

# UNDERSTANDING THE EFFECTS OF MICROFINANCE ON FEMALE EMPOWERMENT IN BANGLADESH



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*“Development consists of the removal of various types of unfreedoms that leave people with little choice and little opportunity of exercising their reasoned agency”*

*Amartya Sen*

## ABSTRACT

The goal of this thesis is to understand the effects of microfinance on female empowerment. This has been done by first looking at the context in which MFIs operate in Bangladesh. This context exists out of four interrelated landscapes, which have created an environment for MFIs to work in the way they do, specialize and create specific programmes and trainings to stimulate female empowerment. The effects of microfinance on female empowerment have been studied by using six components of the concept of female empowerment. The reported effects came from studies using results concerning female empowerment found for four different MFIs (with a main focus on BRAC)

These reported results and effects have been discussed in this analyses, several (contesting) views and beliefs of different scholars have been given, while analysing the results of microfinance programmes on female empowerment. The results of microfinance programmes on female empowerment have then been applied within the context in which MFIs operate in Bangladesh. This has been done to create an understanding of why microfinance in Bangladesh has these impacts on female empowerment.

The findings on the effects of microfinance on female empowerment discussed throughout this thesis are not uniform; many contesting results have been reported by studies. Also, scholars who analysed these results do not have consistent views. Therefore it cannot be said that microfinance has certain rigid results, and microfinance has achieved success or failure with female empowerment in Bangladesh. These contesting results discussed in this thesis are valuable information, as this thesis shines the light on many different aspects of female empowerment, and discussed many views. This creates a better understanding of the many different effects microfinance may or may not have on female empowerment, and why these effects are specific for Bangladesh.

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# 1. INTRODUCTION

## 1.1 Microfinance

Microfinance, also known as microcredit, entails the providing of financial services (loans, savings, insurance) to people living beneath the poverty line as a policy instrument to fight poverty (Khandker, 1998a). This is one of the many definitions given to microfinance.

The importance of microfinance is proclaimed everywhere. Here in the Netherlands, the queen Máxima is concerned with microfinance within the Netherlands as well as in other countries (VPRO, 2012).

Máxima is not the only famous person to shed light on microfinance, making it a ‘hot item’. Famous actress Natalie Portman (Starwars) is the ambassador of ‘Finca’, a microfinance institution. Her colleagues are even convinced that their institution is doing well because of Natalie’s famous face (The New York Times, 2008).

Mohammad Yunus was not a ‘celebrity’ as a Bangladeshi economist, yet he became a worldwide renowned person. He started by giving small amounts of money as loans to the poor women in Jobra, Bangladesh. This small project developed and grew; in 1983 the Grameen Bank was created with Yunus as its founder. The innovative aspect of the Grameen Bank was that loans were given to people who were uncreditworthy according to official banking standards (Perkins, 2008). Yunus won the Nobel Peace Prize in 2006 for his work in the microfinance industry (Global Envision, 2006). The Grameen Bank established a success rate of repayment up to 97% (Grameen Bank, 2013). Now he is a famous man traveling the world and sharing his ideas (Dickson, 2013).

Besides Yunus’ Grameen Bank, there are hundreds of other microfinance institutions throughout the world, consisting of 10,000 organisations, 150 million clients and involves about US \$70 billion (Augustine, 2012). When we narrow these microfinance institutions down to Bangladesh, we still see many active institutions. These institutions are called MicroFinance Institutions (MFIs) (Salim, 2011). Besides the MFIs, there are several actors and stakeholders involved in the network surrounding microfinance.

So why is microfinance so popular throughout the world and particularly in Bangladesh? This can be explained by the difficulties for people living below the poverty line to get formal loans through commercial banks. Most of the banks have many requirements for clients, which poor people cannot comply with. Microfinance can offer an alternative (Khandker, 1998b). Second, access to formal credit is biased to men, making it more difficult to formally borrow money for women than for men. In Bangladesh and many other countries a woman is obliged to get consent from her husband or male guardian (Rahman et al., 2009). Not only are women hampered to borrow money because of the exigency of a consent, women are also restrained because of their social and gender inequality (Khandker, 1998a). MFIs make it easier for women living in the rural areas in Bangladesh to get a loan; the imposed requirements fit better to the social and economic conditions of women. One of the goals of microfinance is to reduce the gender inequality in Bangladesh (Dasgupta and Barbattini, 2003). Now, we will continue with describing what microfinance entails.

Microfinance is not only a possible answer to gender inequality and difficulty of obtaining loans. It encompasses much more. Siwar et al. (2011) states that microfinance may increase women's access to social and income generating activities. This would be due to the better socio-economic position women gain when joining a microfinance program (Siwar et al., 2011). Also, microfinance is used as a tool to empower women in low-income countries in their households and communities, by making them self-employed (Khandker, 1998b). In Bangladesh, microfinance is quite extensive. Over the years, the popularity of microfinance has even expanded. In 1991, 1.9 million Bangladeshi people were a member of an MFI in Bangladesh. In 2010 this had increased to 34 million members (Khandker and Samad, 2013).

The focus of MFIs in Bangladesh are rural areas, where 85% of the poor live (Khandker and Koolwal, 2010). About 51% of the Bangladeshi people live under the poverty line (UNDP, 2000). The poverty rate in the rural areas of Bangladesh is even higher.

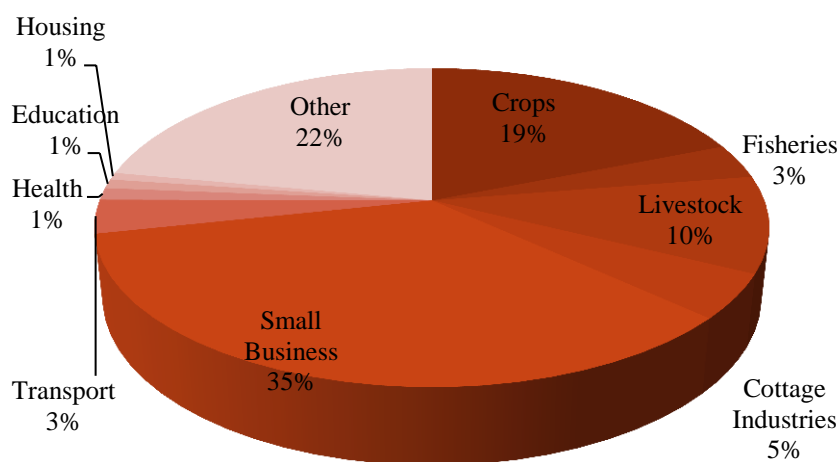


Figure 1. *Percent distribution of loans by stated purpose in 2011.*

Source: (Bangladesh Microfinance Statistics, 2011)

The money borrowed from MFIs is spent in various ways, although most of it is invested in small businesses. Figure 1 shows the percentage distribution of spent loans in 2011, as measured by the Credit and Development Forum (CDF) & Institute of Microfinance (InM).

Different MFIs in Bangladesh have different target groups, but most MFIs in Bangladesh are specified towards women. Khandker's (1998a) study has shown that the benefits of providing women with microfinance are larger than when men get involved with microfinance programmes, especially at household levels. This thesis is also focussed on women. More specifically, on the effects of microfinance on female empowerment. Empowerment is a key concept throughout this thesis, and it will be elaborated on below.



## 1.2 Empowerment

As stated before, this thesis is about the effects of microfinance in relation to (female) empowerment. Therefore, empowerment is the key concept that needs to be discussed. Empowerment is so important in development, that the two concepts are often seen as intertwined. Empowerment, and especially female empowerment is considered as a key issue for development (Moniruzzaman, 2011).

Radovic (2008) states that empowerment (eventually) leads to change. This change can be an increased (social) power of deprived individuals or groups, that is; empowerment of the disadvantaged. The change can also be in usage of a different approach to social resources (Radovic, 2008). To ‘develop’ a nation and its people, empowerment is seen as an important issue to improve. Amartya Sen and Martha Nussbaum both state empowerment to be essential for human development (Keleher, 2007).

According to Khandker (1998b), empowerment can be achieved by microfinance programmes. When microfinance is provided, self-employment by women is stimulated and with that female empowerment is achieved (Khandker, 1998b).

*Empowerment* is something that can hardly be measured in numbers. Pitt et al. (2006) defined empowerment in the terms of women’s *autonomy, decision-making power, and participation in household and societal decision making* (Pitt et al., 2006). They elaborated these terms by specifying them in to independent purchasing power, access to funds, power regarding household borrowing, ability to borrow, freedom of movement, household attitude’s and female status within households and husband’s behaviour towards the women (Pitt et al., 2006).

Siwar et al. (2011) characterized empowerment in terms of ‘*freedom*’ and ‘*educational status*’. Also Rahman et al. (2009) highlight the importance of education, as an enhancement for good understanding about her surroundings and her ability for controlling her life and freedom. Rahman et al. (2009) also link education to the ability to make independent decisions (Rahman et al., 2009).

The United Nations Population Information Network added some factors that could be important for female empowerment. These are especially based on a women’s opportunities and rights. For example, the right to have her own choices is emphasized by the United Nations (United Nations Population Information Network, 2001).

All of these definitions given by different scholars have been used to develop an understanding of empowerment. The most relevant parts of these definitions have been rewritten into six components which are applied in this thesis in order to study female empowerment in relation to microfinance.

The concept of female empowerment will be used and applied throughout this thesis in terms of:

- 1. Financial control and decision making power**

Related decision making power and participation in household an societal decision making

- 2. Household relations and repayment issues**

Related to freedom of movement and ability to borrow

- 3. Domestic violence**

Related to woman’s rights of safety, household attitude’s, female status within households and husband’s behaviour towards to women

- 4. Economic empowerment and household consumption**

Related to purchasing power and access to funds

**5. Education**

Related to education as an enhancement for good understanding and ability for controlling own life

**6. Religion and social pressure**

Related to woman's right to have her own choices

These 6 components of female empowerment will be extensively discussed in chapters 5 and 6.

### 1.3 Study Objective

The study objective of this thesis is to *understand the effects of microfinance on female empowerment in Bangladesh*. In-depth discussions on female empowerment are provided in this thesis, including interviews drawn from relevant publications.

Bangladesh has many active MFIs, but BRAC (Bangladesh Rural Advancement Committee) and the Grameen Bank are the largest two. They are responsible for 77% of microfinance loans. Of these two MFIs, BRAC is more involved with female empowerment through other channels than purely economic ones. BRAC invests 51,4% of its profits in empowering activities (for women), compared to 35,2% of Grameen Bank's profits (Salim, 2013).

BRAC's microfinance program only provides loans for women. Ahmed (2009) therefore considers this MFI as the most relevant one in terms of female empowerment (Ahmed, 2009).

Because of this, BRAC will receive relatively more attention in this thesis than other MFIs, as this thesis is specifically about microfinance in relation to *female empowerment*.

#### **Main question and specific questions**

The main question of this thesis is: To what extent have micro-finance institutions (MFIs) in Bangladesh contributed to the empowerment of women in Bangladesh?

To answer this, the contribution of MFIs to female empowerment is central. As stated before, emphasis is put on BRAC with additional attention to MFIs like the Grameen Bank, ASA and Proshika.

This study is fully based on a literature study, and can be seen as an analytic review of literature findings that strictly relate to women in Bangladesh that were exposed to programs by MFIs.

The following specific questions will be subsequently addressed in order to reach overall conclusions and a proper discussion.

1. What specific business models and means do different MFIs in Bangladesh use to empower women?
2. What methods have different researchers used to observe effects of MFI programs on the empowerment of women?
3. What do these different researchers report regarding effects of MFIs (and specifically BRAC) on the empowerment of women?
4. How have the different researchers interpreted these effects, and how do they explain these effects?
5. To what extent can the effects of MFI programs on female empowerment be explained in terms of different contextual factors (landscapes)?

To answer these specific questions and to assess and understand the effects of microfinance programs on women in Bangladesh, six dimensions of (the concept of) female empowerment will be distinguished and used for analysis. These have been presented in paragraph 1.2.

The results of MFI programs will be (partly) explained by looking at the contextual factors of MFIs in Bangladesh (in chapter 6.7).

