

# The microfinance and women empowerment: Evidence from before and after effects of microfinance

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## Abstract

This paper investigates the impact of microfinance on women empowerment in Bangladesh. This study will look especially at how involvement in microfinance programs affects women's ability to engage in household decision-making. This paper also explains the characteristics that encourage women to enroll in microfinance programs. The findings of this research demonstrate that microfinance benefits Bangladeshi women's empowerment, yet the extent of the effect varies depending on the metric being used. Since they started using microfinance, women's empowerment in making decisions about their children's education, visiting relatives, medical care, contraception, buying personal items and household items, managing their income, and feeling secure and strong in their families has significantly increased. It's possible that not all women can benefit from microfinance, but it does provide some empowerment for the majority of women. As a result, it has the potential to have a significant impact on the empowerment of women. All of these things contribute to their empowerment.

## Keywords

Microfinance, women empowerment.

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## 1.0 Introduction

The United Nations' Sustainable Development Goals highlight the need to address poverty (Goal 1) and gender equality (Goal 5) (Murshid, 2016). Developing countries have developed financial programs, including microfinance, to empower women to address these goals that have spilt over from the Millennium Development Goals. Bangladesh is one of the countries with the highest population densities in the world, with a rapidly expanding economy and almost 170 million people. However, a sizable portion of this population remains extremely impoverished. Additionally, women continue to occupy a relatively poor status in Bangladeshi families and in the country's larger culture. Globally, there are differences in women's participation in initiatives for economic empowerment depending on local factors such as rurality and urbanity, class constraints, and cultural expectations (Murshid & Ball, 2018). Therefore, it is crucial to study such initiatives carefully while taking into account the many cultural, historical, political, and geographic contexts. The topic of this essay is Bangladesh, a middle-income nation with firmly patriarchal religious, cultural, and societal standards, as well as severe income disparity and rapid economic growth.

Microfinance initiatives have been seen as a crucial part of global development strategies for more than three decades, particularly in poor nations. The provision of non-collateral financial services to the underprivileged or people living in low-income households who are unable to put up assets as security is known as microfinance (Azevedo, 2007). In these nations, numerous credit programs that are aimed at the poor have been introduced and run by governments and

nongovernmental organizations (NGOs). The majority of these programs specifically target women since they have a worse credit situation, less access to the wage job market, less influence over household decisions, and a better track record of loan payback than males do.

Women have low credit risks as a result, and they are more willing to lend money to their children and other family members. Targeting women may also be due to the increased social and political awareness, training, and skill development of this underprivileged population (Pitt et al., 2006; Aghion and Morduch, 2005; Hashemi et al., 1996; Kato and Kratzer, 2013). The poor, who are individuals who make less than the national poverty threshold, frequently do not have access to official financial services (Banerjee and Duflo, 2007; Helms, 2006). On how to define, assess, or alleviate poverty, academics and policymakers are at odds.

With an unambiguous reference to its subsistence character, microfinance (MF) projects throughout the world seek to reduce poverty by fostering economic growth via the support of entrepreneurship (Khavul, 2010). It stands for the concept that lending money to microenterprises by specialized financial institutions may help to fight poverty in emerging nations. It provides collateral-free financing to those low-income consumers, mostly women, who are typically shut out of traditional financial efforts in order to meet their credit needs for entrepreneurial endeavors. The majority of the time, microfinance is provided as a supplement to other state-initiated development programs that provide subsidies and conditional cash transfers to people who wish to start microbusinesses but cannot obtain

formal financing. In a perfect world, MF programs would attempt to change people's lives by guiding them toward transformational entrepreneurship, which would lead to sustainable development, as well as by assisting them in escaping the extreme poverty of subsistence consumption.

### 1.1 Background of the Study

One of the most important variables in determining the success of development in any nation is the status and position of women. Because women make up an integral component of society, society cannot advance without their contributions. The most important aspect of the microfinance program is that it prioritizes women's development. More than 90% of microfinance program participants are women. Microfinance and women's empowerment have been recommended as crucial development tools, especially in emerging nations like Bangladesh, to combat female poverty.

The main goal is to empower women by giving them financial assistance, guaranteeing that they can sustain themselves financially, provide for their families, and starting their own businesses. By empowering women, we can reduce poverty, improve their involvement in the workforce and in decision-making, and greatly boost their contribution to national income and the growth of our country as a whole. Women's rights to employment, health, education, and decision-making are ensured by empowerment, which also involves eradicating harmful ideals and repressive attitudes from society.

