that the 90 percent of them perceived the programme as performing very well. This finding suggests that those who were satisfied with GB credit facilities were likely to consider the programme as having had the intended effects and hence tended to give more favourable rating of the programme performance (table 3). Majority of respondents who are satisfied with the loans received from GB most of them agreed that the terms and conditions are reasonable.

Conclusion:

The findings of this study suggest that microcredit programme of Grameen Bank plays a key role to generate income earning activities, increase the level of income, and improve the quality of housing, improvement of consciousness of rural poor women in Bangladesh. The programme also contributes significantly to alleviate poverty, make sustainable livelihoods and improve the quality of life for rural poor women and their families. They have able to bring a lot of positive changes and improvements in their socio-economic conditions after joining the microcredit programme of Grameen Bank. Therefore, microcredit is an important instrument in assisting the rural poor to improve their social position, gain gender equality and sustainability livelihood. It is also concluded that supply of credit is increasingly being looked upon as a significant contribution to upgrading quality of life of the rural women.

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