## 1.4 Thesis overview

This thesis is divided into 7 chapters. Chapter 1 is the introduction chapter which is meant to give an idea of what is going to be discussed throughout this thesis, and indicates which topics will be accentuated in this thesis.

The second chapter is about contextual factors of microfinance in Bangladesh. Four operational landscapes will be discussed in a comparative way, aiming to discuss and to situate the widespread character of microfinance in the context of Bangladesh. The context in which MFIs operate in Bangladesh, and the reported effects on female empowerment are specifically presented in chapter 6.7.

Chapter 3 zooms in on microfinance institutions in Bangladesh specifically. First, a stakeholder analysis will be given, covering several actors active within the topic. After giving information about who the stakeholders are, information will be given about what their working method is. Who are the clients that these MFIs try to reach? This chapter is important to understand the differences between specific business models used by different MFIs in Bangladesh to empower women.

In chapter 4 the method and literature to study empowerment is discussed. In this chapter, the methods used by different researchers to observe effects of MFI programs on the empowerment of women are discussed.

The reported results of these researchers and their results, are the basis on which chapter 5 is written; *‘reported effects by studies on impacts of MFIs on empowerment’*. In this chapter we explore the reported effects of MFI programs (central focus on BRAC) on female empowerment in Bangladesh.

In chapter 6 the results will be discussed and analysed, using critical and analytical scholarly articles. The aim of this chapter is to explore how different researchers interpreted the reported effects of MFIs on female empowerment, and how they explain these effects.

In chapter 6.7 all relevant information comes together, which links the context in which MFIs operate in Bangladesh to the reported effects by studies on impacts of microfinance on female empowerment. This is relevant in order to really *understand* the effects in the context of different landscapes in Bangladesh. It answers the question *‘To what extent can the effects of MFI programs on female empowerment be explained in terms of different contextual factors (landscapes)’*, and assesses the contribution of microfinance programs in Bangladesh (and in particular the BRAC) to female empowerment in this country in terms of the contextual framework.

Chapter 7 consists of a conclusion and a discussion and serves as a concluding chapter.

## 2. CONTEXT IN WHICH MFIs OPERATE IN BANGLADESH

This chapter provides a context in which we can understand (the success of) microfinance in Bangladesh. This can be used to answer the specific question ‘To what extent can the effects of MFI programs on female empowerment be explained in terms of different contextual factors (landscapes)?’.

The answer to this question is presented in this chapter and paragraph 6.7 which focusses more on the contextual understanding of the reported effects.

In this chapter, four different contextual factors (different ‘landscapes’) will be discussed. These contextual landscapes will mainly explain the popularity and success of microfinance in Bangladesh, but also serve as important background information.

The aim of looking at these different landscapes in Bangladesh is to be able to assess to what extent the success or failure of MFI programs in Bangladesh is the result of these specific landscapes and contextual factors. As stated before, further on in this thesis (chapter 6.7), the contextual factors will be used to explain the success and/or failure of MFIs in Bangladesh on female empowerment. This will not be done in this chapter, as the reported effects by studies on the impacts of microfinance on female empowerment have not been discussed as yet.

There are many success stories about microfinance in several countries throughout the world. Many donors have reacted to these stories, donating billions of dollars (Morduch, 2000). The successful microfinance models used in Bangladesh have been applied throughout the world. Still, in some countries microfinance is successful, in other countries it is not (Hulme and Moore, 2006). So what explains why Bangladesh is relatively successful with microfinance?

There are several ways to look for the reasons of Bangladesh’ results. One of them used here is Hulme and Moore’s (2006) method using McCourt and Bebbington’s framework to identify Bangladesh’ success. This framework is applied in the different landscapes discussed in the following paragraphs. Another way to understand the results of microfinance in Bangladesh discussed in this chapters is to ‘compare the results on country-level context with the macroeconomic and macro-institutional features’ (Ahlin et al., 2010). This has been done especially in paragraphs 2.1 and 2.2 in which the financial and political landscapes are discussed.

### Financial Services

Murdoch (2000) claims that financial institutions in a country are fundamental in cross-country comparison. For microfinance to gain positive results in a country, mechanisms (which deliver microfinance) used in a country are important. Most of the successful microfinance institutions (including the Grameen Bank) are based on the same standard models, regardless of the type of economy (Morduch, 2000). This model is known as the *Grameen model*. In Bangladesh, this model is not only applied for the Grameen Bank, but also for (for example) BRAC, Proshika and ASA.

Hulme and Moore (2006) found several factors explaining why this Grameen model worked. *First* of all, the Grameen model is *selective*. As chapter 3 shows us, microfinance institutions have target groups which exclude certain (groups of) people. The Grameen model excludes the non-poor as well as the ultra-poor by using direct as well as indirect targeting. Direct targeting entails the in- and excluding of people and households based on clear indicators, which could be sex, the amount of owned land and employment. Indirect targeting entails self- or peer selection, which can include an obligation to attend meetings as a microfinance institution client (Hulme and Moore, 2006).

A *second* factor is that it is important for the financial landscape that microfinance institutions get the money that they loaned back. This is also a factor for success or failure; in countries where re-payment rules are not relived properly, microfinance often fails (Hulme and Moore, 2006).

*Third* of all, good administration by MFIs of the finance flows is essential (Hulme and Moore, 2006).

Sharma (2007) conducted a research to compare MFIs in Bangladesh to MFIs in Nepal and found many factors that were different between the two. He claims that these differences within the microfinance institutions can make or break the institution. For example, in Bangladesh, the Grameen Bank offers services like insurance, pension and a 'loan paid off at death' service. This is very attractive to borrowers. In Nepal no such 'funds' have been put up, what makes it less attractive for Nepalese people to borrow (Sharma, 2007). Also services like skill trainings, health development and food service for the poor, provided by BRAC, makes it attractive for poor people in Bangladesh to enrol in a microfinance program (Masud Ahmed and Chowdhury, 2001).

According to Sharma (2007) an *evaluation system* to 'grade' MFIs is very important. In Bangladesh, microfinance institutions are graded by getting a coloured star. There are five different types of coloured stars, each colour standing for a certain level of quality. To get a certain coloured star, Bangladeshi MFIs are evaluated on performances and results on repayment rates, profit, self-sufficiency, girl education and crossing the poverty line. Because of this evaluation system it is easier for clients to select the MFIs that they want to borrow from, and it creates healthy competition between the MFIs (Sharma, 2007). In Nepal there are no evaluation systems, which often leads to nepotism and favouritism (Sharma, 2007).

### Macroeconomic landscape

Sharma (2007) identifies the macroeconomic landscape as another important factor which can influence the success of MFIs. For example, the level of inflation is important. The higher the level of inflation, the more detrimental for MFIs. In Bangladesh, the inflation is very low because of the favourable macroeconomic and regulatory environment. In Nepal, the inflation is higher which is not prosperous. Also there are many problems with financial sustainability in Nepalese MFIs (Sharma, 2007).

Because of the low inflation in Bangladesh, the economic growth is still growing around 5% per annum. This growth creates great opportunities for MFIs (Sharma, 2007).

Not only a good inflation as an essential for a profitable macroeconomic landscape is important, also the scale of the microfinance industry in a country is important. The scale of already existing microfinance is an ‘enabling environment’ (Zaman, 2004).

### **MFIs and funders**

Many MFIs get financial aid of donors (this will be discussed in paragraph 3.1.3). This is often very important for MFIs to stay in business. Zaman (2004) argues that the funders can mean the success or failure of an MFI, it is very important for MFIs to attract and manage their funders if they want to stay successful. MFIs who are successful in persuading funders to financially aid their work, are more likely to survive (Zaman, 2004). Zaman (2004) claims that MFIs in other countries were not strategically successful in gaining and using the funds, which often led to a waste of money with an absence of a solid business plan (Zaman, 2004).

At the national level of Bangladesh there several funders active. The largest national umbrella organisation involved with funding is **Bangladeshi nationalized commercial banks** (NCB’s). The NCB’s exist of 4 state-owned commercial banks which are spread all over Bangladesh, aiming to expand economic activity. These NCB’s provide microfinance through direct programs, involving around 150 million US dollars (CDF, 2013).

## 2.2 Political (legal) Landscape

The Bangladeshi Constitution states (in article 25) that everybody has the right to an adequate standard of living for the health and well-being of himself and of his family, including food, clothing, housing, medical care and necessary social services. This same Constitution states in article 15 that the fulfilment of these basic needs is a state responsibility (Rouf, 2011).

Rouf (2011) states that although these rights for basic needs are stated in the Constitution, they are still not recognized as rights of a citizen. Rouf (2011) also remarks that in spite of the Constitution, the bottom 50% of disadvantaged poor people in Bangladesh do not have their basic needs fulfilled (Rouf, 2011).

Despite of this, the Government of Bangladesh is an important factor which can make the microfinance climate in a country flourish. The 'political landscape' is very important to understand the success and failure of microfinance cross-country. Here we will discuss a few factors that can contribute significantly to the performance of microfinance

### **Governmental Regulations**

Zaman (2004) claims that it is important for a government to find a good balance between regulation and supervision. The Government of Bangladesh has found this balance. This has led to a flexible and easy-going environment for MFIs, which results in promising and successful MFIs (Zaman, 2004).

Some of the largest MFIs even are permitted to self-govern (laissez-faire approach of the government). A good example of this is the Grameen Bank existing of an autonomous board. Other MFIs are also working on self-government, which Zaman (2004) claims to be a factor of success which is not yet implemented in other countries (Zaman, 2004).

### **Governmental subsidy**

Murdoch (2000) argues that it is not necessarily a positive move for governments to subsidize microfinance institutions. Subsidies vanquish the reluctance of banks to lend to small households with a small interest rate. In this respect, subsidies have a positive effect. Because of the subsidies, the interest rate was also kept low.

However, there are negative consequences to subsidize. It appears in practice, that the subsidized loans often benefit the relatively well-off clients of microfinance institutions, and not the poor households. The subsidy resulted in a high cost for the government and a lack of desired results (Murdoch, 2000).

Zaman (2004) argues that government subsidies are a controversial subject, and governmental subsidies do enhance the savings of MFIs and contribute to loan funds. But on the other side, it is possible for MFIs to reach financial self-sufficiency, especially if they get financial aid of donors (Zaman, 2004).

### **(Socio-) politics**

Politics can lead to restrictions regarding policies. Every law in a certain country can make a difference to whether microfinance will be successful. Also the socio-political environment of a country can make a big difference. Hulme and Moore (2006) identify War of Liberation and the floods of 1974 as important events that changed the socio-political climate of Bangladesh, which led to a



good climate for microfinance. After these disastrous events, many poverty reducing initiatives thrived, including Yunus' Grameen Bank (Hulme and Moore, 2006).

Even so important that there is a 'Grameen Bank Ordinance of 1983' which allows MFIs to register their program, so they won't be inspected by the Central Bank (Bangladesh Bank). A more liberal approach by the government towards MFIs can lead for an innovative climate in the MFIs (Sharma, 2007).

### **Political Policies**

Sharma (2007) compared the success of MFIs in Bangladesh to the limited success of MFIs in Nepal, looking at the legal basis. There is a big difference between MFIs in the two countries as regarding to supervision and inspection. In Bangladesh, the government has an 'Interim Poverty Reduction Strategy Paper 2003'. In this poverty reduction strategy, microfinance is important.

In Nepal, MFIs are registered under the society registration act of 1978. Before MFIs can even start-up, they need an NRB licence, this is written in even another act (financial intermediary Act of 1998), and they need to register under the Development Bank Act of 1995 as well (Sharma, 2007). There is an extensive bureaucratic system in Nepal, which discourages MFIs to start up. This bureaucratic system is much less extensive in Bangladesh due to the 'Grameen Bank Ordinance of 1983' (stated above).

## 2.3 Cultural and Religious Landscape

Other issues than those discussed in the financial and political landscapes can be of interest in determining why microfinance has been a success in the context of Bangladesh. This paragraph discussed one of these dynamic issues, in the cultural and religious landscape. This landscape concerns people interacting in the context of culture and religion, which is more sensitive for changes in society, changing networks, certain inputs and actors. Bangladesh is quite an uniform country looking at ethnical differences (Sharma, 2007).

