



## WOMEN'S ECONOMIC EMPOWERMENT AND MICRO-FINANCE OPERATION IN BANGLADESH: FROM POLICY TO OPERATIONAL LEVEL INTERVENTIONS

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### **Abstract:**

In the present context of women's socio-economic empowerment, Bangladesh has played a revolutionary role in microcredit movement and has proved that the poor women are creditworthy and they can even do better in repaying the debt. This movement is no longer limited to only microcredit program; rather it includes more service-oriented in the frame of microfinance operation. Microcredit institutions in Bangladesh have dramatically increased the credit available to poor rural women since the mid-1980s. Moreover, Microfinance Institutions (MFIs) have become a dominant financial institution for the poor section of people, especially women who cannot access formal financial institutions in a large extent. Though poor women have access to microfinance, later it has been explored that due to various kind of patriarchal norms and other socio-economical constraints, women in most cases lose the control on proper utilization of debt. Even though, sometimes women's decision-making power and the expansion of enterprise became shrink due to lack of control over the loan utilization process. This paper mainly focuses on how microfinance intervention in Bangladesh played a decisive role in women's economic empowerment and to what extent government policy initiatives and institutional building approach assist in flourishing microfinance discourse more friendly for the most vulnerable poor women. Moreover, this paper also evaluates the most prominent two selected institutions named BRAC and Grameen Bank's microfinance operation from a critical viewpoint and assess to what are the existing ambiguity in the arena of microfinance operation at the field level.

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**Keywords:** economic empowerment, microfinance, NGO, BRAC, Grameen Bank, debt, Bangladesh

## 1. Introduction

Women make up almost half of the population of Bangladesh, but they remain one of the most at risk social groups of the country. Though numerous steps have been taken to advance women's position in society, but still they continue to have lower economic, social and political opportunities. There are various socio-economic religious and political causes behind the lack of women's position both at the household and social level. This underprivileged position leads to a higher threat of poverty for women as a social group. It also subjects them to other risks such as physical and emotional violence, exploitation, and natural disasters. It is recognized that women as a heterogeneous group, in terms of their situations, deprivations, and needs vary according to their locations within various communities, religions, and regions (Ali & Hatta, 2012). Thus, along with promoting rights and entitlements of women, government of Bangladesh formulated different policies and programs to eliminate all forms of socio-economical and political discriminations. Moreover, government and different NGO's launch different supportive programs to enhance and ensuring equal access of women to political, economic and social space. Government of Bangladesh established women's rights and security through constitutional mandate. The Articles 10, 19, 28 of constitution of Bangladesh have granted the rights of women to work in all professions. The Article read as follows;

*“Article 10: Steps shall be taken to ensure participation of women in all spheres of national life.*

*Article 19 (2): The State shall adopt effective measures to remove social and economic inequality between man and woman and to ensure the equitable distribution of wealth among citizens, and of opportunities in order to attain a uniform level of economic development throughout the Republic.*

*Article 28(2): Women shall have equal rights with men in all spheres of the State and of public life.*

*Article 28(4): Nothing in this article shall prevent the State from making special provision in favor of women or children or for the advancement of any backward section of citizens”*

(The Constitution of the People's Republic of Bangladesh, 2011)

To comply and follow these Articles of the Constitution, the supreme law of the country, different ministries are proposed to develop comprehensive Gender Policy to expose the concept of gender within its workplaces; at the stakeholder's level as well as within the entire sector (MOWCA, 2011). This policy stands on the principles to ensure a consistent and equitable approach towards mainstreaming the concept of gender and preventing gender disparities among employees and stakeholders. However, it is more evident that the government of Bangladesh is committed to uphold women's socio-economic status in every sphere of their lives.

In this paper, we try to explore the government level interventions at the national level, which advocates in fortifying women's economic empowerment. In the light of these policies, we also try to understand some NGO level actions and interventions, through which women's economic empowerment has been ensured in the present context of Bangladesh. To analyze government level interventions for women's economic empowerment, we try to analyze National Women Development Policy 2011 and The Seventh Five Year Plan (FY 2016- FY 2020). These two documents are the supreme level initiatives through which government of Bangladesh declares all sector wise initiatives, that needs to be implemented on the basis of national priority. Based on these policies, we try to focus on the institutional building approach, like Microcredit Regulatory Authority (MRA), and later we have an attempt to analyze initiatives and actions taken in favor of economic empowerment by two selected organization, named BRAC and Grameen Bank at the field level through micro finance program.