The supply of financial services to low-income consumers through the use of microcredit, micro insurance, and mandatory savings puts millions of people who are considered to be too poor to be

funded by banks and other financial organizations within reach. Microfinance frequently focuses on women and aspires to be a key tool in empowering women. Following the UN's designation of 2005 as the UN Year of Microcredit Sectors, microfinance gained international exposure. The United Nations, the World Bank, and governments see microfinance as a tool to help society grow and empower women. Microfinance may have a significant influence on women's empowerment in two different ways. First, microfinance helps impoverished women support their families financially and make an income on their own, both of which instantly increase their self-respect. Second, as women now have access to credit and may utilize the credit facilities to sign up for income-generating activities, it expands their community.

Microfinance is not a new technique for reducing poverty and empowering women. Bangladesh has been a microfinance platform in recent years, as knowledge and activity in the sector has grown. However, many microfinance institutions, both government and non-government, have been operating in Bangladesh with various perspectives, such as providing financial services, promoting human capital and growing social capital, eliminating gender bias, empowering women in society, and ensuring their proper rights in their households, among others (Baten, 2009).

It might be because women are now able to contribute financially to the family. Microfinance programs, in reality, improve economic, social, and political empowerment. The microfinance program is vital, but it is not a cure for all of the difficulties that the poor confront. As a result, program recipients must make effective use of financial assistance to establish small companies that will

contribute to raising living standards and empowering women. The current chapter investigates the influence of a microfinance program on female empowerment. The process of empowering of program users is not automatic, but is dependent on a variety of conditions. These elements might include women's ability, surroundings, initiative, and group standing. The pursuit of gender equality and women's empowerment as one of the Millennium Development Goals (MDGs) set by the United Nations during the Millennium Summit in September 2000 demonstrates that women's empowerment is high on the developmental index.

### 1.2 Research Statement

In our nation, agriculture employs the majority of households. Men in this country are practically as helpless as women in terms of access to material resources in the public realm, but men continue to be favored inside the patriarchal structure of the household.

The study attempted to examine the position of women in our nation who have possession of financial assistance via MFIs. The extensive literature implies that microfinance may empower women, but in practice, the capacity of the microfinance program to empower ignorant rural women who have never seen their existence beyond their family is extremely difficult. As a result, the study examines microfinance institutions' efforts to empower women. The report is based on interviews with microfinance borrowers who are women. As a consequence, the search for knowledge regarding the changes in the lives of women in our nation who had access to financial resources through MFIs led to this research.

**Research Question: What effect does microfinance have on women's empowerment?**

**Some other research questions:**

1. What are the beneficial and adverse impacts of microfinance programs on women who participate in them?
2. How do women who take out loans from MFIs utilize them?
3. How do female microfinance participants feel after participating, and if this has resulted in a greater sense of empowerment in the social, economic, and political environments around them?

### 2.0 Literature Review

The literature uses a variety of phrases to describe women's empowerment. A commonly employed terms are gender equality (World Bank, 2001), women's independence (Dyson & Moore, 1983; Basu & Basu, 1991; Jeebhoy, 2000), the status of women (Tzannatos, 1999), the rights of women (Quisumbing et al., 1999), the influence of women (Mason, 1998; Beegle et al., 1998; Hoddinott & Hodda, 1995; Agarwal, 1997; Pulerwitz et al. 2000), the participation of women (Duflo, 2005), and among others. Despite the fact that the terms' definitions are closely linked, they describe empowerment in terms of choice, control, and power.

Expanding freedom of choice is a common definition of empowerment. In this vein, The World Bank (2001) states empowerment as "the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired action and outcomes". According to Sen (1993), a person's ability set, which includes their personal traits and social environment, determines their capacity to make decisions. The process of an internal change is also tied to empowerment

(Mayoux, 2000). In this literature, we review several prior studies that are related to the link between microfinance and women empowerment from various viewpoint. Specifically, we also highlight those papers who examine how the microfinance program influences the women empowerment.

### **2.1 Microfinance & women empowerment at various viewpoints**

Gangadhar et al. (2017) examine the effect of microfinance on empowerment in Scheduled Caste (SC) and Scheduled Tribe (ST) women in Karimnagar District of Telangana State, India. They took into account the following three empowering aspects for women: political awareness (PA), legal awareness (LA), and health awareness (HA). They also used a structured questionnaire to gather information on SC and ST women who are members of Self-Help Groups (SHGs) on their empowerment throughout the post-loan period. They show that after participating in the SHG program, SC and ST women's legal and political awareness were not significantly affected by microfinance programs, despite their success in raising health awareness. Their findings also imply that SC and ST women's participation in SHG programs aided in their overall empowerment.