### Culture

In Bangladesh, civil rights like freedom of choice and speech can be restricted. According to Rouf (2011), especially women are confined as they do not get many opportunities in society.

Also, Rouf (2011) states that Bangladesh is dominated by men; women don't have autonomy in their own lives because their fathers and later on their husbands make all big household decisions. For example, the men control labour, choice of marriage and access to resources and institutions. This is closely linked to freedom, financial control and decision making power. This link will be discussed in chapter 6.7.

For many women in Bangladesh, paid labour outside the house is often also forbidden by their husbands (Rouf, 2011). This may be a restriction for female empowerment, as these women will not be able to use their microfinance loans for non-household labour.

### Religion

Islam is the dominant religion in Bangladesh. Even though there is a secular parliamentary democracy, they follow the Penal Code (1860). It states that any person who has a "*deliberate*" or "*malicious*" intention of "*hurting religious sentiments*" can be subject to imprisonment (GlobalVoices, 2013). Rouf (2011) states that this dominance of Islam encourages a male dominated patriarchy, which oppresses women.

Sharma (2007) found religion to be an important factor. In Muslim countries like Pakistan, Afghanistan, Egypt and other highly religious countries, the demand for microfinance is much lower. Bangladesh is also a Muslim country, and there are even highly conservative religious groups active. Sharma (2007) stated that it is surprising to see, that even though religion is active, there is still a high tolerance for microfinance activities in Bangladesh compared to other Muslim countries (Sharma, 2007). This statement will be discussed throughout the thesis with contesting viewpoints concerning the issue of (tolerance of) religion in relation to microfinance.

In chapters 5.6 and 6.7 we will discuss the effects of microfinance on female empowerment, in the context of religion. Is religion no restriction due to tolerance, or are there other results to be found in practice? The concept of 'Purdah' (Islamic Custom) plays an important role in these chapters. In chapter 6.7 a discussion concerning this issue will be given.

## 2.4 Demographic Landscape



Figure 2. Map of Bangladesh

The demographic landscape may be of importance in the assessment of the success of microfinance in Bangladesh. Bangladesh' population is 164.4 million, with a density of 763 people per km<sup>2</sup>.

Sharma (2007) compared Bangladesh to Nepal, and the difference in *demographic landscape* is huge. Sharma (2007) identifies this as an important factor to whether microfinance is successful in a country, and states that the *high population density* of Bangladesh is conducive for the success of microfinance. This is interrelated with the communication networks and geographic capital of Bangladesh.

Zaman (2004) says that Bangladesh' high population density is of so much importance because this reduces the distance that people have from opportunities.

Schurmann and Johnston (2009) cover *spatial exclusion* in their article, discussing the space as demographic

landscape as a factor for whether or not microfinance programs can work in a country. They claim actual space, that is, distance from opportunities, to be crucial for success (Schurmann and Johnston, 2009). They call this '*geographic capital*: uneven distribution of services and infrastructure, low agricultural or resource potential, and weak economic and transport linkages' (Schurmann and Johnston, 2009).

How the demographic landscape is organized, and how far people are away from important opportunities, are important factors to compare the success of microfinance between different countries. Also good *communication networks* are necessary for microfinance to be a success (Zaman, 2004).

### 3. MICROFINANCE INSTITUTIONS IN BANGLADESH

In this chapter, a few microfinance institutions in Bangladesh will be discussed. This will be done by discussing important stakeholders in Bangladesh revolving around MFIs. It is important to know who is involved with microfinance in Bangladesh before we can dig deeper and answer the sub question ‘What specific business models do different MFIs in Bangladesh use to empower women? (the different means used to empower women)’

These specific models used by MFIs concerning empowerment of women are discussed in paragraph 3.2

#### 3.1 Stakeholders

Microfinance as a new developmental aid has many involved stakeholders. All organisations providing microfinance services and programmes are called MFIs (Micro Finance Institution). In Bangladesh, 81 MFIs are currently active (mix Market, 2011). The MFIs vary from small NGOs to large organisations and large commercial banks. Bangladesh is dominated by 4 large MFIs; the Grameen Bank, the BRAC, Proshika and ASA (Salim, 2011). Another large MFI in Bangladesh is the BRDB (Bangladesh Rural Development Board) (Datta, 2004).

All different MFIs have different target groups and different requirements; they have different business models. This will be discussed in paragraph 3.2. Some MFIs focus solely on women, others on the lowest economic groups. Though the MFIs are all mainly involved with microfinance, there are still differences amongst them. As stated before, for this thesis, BRAC is the most relevant stakeholder: BRAC is the MFI which is most involved with female empowerment (discussed in chapter 1). Therefore, also in this chapter BRAC is elaborated on most.

In Bangladesh there is an umbrella organization active for all NGOs in Bangladesh. These NGOs consist of non-microfinance NGOs and NGOs involved with microfinance (MFIs). There are approximately 1007 NGOs which are members of the ADAB (Association of Development Agencies) in Bangladesh. The ADAB approves foreign grants to Bangladeshi NGOs (Ahmad, 2003).

In this stakeholder analysis not all the MFIs can be discussed, but the large MFIs will be accentuated, together with one regional NGO involved with microfinance.

Besides the many MFIs, there are many other stakeholders involved with microfinance. For example, there are organisations which support and/or approve MFIs. (Datta, 2004). These will be discussed in ‘intermediation’. Most of the MFIs in Bangladesh rely on foreign financial support. The Grameen Bank operates using mainly foreign grants, especially given by the UNDP (United Nations Development Program) (Mallick, 2002). In order for the MFIs to gain funds to support their provided projects, they are supported on national and international level.

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### 3.1.1 National MFIs in Bangladesh and a regional MFI

The most important Non-Governmental Organisations (NGOs) involved with microfinance that will be discussed are the **BRAC** (Bangladesh Rural Advancement Committee), the **Grameen Bank**, **Proshika** and **ASA** (Association for Social Advancement). All of these MFIs provide microfinance loans without a collateral (money for insurance). These four large MFIs serve around 11.4 million (which is 40%) of all clients in Bangladesh (Hulme and Moore, 2006).

The Shakti Foundation for Disadvantaged Women (a regional NGO) and the BRDB, will also be discussed. By concentrating on this single regional MFI, many other regional MFIs are excluded from this stakeholder analysis. This will provide us with an example of how regional NGOs work with microfinance. This serves as background information in order to understand the network of stakeholders concerning microfinance in Bangladesh.

**The Grameen Bank** concentrates on giving microfinance to women (though they do have male clients) and aims to bring about income for the bottom 50% of poor women in Bangladesh. Also, the Grameen Bank aims to empower women by stimulating them to generate an income. Up until 2005, the Grameen Bank helped 4 million families in Bangladesh, providing 4,5 billion US dollars to these families (Rouf, 2011). Mallick (2002) states that the Grameen Bank concentrates solely on financial aspects, excluding aspects like education en training. This is in contrast to the BRAC, which accentuates social sides of microfinance and empowerment (Mallick, 2002). The Grameen Bank was the first institute which provided microfinance loans on a large scale in Bangladesh, led by Nobel Prize winner Muhammad Yunus (Mahmud, 2008).

**The BRAC** was founded in 1972. It is the largest development NGO in the world, and it is also microfinance pioneer together with ASA and the Grameen Bank. Approximately 9 billion dollars is in circulation through the BRAC, financing microfinance projects (The Global Journal, 2013). The Global Journal called it “*The Agile Giant of the Development World*” (The Global Journal, 2013).

The BRAC aims to target rural poverty by village organization, skill trainings and providing loans (Masud Ahmed and Chowdhury, 2001). Also, the BRAC is involved with health and social development as well as with research programmes (Halder, 2003).

The BRAC has developed an ‘Income Generation for Vulnerable Group Development programme (IGVGD) which is linked to the World Food Programme of the United Nations. Because of this, poor women received free complementary wheat when they were enrolled in a microfinance skill training (Halder, 2003).

Besides the IGVGD, the BRAC has many other programmes concerning microfinance. Though the BRAC aims to reach the poor, the poorest people are excluded from programmes, as will b

e discussed in the paragraph 3.2 (various business models). In an attempt to overcome this exclusion, the BRAC has established the ‘Challenging the Frontiers of Poverty Reduction’ (CFPR). This programme recognizes the different interests of the poorest segments of the society. In this programme, the BRAC created a different strategy for the moderate poor to obtain microfinance loans, and a different strategy for the poorest people. The latter strategy creates a safety net which involves protection and promotion for the ultra-poor, and with this, it tries to help the poorest with their livelihood strategies. This protection and promotion exists for special investment, individual counselling and support, the support of the poorest in case of a crisis, extra trainings on sustainable income and extra health services and subsidies for clinics (Halder, 2003).

Both the Grameen Bank as the BRAC give microfinance loans to individuals, however there is a group lending system for extra support and stability (this is an additional programme and not the same as the microfinance program!). Groups exist of about 5 individual villagers which are collectively liable for (each other's) loan payment. When one of the members is not able to pay back the loan, or other problems occur, the whole group is held responsible and is denied future loans. This creates pressure on all members and leads to solidarity and strong collective responsibility in network relationships. This has led to a repayment success rate of over 90% (Develtere and Huybrechts, 2005).

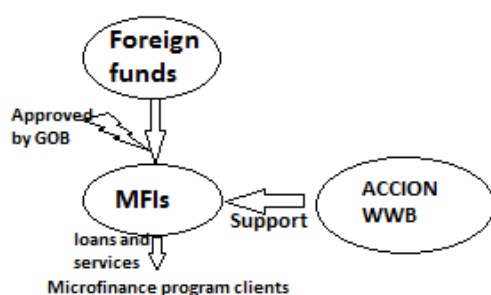
**Proshika** was founded in 1976. It prioritizes human development by providing loans to people in poor households. Proshika provides loans to men as well as to women (Ahmad, 2003). It aims to empower the poor and to abate poverty (Sharma and Zeller, 1999). It offers a saving scheme, a microfinance program, an education and training program, an environmental program, a housing, culture and cultural program (Proshika, 2013). It has an Employment and Income Generating program (EIG) through which group savings and revolving loan activities are organized (Sharma and Zeller, 1999). Out of the Grameen Bank, BRAC and ASA, it comes second (after BRAC) concerning empowerment through other channels than financial ones. This can be seen in figure 4 (paragraph 3.2).

**ASA** (Association for Social Advancement) is an NGO which was founded in 1978 with the goal to “*establish a poverty free society*” (ASA, 2013). The ASA offered many services besides providing microfinance loans. These services include health assistance, primary and higher education programs and partnership programs. These ‘extra’ services stopped in 1992.

The programme that ASA offers concerning microfinance is called the ‘Income Generation through Credit Program’ (IGCP) which was founded in 1989. The goal of this program is to enlarge client's profit, income and purchasing power (Sharma and Zeller, 1999). The ASA focusses exclusively on people who live beneath the poverty line (Sharma and Zeller, 1999).

The ASA, Proshika and the BRAC have similar goals for their institutions. They have specific target groups to which they offer microfinance loans. For example, the target groups of all three institutions consist of (near) landless households and they don't lend on the basis of physical collateral (Sharma and Zeller, 1999). In paragraph 3.2 we will discuss the differences between all four large MFIs.

**Shakti Foundation for Disadvantaged Women** is a regional microfinance NGO (MFI) in Bangladesh and started operating in the slums of Dhaka. Now the NGO is in 30 districts. This MFI is focussed on women who want to set up a small business, and also provide loans for disaster management and women's health (Women's World Banking, 2013). What makes the Shakti Foundations special is that they maintain the lowest interest rate amongst all the NGOs in Bangladesh, which makes it attractive for the poorest to get a microfinance loan (Banking With the Poor, 2013). The Shakti Foundation had 430,942 active microfinance loan borrowers in 2010 (Banking With the Poor, 2013).