### **1.1 Importance of the study**

As already mentioned, in the present context of Bangladesh, women, who are striving with extreme poverty and vulnerable situation are facing serious socio-economic constraints and difficulties in every sphere of their lives. Though government has taken different initiatives and policy action, different NGOs and voluntary organizations are striving for improving their condition, but still this issue remains a severe challenge for both government and development practitioners. However, after the liberation war of 1971, few NGOs were started working with reconstruction programs, but later they diversified their activities in different arenas, like health, education, social development and women's economic empowerment (Karim, 2008). Moreover, Karim (2008) stated that, *"NGOs began their work of war reconstruction and rehabilitation of refugees, occupying an infrastructural vacuum in the newly independent state. The developmental NGO sector soon capitalized on the women-in-development (WID) paradigm of the United Nations and western aid organizations"* (p.11).

In this perspective, women's economic empowerment is one the important and effective ways through which women can ensure equal rights and voice both in their family, society as well as at the state level. Undoubtedly, micro finance is one of the best medium through which the most vulnerable section of women can enjoy economic solvency to meet their every day's needs. In this perspective, Bangladesh has more than 40 year's experiences in micro finance operation. Despite this, still now there is controversy both in the academic and development arena that do micro finance able to bring economic empowerment for the poor women? Or is it a trap to fall into chronic vicious circle of poverty in the long run? Who control over loan use? Is micro finance is panacea or magic bullet for women's empowerment? All these question, demands more research and investigation to explore the real cause and effect of micro finance in the domain of women's economic empowerment. In this perspective, it seems to examine the issue of economic empowerment from macro level, means government level interventions to micro level operation at the field, to find out the policy gap or fragile points in the existing policies.

## **2. Methodology of the study**

This paper is based on different academic article and paper review. As a part of review papers, here various types of necessary information and several secondary data were used for describing and demonstrating current scenario of women's economic empowerment and to learn about institutional level interventions like BRAC and Grameen Bank's microfinance program. The secondary data were collected from different journal articles, and official publications of different government and microfinance institutions, web links, published thesis papers of the scholars, published dissertation papers of the graduates etc.

### **2.1 Women's economic empowerment: Policy interventions from government level**

Policy level intervention is one of the vital pre-requisite for ensuring effective implementation of any kind of operation at the field level and women's empowerment is not an exception of that process. Government of different regimes declared various types of supportive policies at the national level for ensuring women's socio- economic empowerment. Here we have an attempt to analyze National Women Development Policy- NWDP, 2011 and Seventh Five Years Plan (FY 2016- FY 2020) and try to find out what are the fundamental initiatives that government declared in these policies for ensuring women's economic empowerment.

#### **a) National Women Development Policy- NWDP, 2011**

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One of the most remarkable international agreement named, 'Convention of the Elimination of All Forms of Discrimination Against Woman (CEDAW)' was adopted in the United Nations in December 1979 to eliminate all kinds of discrimination against women in the state, economy, family and in each area of social life (Cheston and Kuhn, 2002). Later it came into effect on 3 September 1981. However, this document identified as the International Bill of Rights is considered to be a full dress and self-contained standard for the preservation of rights of women. Even though, Bangladesh submits report to the United Nations every four year as ratifying state to the Charter (Cheston and Kuhn, 2002). However, this commitment of Bangladesh's government in the international forum has been followed very strictly to eliminate all types of discrepancies against women.

Women's position development is one of the crucial pre-condition of national development. It is imperative to establish equal opportunity and rights to ensure national development. The erstwhile Awami League government in accord with the promise made in the national election held on 12 June 1996 formulated for the first time National Women Development Policy in 1997. The main objective of this policy was to promote the cause of larger women society that had suffered abuse and neglect for long time. Still women are always suppressed under religious bigotry, social stigma, narrow-mindedness, and discrimination in a male dominated society (Ministry of Women and Children Affairs [MOWCA], 2011). The talent and labor spent by our women in their household tasks were never properly evaluated. That's why, this policy try to cover every aspects of women's empowerment in the society. This policy precisely narrates the scenario of world's women movements and different conferences like "Women congress in Mexico" in 1975, declaration of "Year of women" in 1975 by UN, World women convention in 1975, and Beijing Declaration. Throughout these movements, it is evident that women's empowerment movement has its long history. However, the NWDP 2011 has three parts with 49 sections/ articles. The main focusing points of these articles encompassed by discriminations against women, domestic violence, poverty, politics and administration, economic empowerment, employment, technology, health, food and special programs for disable women, etc. The first two parts narrates these sector wise policy and interventions, and in the third part of the policy, there are some strategic action plans to implement the policy from top to bottom level of the state mechanism. Here, this policy advocates to take institutional level agreement and strategy from nation level to local level government. Where the national framework such as the administrative frameworks of Ministry of Women and Children Affairs, Women Affairs Department, and National Women Organization shall be strengthened. Even the power and authority of these institutions shall be increased for making all

programs implementable for the development of women's position (MOWCA, 2011). To implement women development in its true sense is very difficult task. Without ensuring every body's involvement, it will be difficult to achieve the ultimate goals. That's why this policy advocates a good coordination between the Government and NGOs, so that participation of all sections of people could be ensured and made actions possible (MOWCA, 2011).