In Bangladesh, Debnath et al. (2019) look at the factors that affect rural women's families' access to microloans and how it affects the empowerment of those women. They depend on in-person interviews with 300 women families in two Bangladeshi locales throughout the course of 2018. According to descriptive statistics and econometric modeling, their findings indicate that family size was favorably and significantly influenced by the accessibility to the microcredit program, but greater yearly income was adversely related with

the accessibility to the program. They go on to show that microcredit borrowers have more control over their personal finances. Their regression analysis also reveals that microcredit significantly and favorably affects women's participation in household decision-making and legal knowledge. They suggested that, in light of their findings, microcredit providers in Bangladesh be pushed to reassess their program planning and modify their loan packages with a focus on women in higher income groups.

The success of women-owned businesses in Benue State, Nigeria, is examined by Diaka and Asenge (2019), who concentrate on women business owners who are clients of certain microfinance banks in Makurdi Metropolis. They concentrated on how the performance of women-owned companies in Benue State was impacted by microfinance training, microfinance saving, and microfinance lending services. To gather information, they use a survey design and questionnaire for the study. They discover that microfinance loan services, microfinance saving services, and microfinance training services have a substantial influence on the performance of women-owned firms in Benue State using the population of 68 owners of women-owned enterprises in Makurdi metropolitan. They come to the conclusion that women-owned businesses in Benue State perform much worse while using the services of microfinance banks. They also suggest that Benue State's microfinance institutions give women business owners ongoing access to low-interest loans so they may grow their enterprises and raise their level of life.

Jain (2020) investigates the extent to which microfinancing services contribute to the empowerment of Nepali women in the eastern region of the country. He used the



purposive sample method and 97 women's replies to structured questions. He says that using microfinance services (loans and saving) aids in the empowerment of women. The advancement of women's empowerment is unaffected by the ease of access to financial services and contentment with the loan repayment schedule. Women's household decision-making, significant domestic decision-making, and the availability of essential household requirements are all substantially correlated with the service of saving. He suggests that microfinance services aid in the socioeconomic empowerment of mothers and the education of their offspring.

By contrasting the outcomes of two microfinance providers in Ethiopia, Haile et al. (2012) investigate whether variations in the socio-cultural, economic, and organizational settings of microfinance contribute to why some programs are more successful than others. They show that differences in formal and informal norms do affect how microfinance programs function. They also demonstrate how microfinance programs may help women increase their asset base and create more income, but they can also reinforce gender-specific labor divisions of labor and perpetuate inequality.

In sub-Saharan Africa's fragile nations, which have not been thoroughly studied, Mwale et al. (2021) look at the effect of microfinance on women's perceptions of domestic abuse. On 2948 women from Sierra Leone, they use a propensity scores matching technique. They used a special dataset that was created by combining information from the same people questioned for two separate and nationally representative investigations, the Integrated Household Survey and the Multiple Indicator Cluster Survey. They

show that participation in the Osusu microfinance program lessens women's acceptance of domestic abuse. The association between Osusu and domestic violence is strong; it lessens tolerance for hitting a woman who neglects home duties. They also looked into how entrepreneurship functions as a channel for the effects of microcredit on the home economy. Finally, they contend that policies that provide more women access to microloans have the potential to lessen domestic violence by enabling women to start their own enterprises.

In light of this, Abedin and Moulin (2012) concur that microfinance gives women an opportunity by keeping them actively engaged in trade and economic activities through their own businesses. In exchange, it significantly increases women's empowerment, raises their level of education, increases their proportion of total assets, and gives them respectable positions, raising their standard of living, ensuring good nourishment, and promoting economic growth and development. In a similar spirit, Jain and Jain (2012) suggest that microfinance services be made available to rural women together with supportive activities including training, the provision of raw materials, and marketing of their output, leading to investments in microenterprises. Women who start their own businesses bring in more money for the family, eliminating poverty and promoting development. With improved knowledge and awareness, social and economic empowerment, and self-confidence, women are inspired to engage in entrepreneurial activities.

Hussain and Jullandhry (2020) use a multifaceted method in the metropolitan metropolis of Lahore to study the empowerment status of urban women in

Pakistan. The results of their poll on 260 women showed that over two thirds of women lacked empowerment. Control over resources, mobility, and involvement in household decision-making are three aspects of women's empowerment (WE) that are generally poor. 49 percent of women reported having little influence over how the family's savings were spent. Additionally, their research showed that, in comparison to married women, unmarried women had less power. They made several important recommendations based on their results regarding women's property rights, enhancing their involvement in family decision-making, guaranteeing a workplace that is welcoming to women, and launching public awareness campaigns through the media and university curriculum.

Othman (2015) seeks to investigate how women might contribute to shared prosperity in Malaysia through Islamic microfinance. In order to attain shared prosperity, he primarily tries to investigate the present effects of Islamic microfinance, especially on women's participation in entrepreneurship in Malaysia. He points out that microfinance is one approach to encourage shared prosperity for improved financial inclusion for all societal sectors, hence reducing poverty for a brighter future.