This section is about organisations that support NGOs as intermediators. In figure 3 the stakeholders involved with this intermediation process are displayed. The NGOAB (part of the GOB) approves foreign grants before they reach MFIs. When they are approved, the MFIs can reproduce these funds and provide loans and services to microfinance program clients. ACCION and the WWB provide support to the MFIs in their work.

Figure 3. *key intermediators*

**Accion International** is an organization that supports the MFIs. The aim of Accion International is to include every individual, regardless of gender, to gain access to financial services. They do this by helping MFIs in providing microfinance programs. Accion International provides business training to smaller MFIs, in order to give these MFIs the tools to provide financial services to individuals (ACCION, 2013).

**Women's World Banking** is an umbrella organisation, supporting 39 local MFIs. These MFIs are located all over the world. In Bangladesh the WWB supports the ASA, the Shakti Foundation for Disadvantaged Women and Delta Life Insurance Company. The WWB does this by providing financial support and information over financial issues. The WWB focusses especially on women and therefore only attends to MFIs that are focused on providing microfinance loans to women (Women's World Banking, 2013).

**The NGOAB** (the NGO Affairs Bureau of the Government of Bangladesh) has to approve foreign grants to NGOs working in Bangladesh and therefore stands between the 'international organizations and funders' and the MFIs. Also, the NGOAB investigates the money coming into Bangladesh intended for MFIs, and checks for laundering (Micro Capital, 2012).

In figure 3 the NGOAB is displayed as GOB as it is a part of the Government of Bangladesh (GOB).



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### 3.1.3 (Inter)national funders

There are several organisations, both national and international, involved with funding MFIs. The largest international funders will be discussed here; the United Nations and the World Bank. Also the Triodos bank and Cordaid will be discussed, as an example of the many (smaller) organisations funding microfinance. At the national level the Bangladeshi nationalized commercial banks fund microfinance, as has been discussed in paragraph 2.1 (financial landscape). Many microfinance institutions depend on these financial grants (CDF, 2013).

In 2000, the Millennium Development Goals (MDGs) to be reached by 2015 were agreed upon. The MDGs involving microfinance are (1) half world poverty, (2) achieve universal primary education and (3) promote gender equality to help empower women (Rouf, 2011). The actors that will be discussed in this stakeholder analysis and are involved with the MDGs are the UNDP, the UNCDF and the World Bank.

The **United Nations** has 193 member states and exists of many agencies and programmes. These include the United Nations Development Program and the United Nations Capital Development Fund, both of which are involved with microfinance (United Nations, 2013).

The **UNDP** (United Nations Development Program) helps the 193 UN member states globally to reach the Millennium Development Goals. To do this, the UNDP gives trainings to the developing world member states and raises awareness (Europa Nu). The UNDP has a 105,07 m US dollar budget (in 2012) in Bangladesh alone. The UNDP invests this money in all kind of projects, amongst them, poverty reduction projects (United Nations Development Program, 2013). The UNDP manages a fund, called the UNCDF:

The **UNCDF** (United Nations Capital Development Fund) is a UN fund agency investing in the microfinance industry. The UNCDF helps Bangladesh with local agriculture, decentralization and local service delivery (UNCDF, 2013). The UNCDF designed the ‘Microfinance Distant Learning Course’ which is a self-training online tool and gives information about microfinance projects, products and services. The UNCDF also provides loans, grants and services to MFIs (Microfinance Getaway, 2013).

Another important actor is the World Bank. The **World Bank** consists of five organizations which are all involved with financial issues and poverty reduction. The World Bank works to help developing countries to undergo economic progress (Rouf, 2011). To do this, the World Bank gives advice, data and technical assistance, as well as financing and risk-sharing products. In relation to microfinance, the World Bank is involved with projects in over 70 countries, lending out about 4,5 billion US dollars (World Bank, 2013).

There are many organisations which are microfinance funders, for example **TRIODOS** and **CORDAID**. Triodos Bank has a ‘Triodos Microfinance Fund’ which establishes and funds microfinance institutions in over 45 countries and involves 440 million Euros (Triodos Bank, 2013). Cordaid gives financial support to emerging microfinance institutions (Microned, 2013). Like these organisations, many other (inter)national organisations fund microfinance.



### 3.2 The various Business Models of MFIs

Four major MFIs of relevance operate in Bangladesh, as discussed in paragraph 3.1. Their business models will briefly be discussed to highlight their differences in operating manners, and to understand the possible differences achieved by them to successfully unsuccessfully empower women. The MFIs are the Grameen Bank, ASA, Proshika and BRAC. Because of the relevance of BRAC, this MFI will be discussed in more detail. Different MFIs have different target groups, and exclude certain actors (Ahmad, 2003).

An important difference between them is that Proshika and BRAC offer a lot of services while the Grameen Bank and ASA focus mainly on the financial services (Zaman, 2004). This difference can also be seen in figure 4 (below).

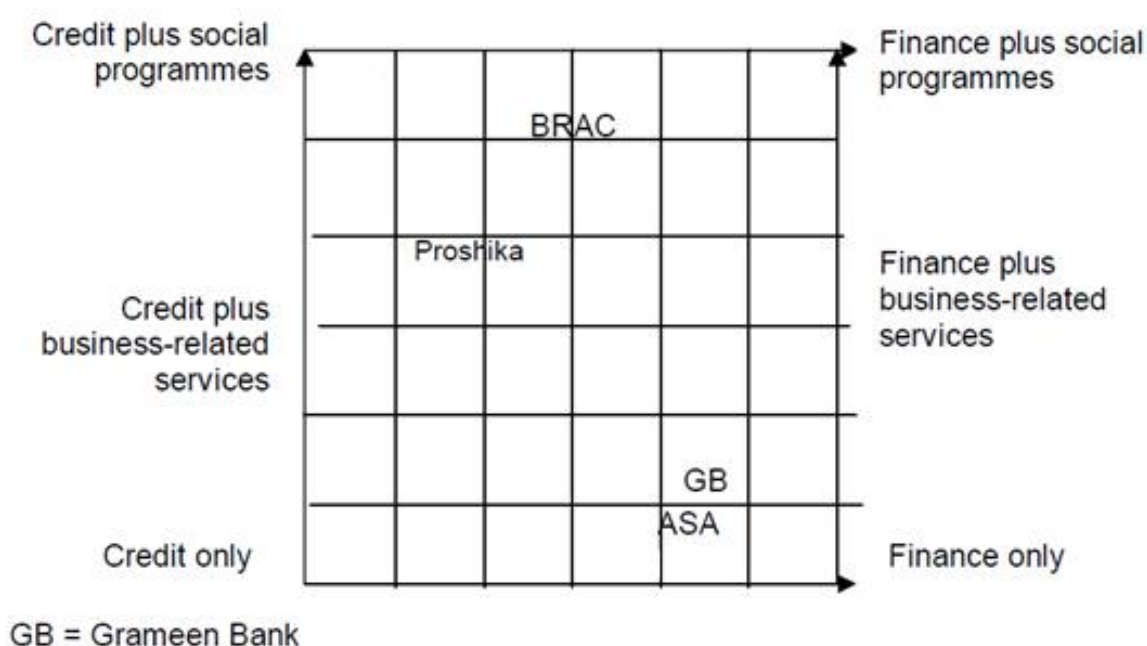


Figure 4. *Matrix of the four largest MFIs*

Source: Hulme and Moore, 2006

In the matrix above (figure 4) the four largest MFIs in Bangladesh are displayed. They are all located in a certain position in this matrix, which tell us something about their credit and finance programmes. The bottom left side in this figure (credit only) indicates that an MFI would only lend out credit, and not be involved with social programmes or finance programmes at all. Moving up vertically from this point, MFIs move from credit plus business-related services to credit plus social programmes. The similar thing happens on the bottom right point (finance only), moving up vertically through finance plus business-related services to finance plus social programmes. On the horizontal axes, the matrix line moves from credit (left) to finance (right) services.

The GB and ASA are located in the bottom right side, indicating that they are targeted towards finance (-only) programmes. They are not involved with social programmes. Proshika, as can be seen in figure 4, is predominantly involved with credit plus business-related services, but is also somewhat involved with finance and social programmes. BRAC is the MFI which is most involved with social programmes, and offers credit as well as finance services. This versatility of BRAC provides clarity about why this is the most relevant MFI to study female empowerment.

## Grameen Bank

The Grameen Bank is a for-profit organisation (located in the finance only section of the matrix in figure 4), which has a business model to maximize profits and value. An important issue here is that the Grameen Bank replaced shareholders with stakeholders (Yunus et al., 2010).

97% of the Grameen Bank clients are women, out of 7,5 million clients (Yunus et al., 2010).

Hulme and Moore (2006) call the Grameen Bank a 'finance minimalist', because it offers many financial services and products, but limited organisational support (Hulme and Moore, 2006).

## ASA

ASA's focus lies with 'consciousness raising, group development and training among the rural poor' (Hulme and Moore, 2006). In 1991 however, they changed their focus to a 'finance only' MFI. It offers many services, but they all revolve around finance. These services entail savings, credit and insurance services (Hulme and Moore, 2006). In 2004, ASA had 2,7 million active borrowers of which 2.4 million were women (Hulme and Moore, 2006). In figure 5, ASA is displayed predominantly as a finance only MFI.

## Proshika

Proshika focusses on landless and marginal farmers, women as well as men. They set a limit of maximal 1 member from the same family (Ahmad, 2003). Proshika offers credit but also provides assistance to their clients on other levels, where needed. Proshika is involved with a wide range of social programmes. It has 1.5 million active borrowers, and 65% of the poorest borrowers (80% of total fits the 'poorest' criteria) are female (Hulme and Moore, 2006).

## BRAC

By discussing the business models of the Grameen Bank, ASA and Proshika, the relevance of BRAC becomes clear. The Grameen Bank is focussed on especially financial services, while the research question of this thesis concerns female empowerment on many (six) dimensions. ASA focusses on men and women, and changed in a 'finance only' MFI. Proshika also does not provide microfinance loans exclusively for women. In these respects, the BRAC is the most relevant MFI for examining female empowerment in different dimensions.

The BRAC lends money only to women and targets villages with a high concentration of poor households (Ahmed, 2009). Note here, we are talking about microfinance loans. BRAC also gives out SME loans which are also available for men. However, we will not discuss this any further, as this thesis concentrates on microfinance loans. These microfinance loans are only available for women (Khandker and Samad, 2013).

The BRAC uses indicators to select potential women to lend money to. These indicators are land ownership, housing and assets. Land ownership is an important indicator as the landless people are the main target group for the BRAC. People with less than half an acre of land are counted as being landless. 52% of the landless households are provided with a microfinance loan; 48% of the landless households are still excluded from getting a loan at BRAC (Nawaz, 2010). Housing is measured as in the type of house a household lives in. In Bangladesh, thatched houses are a sign of poverty and brick or cement houses are a sign of wealth (Nawaz, 2010). This classification is developed through group discussions in the village, assisted by the microfinance institutions.

The poor are defined by the BRAC as “those who have less than half an acre of land, or those who have assets (including homestead land and house) that are less than the value of one acre of medium quality cultivable land. Less than half an acre criteria is used by the BRAC for selecting clients. At the time of the survey the value of an acre of medium quality cultivable land in the study village was under Taka 450,000. Before joining the MF program, 86.5% of the households had assets of less than Taka 450,000, which means that 86.5% of the clients were from the target group” (Nawaz, 2010).

These criteria show the poverty status of a potential candidate. This forms the basis for categorizing the candidates into groups of ‘very poor’, ‘moderately poor’, ‘vulnerable non poor’, ‘non-poor’, and ‘rich’ (Nawaz, 2010). Nawaz’ survey found that 66% of the ‘very poor’ and ‘moderately poor’ were excluded from the microfinance programs. The poorest 4% in the ‘very poor’ group could not be reached and therefore were excluded (Nawaz, 2010). This shows us that the BRAC does reach 86, 5% of their target group, but especially the poorest households are excluded from gaining a microfinance loan. The BRAC has other programmes which aim to reach the poorest groups. These programmes are discussed in paragraph 2.3.1.

