

Role of Microcredit in Empowering Rural Women A Case of Bangladesh

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***Abstract:** Microcredit operations began with the specific objective of poverty alleviation in Bangladesh. Poverty is widespread in Bangladesh. It is even more intense among the rural women of the country. Poverty situation improved with the expansion of microcredit and rural women gained some empowerment as they had their own income through participation in the credit activities. But they are still far from achieving equal status with men because microcredit primarily addresses income poverty and it has inherent weaknesses in facilitating other conditions necessary for full empowerment of women. Not only are the inherent weaknesses, the socio-economic environment of rural Bangladesh, where microcredit functions, is also a big impediment to achieving women empowerment. Therefore, a comprehensive approach, which includes microcredit too, is necessary for further empowering the rural women of Bangladesh. This approach includes social mobilization, awareness-building, regulations enhancing, equitable financial practices and government initiatives.*

1.0 Introduction

1.1 Background

Bangladesh is often considered as the birthplace of microcredit. In development literature and practices, microcredit has been identified as an important tool for poverty alleviation and women empowerment of the country. Although microcredit played an important role in economic development of rural women of Bangladesh, to what extent it helped them achieve empowerment has always been a controversial subject. The present study will, therefore, attempt to look into the reasons why microcredit does not help achieve full empowerment for rural women in Bangladesh after considering the areas of women empowerment where it has its positive impact.

Rural women account for the majority of microcredit clientele in Bangladesh. They are the most marginalized people of the country and therefore deserve priority in any formula for poverty alleviation and development. Since it is generally accepted that apart from alleviating poverty of this target group, microcredit, as a development tool,

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contributes to their empowerment also, a significant policy question arises as to how much microcredit empowers them.

Rural Bangladesh has experienced a microcredit revolution over the past decades. Microcredit institutions adopt collateral-free group-based lending mechanism to provide financial services like credit and savings assistances, mainly to the rural poor women of Bangladesh whom formal banking sector can not reach. The Government and donor agencies also channelize a significant portion of their assistance funds in the form of microcredit through some government and, mostly, non-government organizations with the hope that the society would benefit from it. Today, 86% of the microcredit lending in Bangladesh is provided by the organized NGO sector and Grameen Bank while commercial and specialized banks account for the remaining 14% (Khandker, 2005).

1.2 Objective of the Study

The area of microcredit's impact on women empowerment in Bangladesh is of interest among academicians and practitioners. Although there has been a considerable amount of work done in this area, the extent to which microcredit is effective in bringing women empowerment in rural Bangladesh remains an area of particular research interest. Therefore, the objective of the present study is to investigate into the reasons why microcredit does not adequately support women empowerment in rural Bangladesh.

1.3 Methodology

This study aims to be a descriptive work. Constraints like difficulties of measuring dimensions of empowerment by quantifiable data and the researcher's non-accessibility to first hand information due to his physical distance from the geographical area of the research-concern make this study adopt a qualitative approach. An extensive literature survey based on books, previous research works, journal publications, articles and online resources will be adopted for the purpose of the study. Information gathered through literature review will then be put in a logical sequence to achieve the target of answering the research question adequately.

1.4 Organization of the Paper

The paper will be broadly divided in three thematic sections which, in fact, encompass some more syllogistic segments. After this introduction, the second section will discuss microcredit, taking into account the

elaborate definition of microcredit and microcredit scenario in Bangladesh including its evolution and present state. The third section will deal with empowerment in general, then women empowerment in particular and finally, women empowerment scenario in Bangladesh and how microcredit contributes to achieve the present state of women empowerment in Bangladesh. The fourth section will narrow down the discussion to the core concept of the paper that is the causes behind microcredit's inadequacy in providing full empowerment to the rural women of Bangladesh. In the fifth and final section, containing the conclusion, some policy recommendations, arising naturally out of the discussions, will be furnished.

2.0 Overview of Microcredit in Bangladesh

2.1 Defining Microcredit

Poor people lack sustainable income, collateral and verifiable credit history and thus are unable to qualify for traditional credit provided by mainstream financial organization. In such case, microcredit is deemed to be responsive solution which, in fact, targets financially marginalized and challenged people with the primary objective of reducing their poverty.