However, if we specify our attention to women's economic empowerment in the National Women Development Policy 2011, then we can see there is a separate section on women's economic empowerment. Where government gave emphasis on some important sets of conditions, which is directly or indirectly associated with the economic empowerment, like equal opportunity health, education, training, rights to wealth and resources, access to loan/ credit, market management and so on. In the policy, part II, section number- 25 (subsection 25.1 and 25.2) mentioned these issues. The Article of the policy read as follows:

*“Part II: Section- 25 Economic Empowerment of Women: The essential issues for economic empowerment of the women are, such as;*

*25.1. To give full and equal opportunity to women in health, education, training, lifelong education (continuing education), technical education, income generating training, information & technology etc.*

*25.2. To give women the rights to wealth and resources earned through income, succession, loan/credit, land and market management”*

(MOWCA, 2011)

However, NWDP 2011 declared and preserved women's economic empowerment to some extent, though it has some drawbacks in terms of highlighting some more specific indication regarding loan/credit system. As economic empowerment is closely related with the availability financial condition, that's why there should have a clear direction of possible sources of loan/ credit for the poor women. Besides this, it would be more relevant, if the NWDP 2011 create an obligation to formulate separate policy for the underprivileged women in every financial institutions and NGO's, by which access to financial support will become more consolidated. Now, in most cases, financial institutions and NGO's are operating their microcredit for the women only for ensuring their availability of fund from the donors' agencies, as this has become a pre-condition for getting funds.

## b) Seventh Five Years Plan (FY 2016- FY 2020)

Five years plan is basically a medium-term plan, which is formulated on the basis of sector wise to attain the specific goals through some strategies. This five years plan proposed detail action plan and strategy to achieve sector wise priority goals. As we have already discussed about National Women Development Policy 2011 in the previous section, which was prepared by Ministry of Women and Children Affairs. Based on this policy, government prepares and set their actions and strategies to achieve the maximum output of the taken policy. In this way, policy and plan are closely interrelated to each other. In the Sixth Five Years Plan government also accepted some action plan on women' economic empowerment. According to the Planning Commission (2015), stated women's economic empowerment will be addressed by; 1) *increasing and improving the opportunities for women's employment*; 2) *providing an enabling work environment*; and 3) *strengthening women's economic decision-making power by promoting women producers, women trade unions and women entrepreneurs* (p.695). Based on this objectives, government evaluate their performance which is shown in the below table 1. However, in the objective, there is a clear point regarding economic opportunities, but in the performance indicators, there is no point regarding financial accessibility of women, by which we can understand how far economic empowerment women did achieved during that period. This was the major drawback and policy gap in measuring women's economic empowerment in the Sixth Five Years Plan.

Objective	Performance Indicators	Baseline FY-2010	Target FY- 2015	Actual FY- 2015
Women and men should enjoy equal social, political and economic opportunities	* Ratio of boys and girls in tertiary education	32%	60%	50%
	* Seats held by women in parliament	18.6%	33%	20%
	* Ratio of literature females to males (% of age 20-24)	85%	100%	86%
	* Share of women employed in the non-agriculture sector	20%	50%	32%

**Table 1:** Progress with Women Empowerment in the Sixth Five Year Plan, (p. 696)

**Source:** Planning Commission (2015)

However, in the Seventh Five Years Plan government also declared about increase women's economic benefits. In the Planning Commission, (2015), government is committed declaring "... *women's access to or control over productive assets, resources, services, skills, property, employment, income generation activity, information, technology,*

*financial services, and other economic opportunities including community resources like land, water, forest etc” (p.699).* Though, in the Seventh five years plan government declared about income generation activity and activities on economic opportunities, but there is also no clear indication how it will be achieved and implemented at the grass roots level. Here, in the five years plan government can demarcate the role of NGOs and financial institutions in implementing women's economic empowerment. So, from the light of NWDP 2011 and Seventh Five Years Plan, government has set policy framework for women's economic empowerment, but the way through which it will be implemented, and the role of NGO's, other financial institutions and semi financial institutions are not specified. This is the ultimate policy gap that seems to be re define in future five years state's plan.