Tanima et al. (2020) examine the contested assertions made by the microfinance sector that it supports women's empowerment in poor nations. They examine the operations of a microfinance NGO in Bangladesh using these divergent viewpoints, demonstrating how neoliberal language dominates the field and inhibits more supportive solutions. They analyze potential for change and its consequences for accounting and accountability systems, drawing on their critical dialogic approach.

Their research demonstrates that the International Six Days Enduro (ISDE) and the beliefs of its staff and female borrowers are dominated by the neoliberal notion of sensible economic women that is operationalized through microfinance minimalism.

D'espallier et al. (2011) test for gender impacts on microfinance (MFI) repayment performance using a sizable global data set encompassing 350 MFIs in 70 countries. They employ panel data regression methods including OLS, pooled random effects (RE), and fixed effects vector decomposition (FEVD) in order to do this. According to their results, MFIs with larger percentages of female borrowers had lower write-off rates and portfolios at risk. Their pooled results offer convincing proof that targeting female clients improves MFI repayment performance and that women are, on average, better credit risks. The outcome that has regulatory effects on the gender-repayment relationship may be a sign of coercive enforcement techniques that women are more receptive to.

The goal of Huis et al.'s (2019) study is to determine how the Gender and Entrepreneurship Together (GET) course has impacted women's emancipation. They concentrate on the results of providing this instruction to North Vietnamese women who are microloan borrowers. They discover that the GET Ahead program enhances women's empowerment in all three areas: control beliefs are improved, intra-household decision-making authority is boosted (but only for bigger expenditures), and relationship friction is reduced. However, due to potential underreporting, the data on relationship frictions should be treated cautiously. They also don't generally notice any additional effects from bringing husbands to the training. Finally, their findings imply that

there is a delay before the training improves women's empowerment, with no immediate impacts and only moderate improvements from before the training to a year after the training.

Saha and Sangwan (2019) use primary data gathered from a hamlet in North India to study how women's empowerment affects their ability to obtain credit, as shown by the total amount of loans they receive annually. The empowerment index, which is the main explanatory variable they utilize, was built utilizing the four elements of economic, social, interpersonal, and political. They show that women with more financial power obtained larger total loans. The 'luck' of having a boy as a first child helps a woman take advantage of possibilities for empowerment in North India's patriarchal society, they observe. These findings on empowerment at the village level are in line with those they found throughout all of North India using a different, national dataset. They also demonstrate that, for the remainder of India, education—rather than empowerment—is a more significant factor in determining loan volumes.

Murshid and Ely (2016) evaluate if microfinance participation gives women more control over their ability to choose a contraceptive method. They make use of nationally representative data from the Bangladesh Demographic and Health Survey 2011 and population-based secondary data analysis. They discover that the odds of the respondent making a decision were greater for microfinance participants, but they were not statistically significant when multinomial logistic regression was used to estimate the probability of respondents and their spouses making a contraceptive decision based on participation in the program. Men who were coupled with women who took

part in microfinance had much reduced probability of making decisions, with the reference case once more being collaborative decision-making. They suggested that involvement in microfinance by women would enable men to share decision-making authority with their spouses, increasing the likelihood of collaborative decision-making.

In a rising country and the refuge for MF, Bangladesh, Dutta et al. (2018) intend to assess the entrepreneurial behavior of microfinance (MF) users in contrast to a comparative group of non-users in the same socioeconomic context. They discover, using the propensity score matching approach, that women borrowers did not develop the psychological capacity to accept risk and bricolage as a result of easy access to credit through MF efforts. Self-employment in micro firms has been a feature of their adopted model's entire revenue producing process, lacking much innovation and taking risks.

Fall et al. (2021) evaluate the effect of gender on the social efficiency of microfinance. Their method for estimating the gender impact is nonparametric in nature. Their research suggests that gender diversity internationally has a favorable influence on the social efficiency of microfinance by using a cross-country sample of 680 microfinance institutes (MFIs) in 2011 from six major areas of the world. However, the nature of the effect depends on the heterogeneity factor taken into account, and they discover that while the percentage of women loan officers has a nonlinear impact (U-shaped on the difference in inefficiencies and inverted U-shaped on the levels of inefficiencies), the effect of boardroom gender diversity is linear. They confirm the significance of the role played by women in MFI social efficiency and analyze the validity of our



findings on several subsamples (global or regional size, as well as depending on the considered profit-oriented status).

Wellalage and Thrikawala (2021) examine the connection between gender, microfinance, and access to bank credit using a large dataset on unlisted enterprises in 22 developing countries. They find evidence of discrimination against female-owned and female-led businesses using heckprobit to control sample selection bias. They demonstrate how microfinance empowers women by making it easier for female-owned businesses to apply for loans and have those loans approved. Last but not least, they emphasize how crucial it is to address gender discrimination in the credit sector in order to support the growth of female-owned businesses.