The definition of microcredit that was adopted in The Microcredit Summit (1997) describes it as "programs extend small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families". So, the definition indicates that there are three basic aspects of microcredit: size of the loan, target population and objective of the loan. In microcredit, the size of the loan is very small, it is disbursed among very poor people and it aims at boosting their income or helping them develop micro-enterprises.

2.2 Microcredit Scenario in Bangladesh

2.2.1 Evolution: Poverty is a commonplace in any least developed and even developing country and Bangladesh is no exception. Subsequently, attempts and initiatives to arrest poverty took different shapes at different eclipse of history. Dr. Muhammad Yunus initiated an action research project in 1976 near the university he used to teach at, to test whether the poor could generate productive self-employment without external assistance if they were provided with working capital (Hossain, 1988). This turned out to be successful resulting in extension of the project to few other districts of the country and subsequently being institutionalized

with the establishment of the first specialized bank (Grameen Bank) in microcredit in 1983 under a legislation. Today, with more than 2500 branches and more than 8 million borrowers, Grameen Bank has operation in more than 97% of the villages of Bangladesh (Grameen Bank, 2010). Being encouraged by this, other NGOs started their microcredit programs in mid eighties and their activities enhanced remarkably in the nineties (CDF, 2000 as cited in Haque & Rashid, 2002). Bangladesh Rural Advancement Committee (BRAC), Association for Social Advancement (ASA), PROSHIKA etc. emerged as major Microfinance Institutions (MFIs) of the country during this time. Empirical evidences show MFIs depended largely on foreign funds to run their operations at the beginning, but this trend started to reverse during the following years as those propelled to building up their own capitals.

2.2.2 Present state of microcredit in Bangladesh: Microcredit activities got big momentum in Bangladesh as it gained attention of foreign donors and native stakeholders of poverty alleviation within the country as a novel approach for poverty reduction and also for its effectiveness. As the collateral free microcredit disbursement by Non-Government MFIs increased over time, some Nationalized Commercial Banks (NCBs) and Specialized Banks were also encouraged to disburse a considerable amount of their rural credit among the poor without security (Haque & Rashid, 2002). This implies the Government's interest and involvement in the microcredit movement as a tool for poverty alleviation. Some Private Commercial Banks (PCBs) also started their microcredit disbursement activities in collaboration with NGOs working in this sector. A study found that the cumulative loan disbursement by all types of organizations mentioned above amounted to BDT 434.55 billion. Government programs had BDT 37.77 billion (8.69%), Grameen Bank alone had BDT 154.11 billion (35.46%), other MFIs had BDT 154.11 billion (37.80%) and other banks had BDT 78.41 billion (18%). A remarkable overall recovery rate of 95% was prevailing during that period (as cited in Haque & Rashid, 2002). Both government and non-government sectors alike seem to include microcredit delivery as an integral tool in their poverty reduction programs at present. Microcredit in Bangladesh is mainly targeted at rural poor women. In 1986, 98% of the new members mobilized for microcredit were women (Hossain, 1988). Another characteristic is its high interest rate, 20% in case of the micro loans disbursed by Grameen Bank. This is at least 8% higher than the market rate for commercial bank loans (Rahman, 1999).

3.0 Microcredit and Women Empowerment - A Survey

3.1 What is Empowerment

The word "empowerment" has a wide range of meanings and applications. For the purpose of this paper, it would be appropriate to limit the discussions to the sociological connotations of empowerment. Empowerment, in the sociological context, embodies concepts of power and powerlessness (Moscovitch and Drover, 1981 as cited in Lord & Hutchison, 1993). It is important to understand powerlessness at the first place. Lord & Hutchison (1993) argue that powerlessness is the result of economic inequities and oppressive control exercised by other people or the system itself. According to them, powerlessness is also the internalized belief of the disempowered people that change can not occur by their effort. Therefore, they feel apathetic or unwilling to struggle for more control and influence.

Hence, empowerment is the process of transition from the state of powerlessness to the state where people have the power to enhance the possibilities to control their own lives in the social, political and legal spheres (Rappaport, 1987 as cited in Lord & Hutchison, 1993). According to Wallerstein (1992), empowerment is a social-action process for promoting participation of people, organization and communities for achieving greater control of life and resources, political efficacy, quality of living and social justice (as cited in Lord & Hutchison, 1993). McClelland (1975) suggests that in order for people to gain power, it is necessary for them to gain information about themselves and the environment they live in and to be willing to identify and work with others to bring about changes to their lives and environment (as cited in Lord & Hutchison, 1993).