## **2.2 Institution building of Microfinance: Role of the Microcredit Regulatory Authority (MRA)**

From the previous section discussion, it is found that government has no clear MF policy regarding women's economic empowerment, but government has created legal institution to look after MF operation that has been operated by different NGO's in Bangladesh. In this regard, Microcredit Regulatory Authority was established by the Government of the People's Republic of Bangladesh under the "Microcredit Regulatory Authority Act 2006" to promote and foster sustainable development of microfinance sector through creating an enabling environment for NGO's in Bangladesh (Badruddoza, 2013). MRA is the supreme autonomous body to monitor and supervise microfinance operations of NGO's. It is also mandatory to have a license from the Authority to operate microfinance operations in Bangladesh as an NGO. Through this Act, government is ensuring transparency and accountability of microcredit activities of different NGO's in the country (Badruddoza, 2013). The mission of MRA is clearly mentioned the activities of this institution, like as;

*“(1) to formulate as well as implementing the rules to ensure good governance and transparent financial systems of MFIs.*

*(2) to conduct in-depth research on critical microfinance issues and provide policy inputs to the government consistent with the national strategy for poverty eradication.*

*(3) to provide training of NGO-MFIs and linking them with the broader financial market to facilitate sustainable resources and efficient management.*

*(4) to identify the priority issues of microfinance sector for policy guidance and dissemination of information to attain the MRA's social responsibility”*

(Microcredit Regulatory Authority, 2011)



However, the Authority is empowered and responsible to implement the act and to bring the microcredit sector of the country under a full-fledged regulatory framework. Besides this institution, Bangladesh Bank, the central bank of the country looks after the microfinance activity that has been operated by different government ministries, banks, and semi financial bodies.

### **2.3 Microfinance as a tool of women's economic empowerment in Bangladesh: A glimpse into BRAC and Grameen Bank interventions**

According to the Microcredit Summit Campaign 2001 Report, through specialized microfinance institutions (MFIs), NGOs, and other nonbank financial institutions 14.2 million of the world's poorest women now have access to financial services (Cheston, S., & Kuhn, L., 2002). However, these women account for nearly 74% of the 19.3 million of the world's poorest people, whereas women make up around 75% of all microcredit recipients worldwide (Cheston, S., & Kuhn, L., 2002). From this information, it has become clear that, Microfinance is one of the most effective instrument through which potential to transform power relations and empower the poor- both men and women is being ensured globally. In this regard, it could be mentioned here that at the present context of Bangladesh MF programs are implemented by various formal financial institutions, banks, specialized government organizations, and semi- formal financial institution (Ahmed 2009). As Ahmed (2009), also argued that the total coverage of MF is approximately 14 million households. However, in the development discourse, both academicians and practitioners are focusing on gender equity. Several researches and studies were being done in the last decades to find the possible ways of removing gender disparity, and ensuring women's empowerment in Bangladesh. Microfinance is such an instrument through which various NGOs, even some government supported organizations are trying to combat poverty and assist the vulnerable section of women to mainstreaming. This activity is not simple and easy that it could be achieved over night. According to Afrin & Islam (2008), over the last decades, microfinance (MF) program became an important tool for alleviating poverty in Bangladesh. In that sense, experience of microfinance operation in Bangladesh is not new, even though, still now it's a matter of great controversy, whether microfinance is able to combat the poverty of poor, or it is a trap of poverty. Microfinance program is a structured program under which micro level loans are given to both poor men and women without collateral security (Afrin & Islam, 2008). Despite this, in most cases why poor women cannot perform up to the mark is a vital point for discussion. It is also a fact that in patriarchal social norms, where men made all decisions at the household level, in that context how microfinance would be able to make women's more empowered? is a matter of big

question. Here in this section, our main focus is microfinance and women's economic empowerment in Bangladesh, highlighting the BRAC and Grameen Bank's microfinance program in a critical view point. In the Table 2 shows the coverage of the selected two institutions, BRAC and Grameen Bank's total outstanding borrowers, disbursement amount and outstanding amount.

Name of the organizations	No. of outstanding borrowers	Disbursement amount (TK in million)	Outstanding amount (TK in million)
BRAC	634,500	26,500.48	2,148.20
Grameen Bank	23,67,641	161,411.20	12,218.20