Based on information from the 2011 Bangladesh Demographic and Health Survey, Murshid and Ball (2018) investigated the relationship between women's physical mobility and their involvement in microfinance, a program that aims to empower people living in poverty in Bangladesh. They measured women's ability and willingness to go alone to seek medical attention using a two-item scale to operationalize physical mobility. Their findings showed that women who reported having physical mobility were 12 percentage points more likely to participate in microfinance than a comparable group of women who reported not having physical mobility. This was determined using the Chi squared tests and propensity score matching procedures. In conclusion, their data show that social welfare programs are effective inasmuch as institutions and norms encourage them.

Finally, with a focus on developing nations, Aninze et al. (2018) evaluate, analyze, and

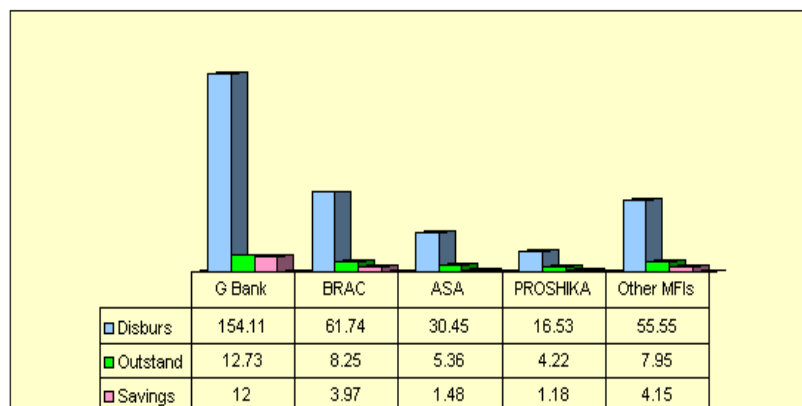
offer a critical evaluation relating to the effect of microfinance on issues regarding poverty, gender equality, and women's empowerment. Additionally, they give a general review of the advantages and drawbacks of microfinance, examining current problems with poverty reduction, entrepreneurship growth, and family wellness. They contribute to the scant body of studies on how microfinance helps women in poor nations gain more authority.

## 2.2 A short remark on Bangladesh's microfinance initiatives

Microcredit, often referred to as microfinance or microbanking, is a way to provide credit to unconventional borrowers, such as the poor in rural or undeveloped areas. Typically, this credit is provided in the form of small loans without any kind of security. Microcredit is often defined as loans up to Tk 50,000. Muhammad Yunus, a Bangladeshi economist with American education, standardized this strategy in 1976 after seeing that a sizable portion of the world's population had been prevented from obtaining the money essential to escape poverty. The initiative evolved into the well-known Grameen Bank (GB), and its operating structure has been imitated everywhere. NGOs, GB, state-owned and private commercial banks, as well as specific programs of several ministries of the Bangladeshi government, are now implementing microcredit initiatives in Bangladesh. Over 31.22 million individuals in Bangladesh are microloan borrowers, and there are 746 registered microlenders, according to the Microcredit Regulatory Authority (MRA). The entire amount of outstanding loans and savings in the microfinance industry equal around Tk 67,390 crores and Tk 26,296 crores, respectively.<sup>i</sup>

Although there are more than 700 MFIs operating in the nation, the market is extremely concentrated: ten big MFIs and GB account for more than half of the sector's entire savings and loan outstanding (see also Figure 1).<sup>ii</sup> In Bangladesh, where MFIs operate in over 85,000 villages, over 37 percent of families have access to microcredit, ranking among the highest rates in the world (Ahmad, 2006). MFIs possess the potential to contribute in a number of ways to the socioeconomic development of a nation. The most important ones are to fill a gap in

the financial services sector by providing small loans, or microloans, to those who are unable to obtain conventional loans; to reduce poverty, the unemployment rate, and gender inequality; to empower women by providing microcredit, training, education, and increased social awareness; to boost local economies by financing small businesses; and to close the income gap between rural and urban areas and encourage rural development. The third aspect, which is microfinance and women's empowerment, will be the main topic of this essay.



**Figure 1:** Leading Four MFIs according to of loan balance, savings, and disbursements in billions of takas.

**Source:** Bangladesh Bank

### 3.0 Data and Methodology

#### 3.1 Study Design

The research has a purposeful design. Choosing a purposeful study design allowed the researcher to make conclusions utilizing a purposefully chosen sample at the given period by providing a snapshot of the population. Additionally, data that is both quantitative and qualitative are gathered for examination.