Empowerment is found at three different levels. Personal empowerment is the gaining of increased control and influence in daily life as well as community participation (Keiffer, 1984 as cited in Lord & Hutchison, 1993). Small group level empowerment involves the shared experience and influence of groups on their own efforts (Presby, Wandersman, Florin, Rich, & Chavis, 1990 as cited in Lord & Hutchison, 1993). And community level empowerment is the ability to utilize the resources and strategies to enhance community control (Labonte, 1989 as cited in Lord & Hutchison, 1993).

3.2 Women Empowerment

Within the broad concept of empowerment, women empowerment is an important area that deals with providing women with the power necessary for their advancement in all spheres of life. UNDP's definition of women empowerment covers five main components that are essential for empowering women comprehensively. These are: women's sense of self-worth, right to have and determine choices, access to opportunities and resources, power to control their own lives- both within and outside the home, ability to influence the direction of the change of social order so as to make it more just and equitable (United Nations Development Programme [UNDP], 2008).

Women empowerment is the effort to put women on equal footing with men in areas where they are lagging behind and are subject to discrimination. Therefore, a favorable combination of various factors from different spheres of life is required for women empowerment at the community level. Individual empowerment for women, as a building block for societal empowerment, entails women's ability to act on their behalf and take decisions regarding matters that influence their lives (UNDP, 2008). It is, therefore, a complex issue and requires a multi-dimensional approach to achieve it to the fullest.

3.3 Women Empowerment Situation in Bangladesh

Persistent poverty, low level of education, minimal access to economic resources, big gender gap, religious superstition, low level of community and political participation, inadequate health-care facilities, high maternal mortality, wage discrimination in labor-intensive jobs, discrimination against female children are among the major reasons of women's falling short of empowerment in Bangladesh. However, the country has made some noteworthy progress in terms of women empowerment over the decades after independence. Women are involving in income generating activities at an increasing rate. For example, majority of the workers of the country's highest foreign currency earning garment sector are now women. Nevertheless, women's participation is still limited within certain category of professions like teaching, medical, banking, nursing, journalism, civil services, NGOs, research etc. which are viewed as "decent" in the conservative social value system.

The demographic aspect of women has also seen some advancement in women empowerment issue. The sex ratio has decreased from 108 to 105

over a period of two decades. This is even improved in urban areas. These two phenomena together indicate that there occurred an overall improvement in women health and increase in women migration to urban areas for better life through income or education (Asian Development Bank [ADB], 2001). There has also been a dramatic fall in the fertility rate. It came down to 3.8 per woman in 1996 from 6.34 in 1975, thanks to women's increased rate of adoption of modern family planning measures (ADB, 2001). But this rate is still very high in the world context and also for a densely populated country like Bangladesh. Also, there is a dim picture in the mortality scenario. Maternal mortality rate of 444 per 100,000 live births is still one of the highest in the world. Gender discrimination in providing food, nutrition and care causes higher incidents of deaths among female children than among male children. Maternal mortality, unnatural death of women and women trafficking make women more vulnerable than men (ADB, 2001).

Social and cultural dimension of empowerment is difficult to change as socio-cultural norms evolve over longer period of time. Taking responsibility of the family and making decisions are thought to be men's prerogative in Bangladesh. Hence, men have greater access to all forms of resources. Women's role is limited to childbirth and homemaking only. As the country identified development programs as the main tool for advancement, governments as well as non-government organizations over the years designed and implemented programs to improve this major gender gap caused by rigid socio-cultural norms. Girls' enrolment at primary level increased from 50% in 1980 to 80% in 1996 (ADB, 2001), although drop-out rate is still higher among female students than among male students. Various awareness-building programs through community workers, mass-media, social and religious institutions were adopted. The situation is, therefore, much improved comparing to the past. But still it is far from achieving equal status among men and women. Parents or guardians of female students are still apprehensive of outdoor violence against them as "chastity and the reputation of unmarried girls are crucial factors that determine her value in the eyes of her potential husband and in-laws" (ADB, 2001 pp).