**Table 2:** Coverage of micro finance programs as of June 2002

**Source:** Ahmed (2009), (cited in PKSf statistics, CDF statistics)

Since launching BRAC's microfinance activities in 1974, BRAC has grown to become one of the world's largest providers of financial services for the poor (Mannan, 2009). Through the process of innovative, inclusive, and client-focused, BRAC has utilized its 43 years of expertise to design, test, and adapt loan and savings products to meet the unique needs of people living in poverty especially women. To operate the MF program BRAC sets a mission, where it was mentioned- *"to empower people and communities in situations of poverty, illiteracy, disease and social injustice. Our interventions aim to achieve large scale, positive changes through economic and social programs that enable men and women to realise their potential"* (BRAC, 2015). So, here we can see BRAC, as an institution is committed to empower both men and women who is financially vulnerable and poor. BRAC believes that sustainable poverty reduction must unite both economic and social development. That's why microfinance activities are therefore seen as part of BRAC's broader, holistic approach to development, by helping to build livelihoods, boost consumption, and improve access to a range of social services (BRAC, 2015). All microfinance clients have access to BRAC's other programs, including education, healthcare, and legal aid. If we look into the MF program of BRAC, we can see their program is designed in to two categories, one program is only for the poor women named 'Dabi (Claim)', and another program is 'Progoti (Prosperity)'. As in Dabi loan program, all members are women, that's why here we focus on this category of loan and try to access the impact of Dabi program on women's economic empowerment.

In BRAC's Dabi loan program the main clients/ beneficiaries are women, who lives in slums of town and village, landless or women lives on hard work with fewer lands doing agriculture for others are the major concern in this kind of loan (Chowdhury, Rodrick, & Ahmed, 2014). Through this loan, women are getting chances to save some extra money and become self-employed later. Before disbursing the loan

the program office (P.O) of the responsible areas do visit and select an women member o the basis of the loan criteria. Later P.O forms a Village Organization (V.O), consisting 15 to 20 women members. Each V.O elects a leader, a cashier and a secretary to run V.O effectively. However, the loan generally distributes without any collateral assurance. Dabi is kind of loan where women borrowers could borrow the money with his own will and the loan will be provided only as an input. The loan is refundable within one (01) year or 52 weeks. That means, there are 46 equal installments with six (06) grace period, people could refund the loan amount within the loan period of 52 weeks (Chowdhury, Rodrick, & Ahmed, 2014). The loan could be distributed above 46 weeks period in some cases. There are some specific areas where Dabi loan has been provided, like small entrepreneur business, business with carrying goods (kind of small business), grocery shop, husking paddy, rickshaw pulling, and tailoring. The main pre- condition of Dabi loan is to do saving at the V.O level. According to Mannan (2009), found that women borrowers, once they join BRAC, starts to build the habit of saving, no matter how small the amount. BRAC introduces two types of savings, weekly personal savings and enforced savings. In weekly personal savings, members of the village organization deposit a minimum of BDT 5 to a maximum of BDT 20 per week (Mannan, 2009). On the other side, in enforced savings, group members are required to deposit 5% of the principal amount of a loan at the time of disbursement. However, Mannan (2009) stated that, *"the assumption is that forced saving will enable the poor to accumulate tangible and intangible capital, which they can use to climb out of poverty"* (p.221). Dabi Loans typically range from USD 160 to 5,000 and are repaid in weekly installments over the course of one year. In the Table 3, we can see the total scenario of Dabi loan since its inception to 2015. After taking this loan, when poor women able to take more loan, then they are converted to Unnoti (Development) program.

<b>Dabi program (up to 2015)</b>	
Total Members	9.7 million
Borrowers	3.4 million
Total savings	USD 419 million
Total outstanding	USD 845 million
Average loan amount	USD 354

**Table 3:** BRAC Dabi loan program

**Source:** BRAC net

The way through which Dabi loan borrowers are selected and the formation of women's group at the village level, is an effective strategy. Despite this, when an officer visit field to select target women, at that time, occasionally it will not be possible to select a

women who has no loan from other NGOs or financial institutions, That's why few wrong selection of members are happening at the village level, when officer are bound to open a VO in an area. In that case, the disbursed loan might be misused, as the borrowers have to pay the taken loan to other NGO's as installment. Such kind of overlapping is a challenge in case of operating program at the field level. Moreover, in the operation level there are two most important critics of lending money are the method of charging interest and repayment of interest rate. According to Mannan (2009), argued that *"until 1994 BRAC charged 20 percent interest against borrowing, but since it follows a principle of reducing balance, the interest rate eventually declined to 11 percent and now is an annual flat rate of 15 percent interest"* (as cited in Rutherford, 2000. p. 222). Even though, the flat rate is 15 percent of the face value of the loan; and the average value of the loan in the client's pocket is half the face value since the loan is paid off in weekly installments, (Mannan 2009). However, at the end of repayment the effect is that the effective rate of interest on 15 percent loans stands at around 40.8 percent (Ahmad, 2007). On the other side, it is claimed by BRAC that their interest rate is lower than the rates charged by local moneylenders (Begum, 1994). Whereas, moneylenders' annual rates of interest usually exceed 100 percent. Lower interest rates reflect a widespread belief that interest is inherently deduce and that the high rate of interest is exploitive one.