#### 3.2 Sources of data

To accomplish the goals of the study, both primary and secondary data are utilized. In-person interviews and questionnaires are used to gather primary data. Questionnaires (see appendix) have been prepared to both women borrowers and

micro financial institutions. The questionnaires are split into two portions for both types. The first part of questionnaires for women beneficiary consists of the demographic features, occupation, details of association with microfinance like the amount of revenue generated, the source and terms of loan repayment, and other information pertaining to socioeconomic growth and second part consists of statements of five points scale. As women beneficiaries were less literate and unknown to English language. The whole questionnaire was converted into Bengali language to bring out the responses accurately.

In the same way the first part of questionnaires for Microfinance institution consists of the details of institution like their Name, Year of establishment, total staff, repayment status, the services provided by them etc. few questions were asked regarding their operations. Second part consists of statements of five points scale where the officials were asked to rate it. Annual reports, papers, textbooks, periodicals, journals, and websites are used to gather secondary data.

### 3.3 Tools for data analysis

The basic data gathered has been analyzed by the researchers using a variety of statistical methods. The current study is carried out using a few statistical tools, such as percentage, chi-square test for independence, Z-test with the aid of MS Excel, etc. that have been utilized to examine the data and reach a result, in accordance with the guidelines and conditions of hypothesis testing. Women who had benefited from microloans were asked to use the five-point scale rating technique to answer to ten items in order to examine their perceptions of the role that microloans had played in their empowerment. Each positive expression received a rating beginning from "5 for strongly agree, 4 for Agree, 3 for neither agree nor disagree, 2 for Disagree and 1 for strongly disagree" was taken for few negative statements. This perception scores were analyzed using Likert scale analysis. The same above technique was used for the analysis of microfinance Institutions also.

### 3.4 Sample Size and Preliminary Analysis

Based on a field survey conducted in Bangladesh in 2021, the report uses

information on the female population who had utilized microfinance services. Bangladesh comprises of 8 divisions. We have selected 1 district from each division. They are Noakhali, Pirojpur, Kushtia, Pabna, Jamalpur, Gazipur, Sunamganj and Dinajpur, and these were chosen for the field investigation based on the key standards that each district must have the Microfinance Institutions (MFIs) with defined eligibility requirements. Only those women have been chosen who had taken loan from microfinance institutions. Out of the total population who had taken loan, 240 women were selected, and finally out of the selected women, 30 respondents from each district were chosen for questionnaire. The total sample size comprised to 30 respondents. The selection of sample numbers is shown in Table 1.

Purposive sampling was used to choose the top five non-governmental organizations (NGOs), which are listed in Table 2. Some homes, however, were either impossible to locate or did not have an adult, making interviews impossible. As a result, 240 households total were chosen at random from 50 villages in the eight critical districts listed above from the eight division of Bangladesh. Demographics, production activities, microfinance participation, and results of interests including income, consumption, health, education, and women's empowerment are all included in the household survey. We have compiled in-depth information on village features, such as the distance to the closest market, health facility, district council, and educational institution. The village data is collected from the village leaders via fill-in forms rather than doing in-person interviews.

**Table 1**  
Selection of Sample

Serial No	Name of district	Name of divisions	Sample Size
1	Noakhali	Chittagong	30

2	<a href="#">Pirojpur</a>	Barisal	30
3	Kushtia	Khulna	30
4	Pabna	Rajshahi	30
5	<a href="#">Jamalpur</a>	Mymensingh	30
6	Gazipur	Dhaka	30
7	<a href="#">Sunamganj</a>	Sylhet	30
8	Dinajpur	Rangpur	30
<b>Total</b>			240

**Table 2**

List of Microfinance Institutions

Serial No	Name of MFIs
1	BRAC
2	Grameen Bank
3	ASA
4	<a href="#">Thengamara Mohila Sabuj Sangha (TMSS)</a>
5	<a href="#">Proshika</a>

The important factors in Table 3 were chosen because they have the potential to influence the results of interests. Due of the high correlation between the selected

variables, other factors such as the number of doctors and the pricing of other agricultural goods were not included. Despite the fact that all microfinance participants are women, descriptive data suggest that practically all families are led by men. We find that average household's size is nearly 5. Seniority of membership in microfinance organizations varied greatly as well; some families had only used the services for a month before to the study, whilst others had been doing so for 20 years. In rural Bangladesh, where education is still prioritized for men, it is not surprising that just 27% of household heads (HHs) were illiterate, compared to 42% of their spouses. On the other hand, the average duration of microfinance is around 3 years (34 months). However, the sample's average income is a little less than its average expenditure, implying that some families are forced to borrow to make up for the gap in spending. In Panel B of Table 1 indicates that the casual wage is amount 350 on average and illiteracy rate is around 20%.