Women's empowerment against the backdrop of legal and political scenario is yet to be broad-banded in Bangladesh. There are incidents of violence against women. Domestic violence, violence at workplace, trafficking of women, forced prostitution and sexual abuses, like elsewhere in the world, are hindering women empowerment progresses in

Bangladesh also. The government promulgated The Cruelty to Women Ordinance, 1983, The Immoral Trafficking Act, 1993, The Anti-Terrorism Ordinance, 1992 and Women and Children Repression Prevention Act, 2000 to prevent violence against women. These are strict laws with provisions of punishments up to death sentences. Still, loopholes in the laws and lack of enforcement do not allow these legislations to be very effective. Another problem in the way of empowerment in Bangladesh is the high prevalence of under-age marriage among female population. The statutory age of marriage is 21 for men and 18 for women. But lack of enforcement, somewhat grey presence of birth registration did not allow the law to be effective either until recently. Birth registration has now been made compulsory for every child that might hopefully have positive impact on this trend. Women's participation in politics is still very limited in Bangladesh. Although there is a statutory quota for female candidates in the parliament, women's overall participation in the competitive general elections and local government bodies is still very small. In 2008 general election, women candidates occupied 20 out of 300 seats in the parliament (Bangladesh Bureau of Statistics [BBS], 2009). This is an increase over the number of previous election in 2001 when female candidates became victorious in only 6 constituencies (BBS, 2009). The present (2009) cabinet has 5 women ministers out of a total of 38 (13.1%), while the previous one (2001) had 3 out of 60 (5%) (Shumee & Rekha, 2009). This is a clear improvement, but it still shows that women are heavily underrepresented in the politics of Bangladesh. This political underrepresentation is another problem of women empowerment of the country.

The economic empowerment scenario of women in Bangladesh is not very encouraging. Discrimination against women is widespread in terms of access to and possession of economic resources, employment opportunities, wage-equity and capital accumulation. Many women put labor in household activities and work as domestic aide making their labor difficult to interpret into monetary terms. Although the women work hard, it is often regarded as unproductive as those works do not directly bring any financial resources. However, the factors mentioned above have been seeing improving trends for some time now. Widespread microcredit activities targeting women by both the government and NGOs resulted in women's increased access to capital and income generating resources. Rapid expansion of the garment industries created a huge opportunity for the female workers to be employed. The

Government preserves a quota of 10% and 15% for superior and ordinary public services respectively for women (ADB, 2001). But, still factors like women's concentration in certain category of occupations, wage discrimination, lack of skill pose big problem in the path of women's economic empowerment. For example, in the garment sector, the number of female workers is twice as much as male workers, while they earn almost 22-30% less than the male workers do. This is partly because of the availability of female labor at a cheaper cost and partly due to the higher skill level of the male workers (ADB, 2001).

3.4 How Microcredit Helped Achieve Women Empowerment in Bangladesh

Microcredit activities have its role in improving the state of women empowerment in Bangladesh as they address and try to bring solution to some of the problems on the way of achieving women empowerment directly, while try to solve some other indirectly. Microcredit movement was initiated in Bangladesh with the primary objective of poverty reduction. Poverty among women is even more pervasive in Bangladesh. Rural women are the poorest of the poor. Therefore, microcredit targeted rural poor women of Bangladesh. It is also believed that if women are provided with loans rather than men, the entire household is benefitted. Women are also more reliable in repayment of loans (Burra, Deshmukh-Ranadive, & Murthy, 2005). There are statistical evidences of reduction of poverty of microcredit receivers in Bangladesh both in terms of income and consumption. Study shows that 5% of the borrowers of Grameen Bank rose above poverty line, while 3% and 6% of those of Bangladesh Rural Advancement Committee (BRAC) and government-owned Bangladesh Rural Development Board (BRDB) respectively crossed the poverty line. Similarly, the household expenditure of microcredit borrowers is 17% higher than that of non-borrowers (Islam, 2007). Not only income or consumption, microcredit helps borrowers to increase savings and accumulating assets (Khandker & Chowdhury, 1996 as cited in Islam, 2007). It is found that current savings of the credit receivers are many times higher than those of non-receivers (Islam, 2007). Therefore, it is evident that microcredit receivers, mostly rural poor women in case of Bangladesh, have increased income, consumption, savings and asset accumulation resulting in reduced income poverty and are, therefore, more empowered.