Grameen bank is a financial institution, which is controlled and supervised by the central bank of Bangladesh. In that case, at present government own 25% share and rest of the shares are owned by the borrowers (GB, 2015). Grameen Bank (GB) has created a banking system based on mutual trust, accountability, participation, and creativity. Which reversed usual banking practice by removing the need for collateral. GB provides credit to the poorest of the poor women in rural Bangladesh, without any security. It has made credit available to the poor who were denied commercial loans due to a lack of physical loan security. According to Karim (2008), GB has demonstrated that 98 percent rate of recovery, which indicates that the poor are not defaulters, and they pay back their loans successfully. Karim (2008) also argued that *"GB has introduced some new forms of social identity among rural women, such as women's weekly meetings where women collect and discuss loan proposals, the creation of a space where women can speak without men dominating the discourse"* (p. 13). GB always give priority women in their loan client selection. In the Table 4, we can see the number of male and female borrowers both in all category and micro enterprise loan sector.

Sector	No of Male (all loans)	No of Female (all loans)	No of Male (micro enterprise)	No of Female (micro enterprise)
Processing & Manufacturing	43423	1583885	3429	146119
Agri and forestry	61580	2285287	3772	216465
Livestock and fisheries	39906	1421861	6303	241815
Service	7351	188160	484	23440
Trading	33829	1268244	4211	233653
Padding	1601	57407	135	12543
Shop keeping	17930	1169944	6209	683908
<b>Total</b>	<b>2,05,620</b>	<b>79,74,788</b>	<b>24,543</b>	<b>15,57,943</b>

**Table 4:** Number of male and female in all types loans and micro enterprise loans during January to December, 2015. Source, GB Annual report 2015

The Grameen Bank operates group responsibility for individual loan is a fundamental organizing principle of the micro-credit. Basically, forty women form a center, which is housed in a female member's house, where women elect a leader from the group who advocates the loan proposals in their weekly meetings. These forty women form eight smaller groups that include five women in each group. Each week, the women meet in the Center and hand over their weekly installments to the bank officer. Usually, when a person needs a bank loan, he/she is asked to make a five peoples group. It is a quite difficult procedure to form a group of five same-minded people and this is how to ensure group solidarity (Karim, 2008). After the group formation, the bank discusses the rules and regulations of the Grameen Bank. The group is told that all members do not get their initial loan at the same time. First, two members obtain loans and after they begin to repay the principles plus interest over six weeks, then the two others become eligible for loan (GB, 2010). So, individuals receives loan, but the whole group is responsible for repayment and if one member failures to pay, no other member can receive further credit. The group is also asked to make the proper utilize of the money. In this way, group stress guarantees social and financial discipline among GB members. According to GB (2015), it is found that almost 97 percent of the total loan borrowers are women. In the Table 5, we can see the number of women member who took membership for GB's loan.

Year	% of women members for loan
2015	96.51%
2014	96.26%
2013	96.21%

**Table 5:** Percentage of GB women members

**Source:** GB Annual report 2015

One of the major criticisms of GB's loan system is cumulative interest rate. Though the interest rate is fixed, but at the end of the repayment interest is calculated without adjusting principal was paid off. As Karim (2008), argued that *"the GB loans, usually given between \$100 and \$200, for a year on a fixed interest rate of 16 percent, but ultimate interest rate become 32 percent in effective or actual interest. As the borrowers paid the interest on the original principal through the life of the loan. That is why, the interest paid was not adjusted as the principal was paid off. What the borrower actually ended up paying was much higher because these loans contained many hidden costs that raised the rate to 50 to 60 percent (p.17)"*. So, in this regard it is seen that the interest rate is not real flat one, rather cumulative. This is unbearable for the poor women to make it recovery successfully. In the analysis of BRAC and GB microfinance activity the interest rate calculation has found as a common problematic point. Though officially it has been declared a flat rate, but the rate of interest has become more at the end of loan repayment. For the greater welfare of poor women, this calculation of interest needs to be solved as early as possible and make the poor people understand that the interest rate is not burdensome for them anymore.