**Table 3**

Main variables	Mean	Minimum	Maximum
<i>Panel A: Household characteristics</i>			
Household size (people)	4.90	3.00	8
Profession (farmers or laborers = 1)	0.74	0.00	1
Age of household head (years)	37.5	26.0	61
HH Education (uneducated = 1)	0.27	0.00	1
Borrowed loans (yes = 1)	0.93	0.0	1
Education of spouse (illiterate = 1)	0.42	0.00	1
Duration in microfinance (months)	33	1	240
Individual expenditure (Tk.)	111,277	12,000	344,750
Every adult-equivalent income (Tk.)	101,102	3,200	428,322
Household income (Tk.)	3,56,325	7,200	761,760
Every adult-equivalent spending (Tk.)	50,105	6,000	153,841
Outstanding loans (Taka)	9,726	0	275,000
People of working age	3.73	2.00	6
Measurement of poverty using \$1.25 PPP/individual/day (poor = 1)	0.29	0	1
Loans received overall (Tk)	49,995	1,000	450,550

Received training (yes = 1)	0.31	0.0	1
<i>Panel B: Village characteristics</i>			
Irregular pay (Tk./day)	350	200.00	500
the distance to the hospital (kilometer)	9.10	0.50	99
Rate of illiteracy (%)	20.05	1.00	44

### 3.5 Empirical method

As empowerment measures are reported in binary form, we utilize logistic regression in evaluating the vicissitudes after adjusting for the impact of major variables. The merit of logistic regression approach is that it can be readily interpreted the odd ratio immediately. Selection bias is one of the most important concerns to consider when studying the effects of microfinance services. Since microfinance participants choose to acquire services, unobserved individual characteristics of the participants may have an influence on outcomes of interest like women's empowerment, poverty status, and household income. The effects of microfinance on empowerment are more likely to be overstated if selection bias is not taken into consideration. Therefore, in order to calculate the impact of microfinance on women's empowerment, we utilize the following equation:

$$r_{ij} = \alpha + \beta_1 MF_{ij} + \beta_2 H_{ij} + \beta_3 V_j + \mu_j + \epsilon_{ij}$$

where  $r_{ij}$  is the dependent variable, indicating the consequence of interest for household  $i$  in village  $j$ , where The dummy variable is presumptively set to 1 if changes are good (for instance, the situation becomes better after using microfinance) and 0 if there are no changes. Moreover,  $MF$ ,  $H$ , and  $V$  denote the measurement microfinances' participation; characteristics of the household, characteristics of the village, respectively. Also,  $\mu$  indicates the overlooked distribution of household that is supposed to be constant in a community, and finally, the random error term is symbolized by  $\epsilon$ .

In order to deal with the endogeneity issue, there are two basic estimators. The first uses a fixed-effects estimator and a dummy variable for each village, using a reference village that was chosen at random. All observable and unseen influences within a village, including  $\mu$ , will be captured by these village dummies. A random-effects estimator, on the other hand, implies that observable and unobserved effects are highly correlated. Furthermore, by making use of a collection of observable village features, the impacts of  $\mu$  can be reduced. Although the fixed-effects estimate is more reliable, it is inefficient at the time of  $\mu$  random distribution.

To choose between the two estimates, we apply the Hausman specification test. Under the null hypothesis of no endogeneity, the parameters calculated by fixed effects and random effects are equal. The fixed-effects analysis is preferable if the null hypothesis is rejected; alternatively, a random-effects estimate is preferred. Almost all signs do not refute the null hypothesis, according to the test findings. As a consequence, the results of the random effects for the empowerment indicators are shown.

## 4.0 Analysis of results

### 4.1 Empowerment following participation in microfinance

This study examines the microfinance's impact on the key variables of empowerment, such as participation in household judgment, accessibility to family assets, security, and respect, based on the literature evaluated. The replies to Likert scale questions are used to generate these



indicators. For instance, Data on the participation of women in family decision-making was gathered using replies to a three-point Likert question: women did not participate, took the decision alone, and took the choice with their spouse jointly. Before they started taking part in microfinance programs around a year ago, the same questions were asked once again to better grasp the situation (e.g., engage in decision-making).

However, to eliminate the time-invariant separate overlooked features, this study uses the difference in empowerment questionnaire responses after engaging in microfinance programs. This study takes the benefits of in person interviews in capturing the recall bias through teaching

surveyors to reword some questions to confirm that replies are right. Changes in empowerment indicators are translated into binary results, with 1 indicating positive improvements (i.e., the situation improves after entering microfinance) and 0 indicating negative changes. Table 4 shows changes in empowerment when they join in microfinance, where greater replies suggest better results. After participating in microfinance, all measures of empowerment show substantial gains, according to a t-test. Important factors like as feeling full of pride and exalted, having control over one's finances, and making decisions about one's children's education, on the other hand, improved in more than 70% of families.