In Figure 5 the criteria of the BRAC for selecting ultra-poor households are shown with the exclusion and inclusion conditions that the BRAC specifies.

Criteria for selecting ultra-poor households	
Exclusion conditions (All selected households with these conditions will be excluded)	The household borrowing from a microcredit-providing NGO
	The household receiving benefits from government programmes
Inclusion conditions (At least two of these conditions will have to be satisfied)	Total land owned less than 10 decimals
	Adult women in the household selling labour
	Household’s main male income-earner is disabled or not able to work
	Households where school-going children have to sell labour
	Household has no productive assets
NGO=Non-governmental organization	

Figure 5. *Criteria for selecting ultra-poor households*

Source: (Ahmed, 2009)

### **The rejection of microfinance loans**

Some of the women who are eligible to join a microfinance program choose not to. Nawaz (2010) found that women didn’t want to join the microfinance program of BRAC because they found the interest rate too high. Other reasons included fear of not being able to pay back the loan, high interest rate, lack of manpower and skills, or the consequences of failing in the project (Nawaz, 2010). The level of work pressure in the sub-centres was another important reason for women not to want to get a BRAC loan, and also the lack of time to actually use the loan is a much given reason (about 30% of women in a village of Bangladesh, research conducted by Khan (1999). This lack of time mainly occurs when a woman doesn’t have (male) people in her household to allocate the loan to, or other family members to allocate house chores to (Khan, 1999).

**Business plan of BRAC: funders**

Zaman (2004) accentuates the success of BRAC's financial business plan as an important factor of BRAC's success. He claims that an important strength of BRAC's business plan is that they build up a good relationship with their funders, which attracts even new funders wanting to support BRAC's projects (Zaman, 2004). Zaman (2004) claims that another issue which makes BRAC's business plan so special is that they let funders fund programmes instead of specific projects. This improved the 'predictability of resource flows' (Zaman, 2004).

## 4. METHODS USED TO STUDY EMPOWERMENT

Multiple sources of academic data have been analysed in order to research female empowerment in relation to microfinance and to answer the main- and sub questions.

These different methods and literature will be discussed in this chapter in order to be able to answer sub question

‘What methods have different researchers used to observe effects of MFI programs on the empowerment of women?’

It is important to have knowledge about these methods and types of literature in order to be able to understand the (sometimes contesting) results on the effects of microfinance on female empowerment in Bangladesh.

### 4.1 Method used to study empowerment

The primary sources of information used are scientific papers and research data. The main databases that were used to find this information were Web of Knowledge (webofknowledge.com), Scopus (scopus.com) and Google Scholar. The search terms that were used in these databases were broad, to prevent exclusion of relevant articles. Only articles from qualitative research were included as quantitative research does not add anything relevant to this thesis.

The term ‘female empowerment’ is very broad. Female empowerment encompasses many issues, in this thesis only six elements of female empowerment will be discussed. These elements of female empowerment have been discussed in paragraph 1.2; ‘Empowerment’. In order to find sufficient literature to cover these elements of female empowerment, several case studies have been used.

These multiple case studies on BRAC still did not provide enough information to be able to explain how microfinance influences female empowerment. In order to do this, additional information from scientific papers have been examined concerning other MFIs besides the BRAC.

BRAC is the most relevant MFI concerning female empowerment, as BRAC is the only MFI who provides many services (and not only financial ones) while specifying on solely females as their target group. This information was discussed in detail in paragraph 3.2.

Though the BRAC is the most relevant MFI concerning female empowerment, as we will discuss, many clients are members of several MFIs at once. This made it near to impossible to specify results for each MFI individually. Therefore I chose to focus on the results of BRAC, and give the results of other MFIs as additional information in chapter 5 (reported effects).

Besides academic literature, grey literature (non-commercial publications) has also been used to gain sufficient information for this thesis. The grey literature was especially relevant for the stakeholder analysis, as a lot of the obtained information for this analysis came from web pages concerning one of the stakeholders.

The main restriction of doing a literature review is that all of the available information comes from research that has been conducted by other academics. It was not possible for me to collect my own data. This leads to limited information for certain topics that could have been elaborated upon more in this thesis.

## 4.2 Literature selected to study empowerment

Several articles have been used for this study. Three articles in particular contained a lot of information (in the form of case studies) about the effects that MFIs (BRAC in particular) had on female empowerment.

One of the articles is written by Shah Nawaz. He conducted a Village study in Sadakpur, Comilla district in Bangladesh. In Sadakpur the Grameen Bank, the BRAC and the ASA all have worked together for more than 5 years. It is a relatively poor village and has a sufficient number of microfinance program clients; 27% of the households in Sadakpur are clients of one of the three microfinance programs (Nawaz, 2010). This village study elaborates on the Grameen Bank, the BRAC and the ASA, as well as on other sources of credit like the Bangladesh Krishi Bank, friends, relatives, cooperatives and money lenders (Nawaz, 2010).

However, the results given in chapter 5 will concentrate on BRAC. The BRAC, as mentioned before in the stakeholder analysis, accentuates capability enhancing training and education besides offering microfinance loans. The BRAC is involved with a so-called ‘credit plus’ approach that includes human capital development, the promoting of gender equity, and the building of legal awareness (Ahmed, 2009). Nevertheless, as Ahmed (2009) states, the “microcredit-based interventions as implemented by BRAC are not sufficient to effectively reach the most vulnerable section among the poor”.



Figure 6. *Political Map of Bangladesh*

Besides the article by Shah Nawaz, the two other main articles are based on locations in the Panchagarh District, Bangladesh. Siwar et al. (2011) compares the socio-economic status of men and women in relation to microfinance. For this research, many one-to-one interviews were conducted. In the Panchagarh district, people were divided into 2 groups; those who were enrolled in a microfinance program, and those who were not. The latter was used as a control group.

Ahmed et al. (2011) have studied the impact of microcredit on poverty alleviation among rural women. Their study is also based in the Panchagarh district of Bangladesh and it involves 2 study areas within this district, each area covering a couple of villages. The information for this study was obtained through surveys and interviews.

In figure 6 the districts of Bangladesh are displayed. As mentioned before, many of the reported effects (chapter 5) will be based the districts of Panchagarh and Comilla. The Comilla District lies in the North of Bangladesh, in Rasjhahi. Comilla's area is 3087 km<sup>2</sup> and was established in 1790 by the British. It inhabits 45,91,340 people (Ministry of Local Government, 2013). The Panchagarh District

lies in Chittagong and exists of 1405km<sup>2</sup> Chittagong and has 1026141 inhabitants (Ministry of Local Government, 2013).

Pitt, Khandker and Cartwright state that there have been several researches, surveys and interviews conducted concerning microfinance and its effects. However, all of these studies are biased. This bias is created because of differences in (living) location, personal in-household decisions and households that stay out of the studies and stay unnoticed (Pitt et al., 2006). Because of this bias it is impossible to know every effect of a microfinance loan and decision motivation of clients to take a loan. The information provided in this thesis is based on articles written by different researchers and might be biased. This bias will also be discussed in chapter 6 (analysis) for every result found in scholarly articles on each segment of female empowerment.

Many researchers researched microfinance in relation to a lot of factors, including many issues concerning female empowerment. In chapters 5 and 6, the results will be limited to six factors of female empowerment. These six factors will be discussed below.



## 5. REPORTED EFFECTS BY STUDIES ON IMPACTS OF MFIS ON EMPOWERMENT

In this chapter, it is aimed to discuss the reported success and failures of microfinance offerings on the female empowerment of women in Bangladesh. To do this, especially the results of the BRAC were covered, with additional information on the results found for other MFIs (mainly the Grameen Bank, Proshika and ASA). The previous chapter discussed what type of articles were used to study the results of BRAC. In addition to the results of BRAC, results of the additional MFIs will be given.

There are many results to be found of the BRAC (and additional MFIs) on female empowerment. Female empowerment is a very broad concept which includes many issues. Six of these issues have been discussed in chapter 4. These six issues will be applied in this chapter.

### 5.1 Freedom, financial control and decision making power

Freedom, financial control and decision making power encompasses a large part of female empowerment. To cover this first of six issues concerning female empowerment, we will discuss the reported effects by studies of several MFIs (including BRAC) in Bangladesh.

The quotation (Haque et al. 2011) below shows an interview conducted from Sabiha who did not control her borrowed money herself but did profit from the land which was bought by using the loan. In this case, the female borrower does not have financial control or decision making power, but she does gain profit. Khan (1999) stated that this lack of financial control or decision making power can be linked to the lack of time that women experience due to her household duties. He also states that the profit that a woman can make from her microfinance loans depends on her household relations and the capacity of a male family member to turn the microfinance loans into a profit gaining activity (Khan, 1999). Thus, the household composition and the household relations are a crucial factor for female empowerment through earnings. Though it is not possible for a woman to control her microfinance loans herself, but she can benefit from the profits made.

*“Sabiha took loans twice, the first time she took Tk. 5000 which she gave her brothers to mortgage in land acquisition. They now cultivate this land and she gets one-third of the revenues from sales. The second time she borrowed Tk.4000 with which she bought a cow. Her brother is responsible for the cow, and he gives her a share of the revenues from the sale of mil. There is a mutual understanding between them”* (Haque et al., 2011)

The following table shows the participation of women in household decision making. This is based on a field survey which was conducted by Haque et al (2011) in urban and sub-urban areas in Bangladesh in the Mymensingh district.

Head of participation	Before (%)			After (%)		
	Men only	Women only	Jointly	Men only	Women only	Jointly
Business	55	32	13	14	32	54
Purchasing rickshaw	-	-	-	-	-	100
Housing	68	10	22	34	10	56
Taking care of children	10	75	25	5	65	40
Children education	30	40	30	15	35	50
Daughter's marriage	64	6	30	32	6	62

Figure 7. Participation of women in household decision making

Source: (Haque et al., 2011)



In this table (figure 7) the changes in female decision making power in households have been accentuated. This field survey by Haque et al. (2011) gives different results than the findings of Khan (1999), who says that female empowerment as regards to decision making power is limited.

The field survey by Haque et al (2011) shows the decision making power of women before they got involved with a microfinance institution, and decision making power after a year of enrolment in a microfinance program were. Before participation, women had relatively little influence on household decisions. This study has shown that the dominant role of women has increased after they joined a microfinance programme. Haque et al. (2011) conclude that it can be said that microfinance does lead to female empowerment and equal participation in household decisions (Haque et al., 2011)

Goetz and Gupta (1996) found in their study that the predominant part of women had little to no control over her own microfinance loan. This was measured by making a scale with 'no control' on one end and 'full control' at the other end, and filling this in with in-depth interviews. They found that especially married women had 'no control' over their loans. In other cases the sons of the microfinance clients took over the financial control (Goetz and Gupta, 1996). Goetz and Gupta (1996) argue that there are three possible outcomes of a loss of financial control for women. The first possible outcome is that the husband (or son) of a woman takes over the responsibilities of repayment as well, together with the financial control. This is not an all-negative results of a lack of financial control. However, this situation does not empower women. The second outcome is that the men spend the money from the loan, leaving the woman with responsibility of repayment. In this case, it often happens that women take another loan in order to meet the (weekly) repayment scheme. The third outcome is a lot like the third; the men leave the women with the repayment responsibility. Only in this outcome, this also leads to conflict within the household; possibly leading to domestic violence (Goetz and Gupta, 1996).

Ackerly studied the BRAC in relation to freedom, financial control and decision making power. She found that female BRAC members face a low (financial and decision making) control over their own loans. She defined this in terms of purchasing power and the decision making power over financial matters within households. In some cases, a woman's measured control even went down after she enrolled in a BRAC program (Ackerly, 1995).

Goetz and Gupta (1996) found that women enrolled in BRAC may not have much financial control, but they do benefit greatly from other services offered by BRAC like skill training, education or health service. Below we see a quote of Farida, a BRAC client. Her husband used her loan to mortgage and farm land.

*"If I don't give him all the money then I can't stay with BRAC - he makes all the decisions about what to do"* (Goetz and Gupta, 1996)

As Goetz and Gupta (1996) explain; for Farida it is a trade-off. She benefits and so does her husband. Her financial control and decision making power on her loan are not high, however, she still benefits by giving her husband the money and staying with BRAC.