#### **2.4 A comparative study of BRAC and GB microfinance program: Facts analysis from an empirical study**

According to Hashemi et al.,(1996), control over microfinance funded enterprise is different in case of BRAC and GB. In an empirical research of Hashemi et al.,(1996), authors found some field experiences about the control and use of BRAC and GB's microcredit program of the rural women. Here authors set some empowerment indicators to justify how women are empowered through microfinance program in the rural areas. Among the indicators mobility, economic security, ability to make small purchases, ability to make large purchases, making political and legal awareness and involvement in decision making are worth to be mentioned (Hashemi et al., 1996). Based on these indicators, authors measure the control over funded enterprise in the scale of none, partial, significant and full, where full control means control over every aspect of the enterprise including marketing. Whereas significant control means that women are keeping account and had control over funds but not involved in marketing, and partial refers women have some knowledge of account and some access to the income generation activity. Table 6 suggests that women's control over credit varies in old and new villages. In case of new villages, both BRAC and GB's women clients have 27% to 60% full control over their enterprise, whereas in the old villages is 0% to 18% (Hashemi et al., 1996). In old BRAC, villages there are no control over the enterprise of women. However, this data indicates that at the beginning time of the loan women can

enjoy a minimum portion of control over the fund, but later gradually it decreases because of men's control over the women's funded enterprise and patriarchal norms dominance at the house hold level (Hashemi et al.,1996). In the following Table 6, is clearly indicate women's control over funded enterprise.

Village	None	Partial	Significant	Full
Old GB village	64%	9%	9%	18%
Old BRAC village	100%	0%	0%	0%
New GB village	18%	18%	36%	27%
New BRAC village	20%	10%	10%	60%

**Table 6:** Women control over funded enterprise

**Source:** Hashemi, Schuler, & Riley (1996)

In another survey, Hashemi et al.,(1996), showed the percentage of empowered by loan use by BRAC and GB. According to Hashemi et al.,(1996), argued that *"even the credit program participants who never used a loan to finance their own economic activities, however, were considerably more likely to be empowered than women who were not participating in credit programs"* (p. 648). In the Table 7, we can see that women who received GB and BRAC loans and used all or some of them to finance their own activities, 49-54 percent respectively fell into the empowerment category. On the other hand, 36 percent borrowers were empowered who had membership of GB and BRAC, but gave all portion the loan to their husband or other relatives. So, it can be said that economic empowerment is not truly established among these women.

Indicators	Number	% empowerment
All loans used for own or joint activities	308	49%
Some loans used for own or joint activities	109	54%
No loans used for own or joint activities	80	36%

**Table 7:** Percentage empowered by loan use by BRAC and GB

**Source:** Hashemi, Schuler, & Riley (1996)

So, from this comparative study of GB and BRAC, it is evident that to what extent women are empowered in their real life and in what ways they can enjoy control over their loan and funded enterprises. In the reality, having various forms of socio-cultural and patriarchal norms, still poor women cannot ensure an effective control over their loan.

## **2.5 Women's economic empowerment and microfinance: Gap between myth and reality**

Several indicators are used to measure the success rate of microfinance program in Bangladesh. Some NGOs measure the success rate of microfinance through the amount of loan disbursement and number of borrowers year by year, and others measure by setting some qualitative indicators, like decision making ability, level of income, or level of participation etc. (Afrin & Islam, 2008). However, it is not an easy task to measure women's empowerment in a very simple way, as it relates with several social, political and economic factors. Over the decades, women's empowerment has become one of the most widely discussed topic in the arena of development sector. Government, NGOs, women groups, international aid agencies are working from their respective fields in order to promote women's empowerment. Though the concept is widely used, but it is not a simple phenomenon. As Kabeer (2001) claimed that the empowerment could be complex in the same context because it has multiple dimensions and routes. Moreover, research shows, in some cases loan for women's empowerment provoke unrest situation between men and women at the household level. Kabeer (2001) also found that the primary source of the conflict lies in the very different understandings of intrahousehold power relations. Here, the author critically analyzes power structure of interhousehold and intra household activity, and showed how loan is being shifted to men's hand later. Reality is that in most cases, men control the use of loan by imposing decisions or taking away the money, but later women's have to face the burden of loan repayment.

As Kabeer (2001) argued that, "*While both positive and negative evaluations accept the premise of gender inequality in intrahousehold relations, they vary considerably in the significance and meaning attached to cooperation and conflict between men and women within the household and consequently to autonomy, dependence and interdependence within the household*"(p.67). However, she also added that only microfinance can bring a change to the economic productivity and social well-being of the poor women, but it does not automatic, just as with other activities, like education, political quotas, etc. (Kabeer, 2005). It also found that in some situations, like widowed, separated, or divorced, women can exercise their full control over loan use. Again, in some these cases, single female household heads had given their loans to male relatives like nephews, and son-in-law, in exchange for a guarantee of a regular food supply (Goetz, & Gupta, 1996). Another study shows that about 43% of the cases fall into the three categories of partial, very limited, or no control, indicating a fairly significant pattern of loss of direct control over credit (Goetz, & Gupta, 1996). So, the practical scenario at the field level is quite different, and without ensuring proper selection, monitoring and supporting program