Another major success of microcredit in women empowerment in Bangladesh is its contribution to creating large scale income generating self-employment opportunities for them. It helps develop entrepreneurship among rural women as it supports micro-enterprises by them. Bangladeshi rural poor women have very limited access to productive land and paid employment. Microcredit helps them to develop various income generating self-employed activities like trade, services, craft, small-scale manufacturing and even agriculture (Islam, 2007). This is an indicator of rural women's financial self-dependence and ability to develop and manage enterprises of their own. Therefore, it has, though limited, impact on the emancipation of rural women and thus it helps achieve empowerment.

Thirdly, economic empowerment (through income and employment) of rural women raises their ability to decision-making within the household. Mizan (1993) found that rural women participating in Grameen Bank's credit programs had elevated role in household decisions like food purchase, education and marriage of children, expenses on medication for family members, investment of women's earnings in businesses, purchase and sale of land, hiring of outside labor, purchase of agricultural inputs, providing financial support to husband's family, and purchase of clothes for self and other members of family (as cited in Pitt, Khandker, & Cartwright, 2003). His study also found that participation in credit programs by women had significant impact on their fertility control ability. This might be because of the fact that women had a greater say in household decision making as well as they spent more time in economic and outdoor community activities related to their credit. This is another sign of microcredit induced empowerment for rural women in Bangladesh.

Study (Bangladesh Institute of Development Studies [BIDS], 2001) shows that microcredit programs participants tend to be less vulnerable to crises like natural disasters etc. due to reduced risk than non-participants and improving also in other social indicators like child immunization, sanitation and use of contraceptives (as cited in Zaman, 2004).

Non-participant residents of the villages with credit programs have positive and significant effect on their empowerment too. This is supposed to be because of the "spillover effects" of the credit programs which exist in the village and have changed the village society in such a way as to effect not only the empowerment of the participants but also

that of non-participants (Hashemi et al., 1996 as cited in Pitt, Khandker, & Cartwright, 2003).

4.0 Why Microcredit Does Not Help Achieve Full Empowerment for Rural Women in Bangladesh

Evidences show that microcredit activities have positive impact on empowering rural women in Bangladesh as long as economic dimension of empowerment is concerned. But women empowerment is a complex issue as it entails women's greater overall well-being. As empowerment of women is a multi-dimensional target, the ways to attain this are manifold. Achievement of women empowerment in its entirety, particularly in a country like Bangladesh, requires integration of many inputs and activities. A single tool or approach can not be sufficient for this. Mahmud (2003) finds that microcredit has only a limited direct effect on improving women's access to choice-enhancing resources and, therefore, on empowerment.

Apart from economic, women empowerment has socio-cultural, religious, gender, legal and political dimensions too. Women's backwardness in rural Bangladesh is as big a result of all these factors as it is of economic reason. So, any measure for improving women's empowerment in Bangladesh needs to address these issues adequately and with a wholistic approach. Microcredit targets predominantly the economic dimension of women's empowerment- poverty in particular. Yet, this single target is even difficult to achieve fully through microcredit alone because of the complex nature of the problem and also because of one of the main inherent weaknesses of credit in a society where borrowing does not essentially support growth rather redistributes income only (Khandker, 2005). Moreover, Poverty is not about dearth of income only; it is also about marginalization and deprivation.

Rural women's economic development through income generation by microcredit-supported programs does not necessarily bring them well-being which is the ultimate objective of women empowerment. High interest rates place inordinate work-loads on rural women of Bangladesh who participate in microcredit programs. They are not waived of their household responsibilities as they have to generate disproportionate income to meet the high repayment installments. Not only this, it is often seen that many borrowers have to borrow from other microcredit organizations to use their new loans to meet their repayment commitment for the previous. This sometimes leads them to a vicious circle of

indebtedness. There is also the peer-pressure from the members of the informal group to which the borrower belongs in order to obtain the loan. The pressing demand for repayment installments by the MFI officials, the ever increasing indebtedness and the peer-pressure of the group members often cause the borrowers unhappiness and sometimes go to the extent of causing conflict within the family. Familial erosion because of women's involvement in outside work is also not very rare (ADB, 2001). Level of education is low among the rural women of Bangladesh. This is also a poignant set back to their empowerment. The additional effort that the microcredit borrower has to put for generating more income limits her time and energy for involving in any adult learning program.