### **Concluding remarks**

This paragraph discussed the reported effects by studies on impacts of microfinance institutions on freedom, financial control and decision making power (as a dimension of female empowerment). These results will be analysed and critically examined in paragraph 6.1. In order to properly do this, the reported effects discussed in this paragraph will be summarized briefly.

Haque et al. (2011) state that the decision making power of women within households is stimulated by microfinance programs. However, the decision making power and female financial control is limited when it comes to the control over the loans obtained by these women. This result (limited control over the loan itself) has been found by Ackerly (1995), Haque et al. (2011) and Goetz and Gupta (1996), who say that the control is even less for married women. Goetz and Gupta (1996) state that even though women experience this low control over their self-obtained loans, they do benefit from services and trainings offered by MFIs (in particular here: BRAC).

Khan (1999) links the lack of financial control and decision making power to (time spent in) household activities . Household composition and relations are critical for female empowerment.

Overall, we can conclude that this paragraph has discussed a lack of success of microfinance on financial control and decision making power as a part of female empowerment. The results found in these four researches will be analysed in paragraph 6.1.

## 5.2 Household relations and repayment issues

In Sadakpur, the BRAC only loans money to women. However, the males in the family were found to be the main utilizers of the borrowed money in the households in this research (Nawaz, 2010). Almost all of the female borrowers of BRAC relinquished their capital to their male family members (Hussain, 2010). BRAC only gives loans to women if they can prove that they have a male family member who is able to work. When a husband or a son gets ill, and is unable to work, the women have difficulty paying back their loans. Hussain's study provides the opinions of women about paying back the loans or the premiums in relation to their male family member. Jahanara said she felt pressurized to pay back her premium, and even had to borrow money to do so. Shamsunnahar stated that the illness of her husband caused serious trouble in repaying the premium. It happens that when a male family member falls ill, the family has to borrow money with a higher interest rate to pay off the weekly premium from BRAC (Hussain, 2010).

*"I feel pressure and I must do more work to maintain my cows. I cannot give attention to other things. When my husband does not pull rickshaw I arrange kisti (premium) for repayment of loan by selling ducks. Even, sometimes, I arrange kisti by borrowing from others."*

Quote taken from an interview from a BRAC member called Jahanara Source: (Hussain, 2010)

*"Usually, we did not miss the shaptahik kisti (weekly premium repayment). Once, my husband was affected by hridroog (heart-disease) and then we had to spend around Taka 3000 to Taka 4000 for his treatment. We faced really serious trouble in repaying since at that time he could not work due to his health condition. Therefore, we were unable to continue credit. Finally, we repaid them as I collected another credit from ASA to repay BRAC."*

Quote taken from an interview from a BRAC member called Shamsunnahar Source: (Hussain, 2010)

*"As far I know BRAC did not give loan to a women who has not husband and adult children. These women do not draw credit from BRAC. How will they return the money? I think if a women thinks that she will be able to maintain the credit BRAC should give her credit. If these women work hard they will be able to repay BRAC's credit."*

Quote taken from an interview from a BRAC member called Shamsunnahar Source: (Hussain, 2010)

These quotes give us an insight into the decision making powers of women in households concerning microfinance loans. They also show us that these women have had difficulty in repaying their loans. Especially figure 7 and 8 show us that household relations are an important feature in female empowerment. In figure 7, Jahanara explains that her husband doesn't always help her with pulling the rickshaw. Because of this 'relation' in the household, where Jahanara does 'more work', she feels pressure. In figure 8, we see a quote of Shamsunnahar, who's household situation led to trouble in paying back her loan.

Khan (1999) found in his research 53% of women who had a microfinance loan didn't actually use their loans themselves. The main reason for this was a lack of time to enrol in productive projects. Though the women didn't use and spend the money themselves, they did negotiate and participate in decision-making with their husbands, sons or fathers (Khan, 1999).

The household composition is an important factor in observing household relations, it also gives background information to attain knowledge about what kind of households are discusses and affected by microfinance programs. Siwar et al. (2011) determined the household compositions of the females involved with microfinance programs offered in the Panchagarh district in Bangladesh by the BRAC. Among the respondents in the Panchagarh district who are enrolled in a microfinance program; 94, 5% are married and 88% are single (Siwar et al., 2011).

Among these married women, Siwar et al. (2011) measured if these women are the money earners of the family, or the financially dependent ones of the family.

Group	Earning person		Dependent person		Total
	No.	Percentage	No.	Percentage	
With credit	398 (1.99)	55.35	321 (1.60)	44.65	719 (3.59)
Without credit	159 (1.59)	37.06	270 (2.7)	62.94	429 (4.29)
All group	557	46.2	591	53.8	1148

Figure 8. *Distribution of earning females and financially dependent females.* Source: Siwar et al. (2011)

Figure 8 indicates that 55% of females enrolled in a microfinance program, are contributing financially to their households. 37% of females not enrolled in a microfinance program earn money with non-household activities (Siwar et al., 2011).

### Concluding remarks

In this paragraph the influence that household relations have on female empowerment, and what repayment issues (concerning microfinance loans) women have.

Nawaz (2010), Hussain (2010) and Khan (1999) found that males (as part of a household) utilize the capital from the microfinance loan, and most women don't use their loan themselves. According to Khan (1999) this is because many women have a lack of time do spend the money themselves, but they do participate in the decision making process about how the loan will be spent.

Hussain (2010) found that many female borrowers have difficulty in repaying their loans, and they feel pressure (due to their household relations).

The results displayed in this paragraph will be discussed in paragraph 6.2.

### 5.3 Domestic violence

Many authors have done quantitative or qualitative research on the effects of microfinance on domestic violence, but not many wrote an ethnographic paper on the topic. Schuler et al., (2010) analyzed a research conducted between 1990 and 1996, looking at household violence in relation to the participation of women in microfinance programs. For this research in-depth interviews were used as a data collecting method. The research took place in two villages where many members of the Grameen Bank lived, two villages where the BRAC was very active, and two villages where no MFIs were active; as a control group (Schuler et al., 2010).

A starting point was that domestic violence is very common in Bangladesh, unrelated to MFIs. Domestic violence especially takes place when there are financial problems. Also, Schuler et al. (2010) state that domestic violence is seen as 'normal' in rural villages; because of the patriarchal norms domestic violence is socially accepted (Schuler et al., 2010).

In this research, even is stated that "Most of the men saw wife-beating as men's right. Some said that it was condoned in the religious texts (Hadith), and others described it as a normal way to keep women's unruly natures in check and make the household run smoothly" (Schuler et al., 2010).

Schuler et al. (2010) even give a quote from a male respondent, who stated:

*"If you don't beat them they'll stop being good. And if they're good, and you beat them, they'll stay that way"* (Schuler et al., 2010).

*"Our wives would not be beaten so much if they were obedient and followed our orders, but women do not listen to us, and so they get beaten often"*(Schuler et al., 2010).

The quotes above tell us that household violence is very existent in rural Bangladesh, independent of the influence of MFIs.

So, do microfinance programs influence this household violence, or are these two phenomena unrelated? Schuler et al. (2010) found results that showed that household violence became more adamant when women joined a microfinance program and gained (financial/social) independence. This independence causes an increase of domestic violence (initially). Results also showed that the domestic violence declined over time, as a woman was a member of an MFI during a longer period of time. Below a quote is given as an example of an increase of domestic violence, provoked by the trainings given by an MFI.

*"After joining Grameen Bank we learned to speak out. I argue with my husband. Then my husband gets angry and he wants to beat me up"*(Schuler et al., 2010)

This shows us that the (trainings of the) MFIs can provoke domestic violence, and lead to an (initial) increase of domestic violence. Below a quote from a BRAC member is given. Here, the trainings are *not* given as a reason for wife-beating. In this case the husband used up the money from the microfinance loan.

*“Even before I joined BRAC my husband used to beat me, but now he beats me more often. He wasted the money I got from BRAC, and my cow died. If I ask him to bring anything from the market he beats me” (Schuler et al., 2010).*

Domestic violence coming from the ‘disobedience’ of women who joined a microfinance program however has a ‘tipping point’. When the women reaches this point of earning sufficient money, or even more money than their husbands, the domestic violence tends to end. Schuler et al. (2010) states that there might be a positive association between women’s earnings and reduced domestic violence, but this only happens when women starts earning on a high level (Schuler et al., 2010). The citation below provides a response of a woman who was interviewed by Schuler et al. (2010). She now earns enough money to support herself, which had led to less domestic violence, as she has the resources to leave her husband.

*“My husband used to beat me up and take my money. Now he can beat me a thousand times and I won’ t give him my money. I tell him, ‘you had better not beat me too much I can live without you!’” (Schuler et al., 2010).*

Below, another example of a woman who earns enough money to be independent is given. Also she no longer is affected by domestic violence.

*“My husband no longer beats me like he used to. Nowadays the money stays in my hands. I can visit the doctor, can take the children there if I need to. If I need groceries I can go to the market and buy them myself . We are no longer in such dire need and, so, he no longer beats me” (Schuler et al., 2010).*

These quotes show us that as a woman starts to earn more money than her husband, and has more financial control and decision making power, the domestic violence comes to an end. Apparently there is a hyperbolic behavioural pattern which explains the initial increase and following decrease.

This shows us that Schuler et al. (2010) found positive effects of microfinance programs on female empowerment; not only did the domestic-violence (in the end) come to an end, also women have more power and control over her finances and over her life.

Schuler et al. (2010) also looked at the openness of domestic violence within MFIs. Is domestic violence discussed or contested in MFIs? One of the respondents stated:

*“Wife beating is never discussed at the BRAC centre. I have never heard it discussed” (Schuler et al., 2010).*

Another respondent also confirmed that domestic violence is not a topic of discussion in MFIs.

*“At the centre we don’ t discuss women being beaten. Except the women may discuss it amongst themselves” (Schuler et al., 2010).*

Bates et al. (2004) conducted in-depth interviews in 6 rural villages in Bangladesh, concerning domestic violence. Bates et al. (2004) state that domestic violence is used to enforce gender roles and male dominance. They found that domestic violence reduces as the respondents got an education and were able to stand up for themselves. This can be linked to the trainings given by MFIs that enables women to speak up. These results are similar to the results of Schuler et al. (2010) who also found a reduction of domestic violence after the tipping-point. The tipping-point described by Bates et al. (2004) is due to an increased education level.

Below is a quote from an interview conducted for the research.

*"The act of protesting has...increased due to.. education. When I, an educated woman, protest against my husband's misbehavior, then my neighbor..., who has studied [only] up to class five, thinks.. she will.. protest against her hus-band's behavior as I protested. [She will think,] 'Why should I tolerate such oppression?'" (Bates et al., 2004).*

This shows that education in the close social environment of women also can influence domestic violence. The education of woman x does not only influence the domestic violence in the household of woman x, but also of the women in her close environment. Bates et al. (2004) conclude with a statement that social and economic factors like education and enrolment in microfinance projects can have a positive effect in reducing domestic violence (Bates et al., 2004).

This impact of education (inter alia) on domestic violence was also found in a research conducted by Koenig et al. (2003) in rural Bangladesh. They found domestic violence to be linked to education, socioeconomic factors and religion (Koenig et al., 2003). Koenig et al. (2003) found that microfinance programs led to a lower chance of domestic violence. The reason given for this is the increase of control of a woman. The empowerment and women's autonomy is found to be linked to a decrease in domestic violence. Another reason given for the decrease of domestic violence given by Koenig et al. (2003) is the enrollment in a microfinance program, and particularly the close membership and even friendship between the enrolled women. They state that due to microfinance programs, women can be empowered; women have more control over money and assets (Koenig et al., 2003). In 1998 Khandker already noted that women who were enrolled in microfinance programs or ROSCAs (saving rotation schemes), experience less domestic violence (Khandker, 1998b).