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like skill training and some basic education access for poor women, it is next to impossible to ensure women's empowerment only by providing loan. In the rural area of Bangladesh, women who get microfinance they are doing income generation activity, like small farming, livestock, or handicraft activities, but these women can not avail the opportunity of market access for the so called patriarchal norms. Ultimately, they have to rely on their male members at home, and this is another cause of cash loosing of her products (Ali & Hatta, 2012). However, there must have some policy level intervention from MF institutions, to mitigate market access barriers for the women entrepreneurs, like creating spots for selling women's products. Having all forms of socio-economic barriers and patriarchal power structure, to measure and analyze women's empowerment is conceptually complex and methodologically challenging. As Ali & Hatta (2012), argues that in every society, it does not necessarily provide the same scenario of meaning, outcomes and goal of women's empowerment, but it depends on culture, religion, social and political context. However, in the field of microfinance, at present it has become indispensable to set a specific guideline for measuring empowerment, so that development practitioners as well as academicians can get an acceptable criterion for measuring the level of empowerment.

According to Ali & Hatta (2012), *"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"* (as cited in Malhotra, Schuler & Boender, 2002, p.112). So, from this perspective Ali & Hatta suggest a new idea to measure women's empowerment at the local level. Authors advocates that women's empowerment can be properly measures by community social workers, who could organize community members to identify problems, community assets, resources, analyze the local power structure and assessing human needs (Ali & Hatta, 2012). Ensuring this strategy, community social workers can pressurize the government and microfinance policy makers to develop new policies or reverse existing policies for women's empowerment (Ali & Hatta, 2012). Besides, for effective utilization of microfinance loan at the grass root level, it is necessary to initiate some skill training, group training, educational opportunities for poor women, which will ultimately enhance capacity building of the poor women and fortify sustainable community development. Such kind of comprehensive approach of microfinance program can ensure an effective capacity building of women at the local level. However, Ali & Hatta, (2012), mentioned that Bangladesh's government programs do not have enough adequate trained staff for effective capacity building or to assist poor women in their

empowerment process. In this regard, we should underpin to bring structural and social transformation that true women's empowerment entails.

### 3. Conclusion

From the above discussion and analysis, it can be said that microfinance in Bangladesh seems to assess the success of their programs mainly in the light of disbursement and repayment rate. Whereas, the real impact on the beneficiaries is not adequately prioritized. NGO's are demanding that MF played an important role for the poor and vulnerable women at the local level, but as a tool of economic empowerment; it is not free from various limitations. From the selected two institutions BRAC and GB, we can see some inconsistencies and loopholes at the operational level. The above discussion also shows that there are still both policy and operational level limitations in the arena of microfinance of Bangladesh. Only loan disbursement and number of borrowers is not the ultimate indicator of success. Though many studies focus on the number of total loan disbursement and found that women are empowering both socially and economically, and can take decision at the household level. However, unfortunately there is less study on changing the traditional operational strategy of microfinance at the field level. In most cases, MF institutions are operating their activity without adding new values, like in case of area selection and client selection MF institutions are following their traditional methods. But time has come to find out new strategy for field operation. As old techniques and strategies, become ineffective and problematic, like overlapping loan disbursement, fake client, interest rate inconsistency, etc.

Besides these activities, if we want to analyze the success or failure of microfinance, we also consider the institutional approaches and their policies as well. Different MF institutions are performing with their own operational policies, like the selection of target population, analysis of the problem of financial crisis; strategies adopt to address this problem and the commitment to bring change. However, all these criteria must have uniqueness at institutional level. Otherwise, it will become more challenging to ensure sustainable institutional capacity and social mobilization of the poor women. These functional aspects of MF, demands more research to bypass the existing loopholes for attaining empowerment. Likewise, Kabeer (2005) argued that, *"There are no magic bullets, no panaceas, no blueprints, no readymade formulas which bring about the radical structural transformation that the empowerment of the poor, and of poor women, implies. Various interventions are simply different entry points into this larger project, each with the potential for social transformation, but each contingent on context, commitment and capacity if this potential is to be realised"* (p. 4718). We should keep in mind that only

MF program cannot do everything for the poor women at the local level. These poor women are surviving in numerous limitations and financial crisis. So, this is the high time to think in a different way at the policy level. Both NGO's and government level intervention is necessary to formulate a supportive and friendly microfinance policy considering a holistic and equity approach. Otherwise, to attain a real women's economic empowerment will remain myth, which never see the reality in true scenes. Another aspect we need to consider that if we want to see microfinance as a real instrument of women's economic empowerment, we need a transformational shift at the policy and operational level, where Government, NGO, MF institutions and donors will perform in a collaborative way, and through this process concerned institutions of MF can do more in the realm of women's economic empowerment.

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