Although one of the underlying objectives of microcredit movement is to increase woman's ability to take creative and independent financial decisions to maximize her and the household members' well-being according to her consideration, she often has a limited choice of programs to have her loans invested in. She has to adopt programs, for example, like irrigation or hiring agricultural labor, which she might not herself think of as the best program to choose, but she has to choose either because she lacks the skill necessary for other project or she simply does not have any say about how to spend the loan. Therefore, the objective of making women independent financial decision-makers is not achieved; rather they are, in reality, merely credit receiving channels for male decision makers of their families. The female borrower can neither retain control over her loan nor can she utilize the income from her loan to maximize the welfare of herself and household members according to her wish (Islam, 2007; Mahmud, 2003).

The society in rural Bangladesh is essentially patriarchal by custom and tradition. Women's position is subordinate to men's. Men are usually the heads of the households and have access to economic resources and decision-making processes. Bangladeshi rural women are frequently portrayed as the silent and passive victims of patriarchy (Goetz, 1992 as cited in Kabeer, 1998). Although the prevailing inheritance laws entitle women to inherit property, they pass control of those properties to their husbands or sons (ADB, 2001). This is, in most of the cases, a voluntary process as women think their best interests shall be protected by their husbands or sons. This psychology is also in operation in case of the loans they obtain. As the household males think of the property inherited by the female members of the household as an economic resource at their disposal, so they believe that the credit obtained by the woman of the

family is an economic resource which they are entitled to use (Mahmud, 2003). This is such a strong and deep-rooted social norm that if women receiving credit tend to think otherwise, for example, using the loan according to their choices, actually leads to tension within the household or even domestic violence. Disbursing credit to women with the request to utilize it according to their choices, therefore, deteriorates the problem. Social awareness building, particularly among the men, must also accompany the credit disbursement to make desired utilization of the credit by women themselves.

Again, for the cases where husbands have the control of the loans, it is found that they are often unable or unwilling to provide for the repayments causing their wives to substitute funds from their savings, daily subsistence resources or even from the sales of their household utensils (Kabeer, 1998). Loans are utilized by men, but women are held responsible for repayment. This creates a serious obstacle in the process of women empowerment.

In rural Bangladesh, there are barriers for women to invest their loans profitably as they have limited access to market places and public services (Hashemi et al., 1996; Kabeer, 2001 as cited in Mahmud, 2003). Mahmud (2003) found that women face more difficult trade-offs between the exercise of choice and adherence to existing social norms, many of which cause women's subordination to men, when they have access to credit. This situation leads to tension and often results in familial conflict which deteriorates women's empowerment situation. Institutions and norms are generally not supportive of women's independent use of their credit (Mahmud, 2003). Therefore, as Kabeer (1999) observed, lack of power and choice can actually be disempowering for women even if they have access to credit (as cited in Mahmud, 2003).

Another dimension of women's socio-cultural empowerment is their increased access to non-material resources like social networking, community participation and various forms of social services. This scope is limited for microcredit receivers in rural Bangladesh as credit participation increases their mobility in social groups consisting of women only and their dependence on male household members for accessing the market or public services for utilization of their credit.

Rural Bangladesh is still framed as a conservative society. Lack of education and superstition often cause misinterpretation of religion. There is also the strong impact of the opinions and decisions of the

religious leaders on public minds in the rural areas. The views of women empowerment through microcredit and the conservative social norms and practices are often contradicting. Tension and conflict between MFIs and conservative social institutions are also quite marked in rural Bangladesh. On this backdrop, in many instances, whenever women in rural Bangladesh obtain credit and embark on an independent enterprise they face obstacle in the form of criticism from the conservative quarters who, in most cases, instigate their husbands or next male-kin of the family to discourage them. MFIs, interested more in credit disbursement and recovery for their financial sustainability and less in awareness-building among conservative sections of the society and rural men, are always in a tense and confronting situation with the conservative institutions. Caught in the middle of this polarity, the lives of the women clients of microcredit often become very tumultuous which negatively affect their empowerment.

Gender gap also limits the positive outcome of microcredit caused women empowerment. Study shows that credit participation has limited potential for improving the condition for empowerment as participation has little influence on altering gender-based access to intra-household and extra-household resources. The gendered nature of the external opportunity structure, which is determined by rigid socio-economic institutions like marriage, "Purdah" and inheritance, also limits the benefit of credit programs (Mahmud, 2003). Microcredit programs in Bangladesh encourage the borrowers to adopt projects for which they already have some skills. These projects are, for example, rearing livestock, raising poultry, sewing, making handicrafts or operating small shops etc. The MFIs do so for the obvious reasons of making their funds secure and getting back their repayments on time. This inherent weakness of the credit programs actually intensifies the gender division of labor prevailing in the rural society and limits the skill development opportunities of their borrowers (Montgomery et al., 1996 as cited in Kabear, 1998).