This decline of domestic violence was also found by Hashemi et al. (1996). A reason given for this phenomena in this article is that the status of a woman goes up when she joins a microfinance program. She is able to financially support herself (and is empowered). When her status in her community (where her husband is also a member) goes up, domestic violence tends to decline (Hashemi et al., 1996)

## **Concluding remarks**

This section will summarize the results found by several researchers, as discussed this paragraph (5.3). Domestic violence is an issue considered normal in Bangladesh, especially in rural villages. The reported effects of microfinance programs on this domestic violence are varied, but all researchers found a decrease (whether through a 'tipping point' or not) of domestic violence caused by the enrollment in microfinance programs.

Schuler et al. (2010) and Bates et al. (2004) found similar results while studying the effects of microfinance programs on domestic violence; household violence increased initially when a women

joined an MFI. After a certain amount of time, the level of violence reached a ‘tipping point’; which led to a decrease in domestic violence.

However, the authors don’t agree about the cause of this ‘tipping point’. Schuler et al. (2010) claim it is due to the increased earnings of women, while Bates et al. (2004) claim that is the result of an increased education level (obtained by MFI trainings and programs), along with social factors. These social factors, like close membership and friendship between the enrolled women, have also been recognized by Koenig et al. (2003) as factors which may have an impact on reduced domestic violence, along with education and socioeconomic factors. Koenig et al. (2003), however, do not speak of a ‘tipping point’ but of an overall lower change of domestic violence. The same phenomena (of a decrease in domestic violence due to MFI programs) can be found in the literature written by Khandker (1998) and Hashemi et al. (1996). An explanation for this decline, proposed by Hashemi et al. (1996), stresses the importance of the status increase of an enrolled woman caused by her ability to support herself (financially).

In paragraph 6.3, the results reported in this paragraph will be analyzed and discussed, by presenting the viewpoints of several authors on the matter of domestic violence in relation to microfinance programs.



#### 5.4 Economic empowerment and household consumption

Khan (1999) has researched to extent to which microfinance loans are advantageous for female economic empowerment as they give women a chance to invest in consumption, household assets and land. The possibility for a woman to invest this depends on her household relations. Mentioned below is an interview with Hosna. She was not able to empower herself economically by starting a business because of her compromising household composition.

*“Hosna, the centre-in-charge, has been divorced for 13 years. She has only one 13-year-old daughter in her family. Hosna joined BRAC in 1983 but she took a loan only once to install a tube-well. Now she would like to open a shop near her house with a BRAC loan, but she does not have anyone in her family to help her. Moreover, her house is far away from the sub-centre, so she will not be able to mind the shop”* (Khan, 1999).

Khandker (1998) states in his research, concerning BRAC, that household consumption increases by about 20% after a microfinance loan is taken by a woman. He therefore states that poverty decreases when women start participating in microfinance programs of the BRAC. This decrease depends on the amount money borrowed, with every 100 TK borrowed, the household consumption increases with 18 TK (Khandker, 1998b, Khandker, 1998a).

Several times it happens that the husbands of women, who get microfinance loans, want to take the money from them. This leaves women with no too little money left, which leads to negative female economic empowerment. To prevent this from happening, workers of the Grameen Bank gave their clients the following advice:

*“Give your husband some of the loan but not all of it. Keep some of it yourself. Use the money for activities that don’t require much investment, like raising poultry or a calf. Your husband is getting this loan because of you. Live in harmony with your husband. Try to make sure that he does not misuse the loan”* (Hashemi et al., 1996)

#### Concluding remarks

The results of Khan’s research (1999) show that the degree to which female economic empowerment can take place depends on her household composition. Khandker (1998) discovered that household consumption increases when a woman joins a microfinance program. However, it has happened in several occasions that the husbands take away their money, leaving them with little to no money left. Whether a woman is economically empowered through microfinance programs or not depends on her household relation and composition. These results will be discussed in paragraph 6.4.

## 5.5 Education

Siwar et al. (2011) also characterized empowerment in '*educational status*'. They assessed this by interviewing people in the Panchagarh district. All respondents were female. In figure 10 the division of respondents into 6 categories can be seen. These categories are (1) No schooling, (2) Primary school, (3) Secondary school certificate, (4) Higher secondary certificate, (5) Graduate/university, (6) Post graduate/masters. It was found that women who were enrolled in a microfinance program had a higher educational status than women who were not enrolled in a microfinance program. A possible reason that is given for this by Siwar et al. (2011) is that it is a requirement for women who want to join a microfinance program, to be able to write their names. This entails that all women who are eligible to join a microfinance program, must at least fit into this category (2). Another reason is that many MFIs, including the BRAC, teach skills to their clients (Siwar et al., 2011).

Item	With credit		Without credit	
	No.	Percentage	No.	Percentage
No schooling	59	29.5	59	59.0
Primary school	69	34.5	28	28.0
Secondary school certificate	53	26.5	13	13.0
Higher secondary certificate	19	9.5	-	-
Graduate/university	-	-	-	-
Post graduate/masters	-	-	-	-
All	200	100.0	100	100.0

Figure 9. *Educational status of respondents*

Source: Siwar et al. (2011)

MFIs and microfinance programs can also have influence on education of children. Marr (2012) states that when women are enrolled in microfinance programs, this may lead to the increase of schooling for children. However, it may also lead to the need for children to help in the business set up by their mothers, requiring them to perform child labour (Marr, 2012).

Littlefield et al. (2003) found a relation between BRAC clients and health. There was a significant smaller group of Bangladeshi people suffering from malnutrition than the control group. Also, Littlefield et al.'s research (2003) indicated fewer children conceived by BRAC members than of non-BRAC members due to contraceptive use. A reason for this could be contraceptive programs and information meetings organized by BRAC. Women who are a member of BRAC have an increased freedom of mobility and action undertaking (they are more empowered) which gives them more possibilities to search out contraceptives (Littlefield et al., 2003). Health and fertility rate are closely interrelated; when fewer children are perceived, the children are usually healthier (if all else is even *ceteris paribus*). The health of children is also intertwined with education. Healthier people do better at school and work, which then again leads to more empowerment (Perkins et al., 2006).

### Concluding remarks

This paragraph discussed the influence of microfinance on education, as a dimension of female empowerment. Siwar et al. (2011) found that women enrolled in a microfinance program had a higher educational status compared to women whom were not enrolled in a microfinance program. This may

be due to the minimum requirements women have to meet concerning their education level to fit the target group, or to the (skill) trainings MFIs provide.

Marr (2012) states that the level of schooling for the children of MFI members can vary. There is no clear linkage between microfinance and the schooling level of children. Littlefield et al. (2003) states that microfinance may have a positive impact on the health and contraceptive usage of clients. This may have an indirect impact on better schooling for children.

These results will be analysed in paragraph 6.5, in which the effects of microfinance on the educational level of clients as well as those on the educational level of their children will be discussed.

## 5.6 Religion and social pressure

Religion can be an obstacle for women who want to pursue a career or launch a business. The interview of Sahera (below) gives an example of this obstacle.

*“Sahera (40) faced different problems in joining BRAC 20 years ago. The community people said that women were violating the Purdah, and that their names would be excluded from Allah's register. She even faced marital abuse, since her husband had beaten her on several occasions. The Imam (Muslim village leader of the mosque) in her village gave the fatwa (religious injunction). But she continued struggling with them and was adamant to be with BRAC” (Khan, 1999).*

Besides the risk of exclusion that a woman faces when pursuing a BRAC loan, Khan (1999) puts another problem forward. He states that women who have been housebound for many years have difficulty finding employment or starting their own business as they are not used to working outside of their homes. There is also a possibility that they will be criticized by their society, an example is given below.

*“Many people said, 'They are becoming men, going out and earning money, they are becoming Christian, they will be buried in black cloth (Muslims are buried in white cloth). They will be taken to other countries’” (Khan, 1999).*

Religion can not only be an obstacle to go out to work, but also to start an own business. There were instances religious people boycotting the BRAC and other NGOs. In 1994 there was a big attack on BRAC schools, over 100 schools were burnt down and teachers were attacked. Children were no longer allowed to go to schools financed by ‘westerners’.

*“The imams of mosques and madrasa teachers throughout the country asked parents to withdraw their children from such schools or face social boycott. Similarly, some 100 pregnant women in 50 villages in Bogra and Rajshahi were not allowed to receive treatment from BRAC clinics” (Naher, 2010).*

*“The Principal said, “NGOs are enemies of the Islam...BRAC is an NGO of the Christians, its ultimate mission being to convert the poor Muslims to Christianity through the school program” (Naher, 2010).*

This religious hate towards NGOs even went a step further when women who were clients of microfinance projects (and other NGO projects) were attacked. Not only were women physically and verbally abused, they were also ostracized by their society. This brings women in a position of impotence and makes it unattractive to empower themselves by getting a microfinance loan and enrol in a (training) program.

*“Many of the attacks against women were carried out after fatwas (religious decrees) issued by religious leaders. In other cases, shalishes (informal arbitration by community leaders) were arranged to decide whether women who participated in NGO projects had thereby violated the norms of ‘proper behavior’. Several incidents of divorces and ostracization took place because of such developments” (Naher, 2010).*

This hate mainly comes from ignorance about what the BRAC actually does. For example, in a certain village in Bangladesh (the village name is not released due to safety reasons) rumours were spread claiming the BRAC executed anti-Islamic activities. For example, a rumour was that the BRAC injected the blood of a turtle into children, which supposedly would turn these children into Christians. This was probably coming from the ignorance of people towards vaccinations (Naher, 2010).

There is also an aversion against the BRAC, as BRAC schools don't teach Arabic or the Islamic religion like all other schools do. Also, BRAC schools start their classes early in the morning, but this clashed with the local tradition of children learning Arabic in the mornings in their villages.

By promoting microfinance programmes, the BRAC allegedly makes women “beshorom” (shameless) and “beporda” (*Purdah*-less) because women need to leave their homes in order to go to the programmes. Also, the women spoke and worked with men who were not their family members, which is in contrast with the “*Purdah*” law. Nahar (2010) showed in his research that it were not only religious issues that caused the disfavouring of the BRAC, also the men of the villages seemed to be jealous that women were given preference. The women were offered microfinance loans, training, schooling and more benefits (Nahar, 2010). Whatever the reasoning behind the disfavour towards the BRAC in certain villages in Bangladesh might be, women are oppressed by religion and discouraged to empower themselves.

Nahar (2010) does reveal a resistance of women. There was no organized collateral resistance towards the religious parties and/or the males in the society. However, there was a silent resistance in which women refused to speak to all males. Also, Nahar (2010) found some examples of a verbal resistance. In 4.6.2 an example is given of verbal resistance in relation to the Grameen Bank.

Not only the BRAC was under attack from religious parties, also the Grameen Bank and ASA were called a “nachankhana” (dance room) and “beshyakhana” (brothel). The religious leaders stated that these MFIs had a very bad influence on women, as they stand up to their husbands and don't listen anymore. The women supposedly became shameless and like prostitutes. The main reason for this assumption was that the microfinance institutions arranged trainings for women without their male family guardian, and made women interact with men (Naher, 2010).

*“It was alleged that NGOs encouraged women to become khanki (‘prostitute/promiscuous’) like ‘Christian’/western women in the name of their rights and emancipation” (Naher, 2010).*

*“A maulana issued a fatwa that “it would be hundred times more sinful for anyone to take loan from Grameen Bank than to have extra marital sex in holy Mecca!” (Naher, 2010).*

Notwithstanding these prejudices toward microfinance institutions, women did stand up for what they wanted. They did not accept the view of their religious leaders and male family members and end their membership of microfinance institutions, instead they challenged these ideas. A clear example of this is given below.

*“Hasina, a member of Grameen Bank for over thirteen years, once directly confronted a moulovi whom she had invited to read the Holy Qur'an for the sake of her late parents and for the prosperity of her son. When, after performing his job, the moulovi spoke against Grameen Bank to her and asked her to leave the Bank, which he said was promoting un-Islamic activities, Hasina promptly said to*

him, “I will never go to the bank if you give me money.” Hearing her response he said, “You have strong arguments and I cannot argue with you””(Naher, 2010).