**Table 4**  
Distinctions in empowerment metrics following participation in microfinance

Measure of empowerment	Prior	After	Change	P-value (t-test)
Voting decision	1.53	2.32	0.79	0.000
Income control	1.47	2.63	1.16	0.000
Education decision of child	1.75	2.49	0.74	0.000
Marriage decision of children	1.58	2.69	1.11	0.000
Buying decision of household	1.70	2.60	0.90	0.000
Buying decision of personal stuffs	1.62	2.43	0.81	0.000
Purchasing assets decision	1.84	2.70	0.86	0.000
Visiting relatives decision	1.58	2.58	1.00	0.000
Contraceptives decision	1.55	2.65	1.10	0.000
Medical usage decision	1.65	2.52	0.87	0.000
Recreations decision	1.67	2.57	0.90	0.000
Use of family resources	1.42	2.48	1.06	0.000
Freedom of movement	1.63	2.81	1.18	0.000
Feeling honorable and proud	0.98	2.44	1.46	0.000
Feeling powerful and safe	0.41	0.99	0.58	0.000
Borrowing decision	1.34	2.55	1.21	0.000

In this study, membership duration is used as the proxy for microfinance involvement. This study anticipates that the greater a household engages in a program of microfinance, perhaps, the greater women

empowerment will be. This selection offers various benefits over other options (e.g., loan outstanding), which it determines the overall influence of microfinance and comparatively easy to recall for

respondents. The results of random-effect estimation are presented in Table 5, which reveal the significant improvement of women empowerment since they are participating in microfinance. The most significant benefit is deciding on the education of children, where the likelihood of advancement when taking part in microfinance for 3 years is 23 times more than when involving for a single year. The most encouraging conclusion, however, is that women are as least twice as likely to feel strong and secure when they participate in microfinance programs for at least two years.

Other factors appear to take longer to have an effect, since their parameter is only significant for people who have been engaging in microfinance for minimum 3 years: buying decision of personal stuffs (5.6), visiting relatives' decision (4.97), and medical usage decision (3.32). However, there are some empowering factors, i.e., the buying decision of household, a contraceptives decision, the recreations decision events and income control are only important for one group of participants, signifying that women still have more scope to progress in these sectors. The findings revealed no considerable enhancement in access to family assets, freedom of movement, borrowing decisions, voting decisions, asset purchase decisions, or child marriage decisions. Husband decision, or at the very least joint family decision, is a major factor in Bangladeshi culture when it comes to these empowering initiatives.

## 6.0 Conclusions

This study aims to investigate the connection between Bangladeshi women's empowerment and the concept of microfinance. We have further concentrated on a thorough analysis of previous noteworthy empirical research on

Bangladesh's microcredit programs and women empowerment. Our survey results on the impact of microfinance on women's empowerment in Bangladesh have finally been presented and reviewed.

Our research demonstrates that microfinance benefits Bangladeshi women's empowerment, yet the extent of the effect varies depending on the metric being used. Since they started using microfinance, women's empowerment in making decisions about their children's education, visiting relatives, medical care, contraception, buying personal items and household items, managing their income, and feeling secure and strong in their families has significantly increased. It's possible that not all women can benefit from microfinance, but it does provide some empowerment for the majority of women. As a result, it has the potential to have a significant impact on the empowerment of women. All of these things contribute to their empowerment.

One thing is certain: women in Bangladesh who have long been oppressed by the country's traditional male-dominated society cannot be fully empowered or have their lives improved by microcredit alone. Due to its numerous drawbacks, minimalist microfinance cannot successfully aid in the empowerment of underprivileged women. These underprivileged women must develop their capacities in order to benefit from empowerment. Microcredit must be accompanied with many possibilities for these underprivileged women to receive skills training and educational opportunities in order to improve empowerment via capacity building. Notably, we speak about possibilities for lifelong learning rather than typical school-based education. Microfinance schemes offer their members these lifelong learning opportunities such talks on personal

finance knowledge, women's health, and gender justice. MFIs and other NGOs must develop an integrated strategy to properly teach group members in entrepreneurship and enhance the social and political consciousness of these women.

On the other hand, Bangladesh's economy grew rapidly after 2001, however the situation remains unchanged at the time, necessitating the exploration of new choices and chances in order to maintain long-term progress. Microfinance is advocated as a component of economic development, since it has the potential to empower women and eliminate poverty. In this regard, certain suggestions should be made. The government should implement the necessary rules to encourage Grameen Bank, non-local donor organizations, and NGOs to carry out microfinance acts freely and fairly. Additionally, new NGOs may be welcomed to promote microfinance

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