Microcredit is a collateral free loan. Instead, it operates around social collateral like peer-pressure and vigorous mobilization for repayment of loans. Hence, there is an implicit element of threat associated with the recovery process. The employees of the MFIs working in rural Bangladesh mostly come from the same locality where those operate and usually belong to a superior social class to that of their borrowers. They exercise their power derived from upper hand social class to recover the

loans. This is often intimidating to the poor borrowers and leaves them with somewhat the same feeling of apprehension associated with the borrowing from village money-lenders existed before microcredit came into being. Those money-lenders were notorious for their power and repressive attitude. The standard legal practices prevailing in mainstream banking are not applicable to microcredit operations. The absence of adequate law, and more significantly, non-enforcement in practices results in absence of punitive measure in case of default and at the same time absence of protection of rights in case of wrong-doings by the microcredit institutions. This leads to inequity and creates scope for using of power by the more organized and stronger party.

Women's greater mobilization in the community and in the society is a prerequisite for their political empowerment. Although microcredit increases women's mobility outside the household, it does so in a very limited area. Participants of credit programs have only their participation in the small informal groups consisting of women only. Empirical evidence suggests, these informal groups never emerged as influential political organizations even in local context due to their overwhelming preoccupation with credit related activities. As we have seen earlier, credit participation does not necessarily have remarkable impact on women's mobility in the bigger social and economic arena where they can interact with men to gain full access to the information, participation and opinion-building necessary for political rights.

5.0 Conclusion and Policy Recommendations

The positive impact of microcredit on empowerment of rural women in Bangladesh could be traced in their sense of improved status within the household as an income-earner through microcredit (Naved, 1994 as cited in Zaman, 2004). Poverty alleviation is one of the most important prerequisites for women empowerment in Bangladesh context. Microcredit as a tool for poverty reduction is in widespread application within Bangladesh and is also being replicated elsewhere in the world. Therefore, based on these realities, an attempt to link microcredit with women empowerment in rural Bangladesh might not be overemphasized. But there are clear divisions of opinions among scholars and researchers about the extent and degree of empowerment that can be achieved by microcredit alone.

Microcredit is simple and straightforward in its approach. On the other hand, women empowerment is a complex and multi-dimensional issue

that needs to be addressed on many fronts. Due to this inherent limitation, microcredit can only be one of the many initiatives required to tackle women empowerment adequately. Any suitable approach for empowering women should not exclude microcredit, rather should incorporate microcredit and many other inputs.

Based on the above study, some appropriate measures, in a "microcredit plus" fashion, for women empowerment in rural Bangladesh should include the following:

- MFIs should render non-financial services like skill-enhancing trainings, awareness-building activities such as telling both the clients and their male partners about the importance of education, health, sanitation, family-planning, immunization and shared decision-making within their capabilities.
- As a complementary function, NGOs providing social services in the rural areas, should work for social mobilization and political-legal education highlighting the importance and necessity for women's participation in all spheres of family, community and social life.
- Government and other stakeholders should work together to formulate a comprehensive regulatory framework for microcredit operations in Bangladesh to protect the rights and obligations of both the clients and the MFIs.
- One of the major allegations against microcredit operations in Bangladesh is that the interest rates of the loans are very high. Since there is a change taking place in terms of the sources of funds for MFIs and as a result of which their cost of fund is increasing, a potential challenge for the MFIs and their regulatory bodies will be to make interest-rates even lower for their clients than present. All concerned need to work out a solution to this problem.
- Extreme poor women in rural Bangladesh are very vulnerable due to the fluctuation of their incomes and natural calamities. Relief and rehabilitation activities, therefore, are also very important and should have appropriate priorities alongside credit program itself.

Microcredit as a development intervention is attracting more and more of government finances in Bangladesh. But credit alone does not suffice. Rural poor, particularly the women, are extremely vulnerable. To reduce their vulnerability and have good results from credit interventions, government and NGOs should keep their social safety networks intact. It requires a lot of spending. The challenge, therefore, is to strike the exact balance between lending and spending.

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