Also women refuted and reinterpreted the religious ideas. Instead of laying the focus on *Purdah* and interaction with male non-family members, they emphasized different elements of religion. Below, there is an example of a women who gives a religious reason for women to work as well, and show the capability of women to fight against poverty.

*“Bibi Ayesha [the last wife of the Prophet Mohammed] directly participated with Mohammed in a war. She helped the Prophet to win the war. We are also fighting against poverty. As it is impossible for our husbands to fight alone, it is our responsibility, like Bibi Ayesha, to participate with our husband in the war of our survival”*(Naher, 2010).

### **Social environment**

Goetz and Gupta (1996) found that the status of a woman in her social environment increases when she is enrolled in a microfinance program. This is mostly the case among other women in her environment. Results show that women who gain microfinance loans, are treated with more respect by other women. This is in contrast with the change of treatment they receive by men.

Even though the increase in status through loan access, most women reported to feel the pressure of the social environment to give up their loan, to behave according to ‘*Purdah*’, or to hand the money over to their husbands. Another reason given for this is to maintain their marriage (Goetz and Gupta, 1996).

### **Concluding remarks**

Khan (1999) found that women face a risk of social exclusion when joining a microfinance program. They also have difficulty in finding employment or starting their own business due to social, cultural and religious aspects.

Naher (2010) confirms this idea, stating that some religious people boycott MFIs, and are against women working outside of their houses. This religious hate also expresses itself in clients of MFIs being (physically and verbally) attacked and abused, and in women being ostracized by their society. This creates a barrier for women to become MFI members.

Nahar (2010) showed in his research that it were not only religious issues that caused the disfavouring of the BRAC, also the men of the villages seemed to be jealous that women were given preference. The women were offered microfinance loans, training, schooling and more benefits (Naher, 2010). Goetz and Gupta (1996) find similar results, stating that female MFI members feel pressurized by their social environment.

These ideas of religion and the social environment as being a barrier for female empowerment will be discussed in paragraph 6.6.

## 6. ANALYSIS

In this chapter key statements and reported results stated throughout the thesis will be discussed. In this chapter these effects will be discussed as interpreted and deciphered by academics. The aim of this chapter is to analytically report on the success and failure of microfinance programmes to empower women in Bangladesh and to answer sub question 6: ‘How have the different researchers interpreted these effects, and how do they explain these effects?’. This will be answered in the paragraphs 6.1 till 6.6. Paragraph 6.7 focusses on the *understanding* of these effects in relation to the context in which MFIs operate in Bangladesh.

There are contesting views taken by scholars regarding the effects of microfinance on female empowerment. Some scholars talk about the strong female empowerment that is gained by joining a microfinance program.

*“Empowered, the borrower wisely invests money in a successful enterprise, her husband stops beating her, she sends her children to school, she improves the health and nutrition of her family, and she participates in major family decisions”* (Ackerly, 1995)

This is a strong example of the bubble of success that some authors are in, claiming that microfinance institutions have been wonderful in all aspects for female empowerment. However, there are also authors that speak highly negatively about the effects of microfinance.

This is explained by Khandker and Samad (2013), who speak of ‘two schools of thought on the effectiveness of microfinance’ (Khandker and Samad, 2013). They claim that the first school speaks very positively about microfinance, and accentuates it’s success. This school claims that microfinance can improve female empowerment, reduce poverty and increase overall human welfare (Khandker and Samad, 2013).

The second school, according to Khandker and Samad (2013), claims that many results have been found through ‘quasi-experimental or non-randomised techniques’ which are subject to error. This indicates that the positive results found concerning microfinance cannot be backed up sufficiently. Instead of these techniques, the second school promotes the usage of randomised control trial methods. Roodman (2012) agrees with this and states that the significantly larger part of results gained through the randomised control trial method found negative effects of microfinance on female empowerment and poverty reduction (Khandker and Samad, 2013).

Something that became very clear while writing this thesis is that it is impossible to speak solely of ‘success’ or ‘failure’. Many issues concerning female empowerment in relation to microfinance are multi-faceted. There are many issues that fall under the ‘grey area’, you can’t state it as a success nor as a failure.

In this chapter, every reported effect of microfinance concerning female empowerment (as stated in chapter 5) will be discussed. Varying views of scholars, who reach different conclusions (even when concerning the same sub topic) will be discussed in this chapter.

Kabeer (2001) argues that these contesting views can be somewhat explained by different methodologies used to find results (supporting Khandker and Samad’s view). Also, the time elapsed between researches is vast, and therefore there are many possible external effects which are not always taken into account. According to Kabeer (2001), interpretation also can account for contesting views.



This refers to differences in the varying interpretation of (the concept of) households, the relations within these households, and an understanding of power (Kabeer, 2001)

This chapter will discuss all six dimensions of empowerment.

## 6.1 Freedom, financial control and decision making power

Chapter 5.1 discusses a lack of success of microfinance on financial control and decision making power as a part of female empowerment. These results have been reported by **Haque et al. (2011)**, **Ackerly (1995)**, **Goetz and Gupta (1996)** and **Khan (1999)** who all find similar results; the decision making power and financial control of women over their loans is low. However, they do benefit from services and trainings offered by MFIs. Khan (1999) accentuates the importance of household compositions for this component of female empowerment.

In this paragraph results found by many different authors and described in many different scholarly articles will be discussed by several authors, divided over a few topics. These topics that will be discussed shortly are decision making power, freedom of action, financial control and a comparison between BRAC and the Grameen Bank .

### Decision making power

Littlefield et al. (2003) claim that the effects on decision making power vary, depending on the microfinance institution. However, they do argue (backed up by his research conducted over 1300 people in Bangladesh; microfinance borrowers as well as non-borrowers) that there is a significant improvement of female empowerment when looking at her decision making power. To that they add that the level to which a woman has decision making power varies from almost no (or even negative) changes to significant improvements, depending on the microfinance program and the duration of membership. Littlefield et al. (2003) also claim that MFIs who are solely focussed on financial services (Grameen Bank, ASA) have less impact on female decision making power than MFIs which are focussed on overall female improvement ( BRAC) (Littlefield et al., 2003).

Pitt et al. (2006) conducted a research measuring female decision making- and bargaining power. They found that women enrolled in a microfinance program had an increased freedom of making decisions and managing money compared to women who were not enrolled (Pitt et al., 2006).

Siwar et al. (2011) agree with this, and state in their research that the enrolment in microfinance programs leads to more female empowerment, concerning freedom of action and finance. Their research shows that the activities and meetings that BRAC organizes leads to more autonomy and thus to empowerment. This is because the membership to an MFI requires the presence of women in public places and trainings. This leads to increased mobility and freedom of women, as they are not confined to their houses anymore (Siwar et al., 2011).

Ngo and Wahhaj (2012) speak of female decision making power as something that depends on a woman's skills and the gender norms in her environment. They state that if a woman has a disadvantage on these issues, it is very unlikely that her decision making power within her household will change after joining a microfinance program. In contrast, if a woman possesses adequate skills which enables her to make her own decisions on loan investment, they found that their husbands often become insecure and a woman's decision making power decrease (Ngo and Wahhaj, 2012). In both



cases, according to Ngo and Wahhaj (2012), the decision making power of a female microfinance client does not go up.

### **Freedom of action**

Minh-Phuong and Wahhaj (2012) look at freedom of action and control of finances in relation to microfinance programs. In their research, they found that husband and wife are usually not in agreement of how to spend money coming from a microfinance loan. In most of the cases, the husband decides on how to spend the loan, but when the wife is more skilled or educated, she tends to have more influence on how to spend the money. This gives her more power and freedom of action on what she wants to do with the money (Minh-Phuong and Wahhaj, 2012).

### **Financial control**

Goetz and Gupta (1996) found in their study that the predominant part of women had little to no control over her own microfinance loan. Kabeer (2001) contests the validity of these results. She argues that Goetz and Gupta (1996) did not distinguish between types of 'control'. Kabeer (2001) argues that it is very important to see a clear difference between 'control' over *how* to use the money of the microfinance loan, and 'control' over the goal of money usage; the reason for *what* the money is used (a business or the purchase of an animal for example). These are closely related issues; but the control on the '*what*' is also related to the control over the eventual business itself (Kabeer, 2001). Kabeer (2001) argues that without this information, you cannot draw any conclusions about the impact of microfinance programs on the empowerment of women (i.e. the financial control as an aspect of female empowerment).

### **BRAC vs. the Grameen Bank**

Kabeer (2001) analysed several articles concerning freedom, financial control and decision making power in relation to microfinance programs. She found that the extent of women's financial control and access to credit, was of important influence to her decision making power in households, women's purchasing power and her asset holdings. Also, she found differences in results between scholars who analysed BRAC and the Grameen Bank. Several articles concerning BRAC reported higher levels of mobility and participation in society, articles concerning the Grameen Bank report higher levels in household decision making (Kabeer, 2001). This suggests that the program of a specific MFI which a woman is enrolled in, is dependable for her financial control and decision making power, and different MFIs reach different results concerning these issues.

## 6.2 Household relations and repayment issues

Paragraph 5.2 discussed the influence that household relations have on female empowerment, and what repayment issues (concerning microfinance loans) women have. Nawaz (2010), Hussain (2010) and Khan (1999) that most women don't use their loan themselves (perhaps because of a lack of time to spend money). Hussain (2010) found that many female borrowers have difficulty in repaying their loans, and they feel pressure (due to their household relations).

Yuge (2011) researched this effect of microfinance. He states that this difficulty of repayment is a repercussion of excessive competition between existing MFIs in Bangladesh. Poverty-stricken people can choose to borrow money from many MFIs, which has led to many people having loans from more than one MFI. According to Yuge (2011) this has backfired and has led to people falling even deeper into debt. This can eventually lead to 'a trap with excessive loans' (Yuge, 2011).

Yuge (2011) claims that this competition between MFIs, with overlapping services, also leads to problems for the MFIs themselves. When poor people start borrowing from several MFIs, and they get stuck in a 'trap', they won't be able to pay the loans back (in time). This leads to MFIs who have several outstanding loans. This can be an economic disaster for MFI (Yuge, 2011).

Yuge (2011) also gives an example of what can happen if the problem of overlapping MFIs proceeds. Bolivia had the same problem as Bangladesh in the 1990s. The intense competition between MFIs happened simultaneously with an economic crisis. This led to a break-down of MFIs, with complaining customers who insisted on debt-forgiveness due to inability to pay back loans (Yuge, 2011).

To solve this problem, Yuge (2011) claims flexibility to be the key. Most MFIs in Bangladesh have weekly repayment schemes. This can often not be met by microfinance borrowers, as they often don't have a fixed income. Because of this inability to pay, they start borrowing from another MFI. Yuge's solution is to make the repayment options more flexible, which will give the borrowers more breathing space (Yuge, 2011). This ideally will result in more stable MFIs, more repayments and more female economic empowerment.

### 6.3 Domestic violence

Paragraph 5.3 discussed household violence in relation to microfinance institutions. The reported effects by researchers on the matter were varied, but all researchers found a decrease (in a later stage of enrollment) of domestic violence caused by the enrollment in microfinance programs.

Schuler et al. (2010) and Bates et al. (2004) found a decrease of domestic violence after a ‘tipping point’ (after an initial increase of domestic violence). This may be due to increased earnings of women, social factors and/or an increased education level (obtained by MFI trainings and programs).

Other authors, like Koenig et al. (2003), Khandker (1998) and Hashemi et al. (1996) did not speak of an ‘tipping point’ but found an relatively immediate decrease of domestic violence after a woman joined a microfinance program. These authors claim that this decrease could be due to social (status), educational and socioeconomic factors.

This paragraph will discuss these results using critical views from several authors.

Littlefield et al. (2003) substantiate the view of Schuler et al. (2010) and Bates et al. (2004), claiming that female participation in a microfinance program may lead to a certain time period of increase of domestic violence. Yet, after a while, domestic violence is a part of the past. This point is reached when husbands accept the woman’s participation in a microfinance program (often due to the income she brings in) (Littlefield et al., 2003).

Many studies have been done concerning microfinance programmes in relation to domestic violence, throughout many countries.

Some studies have found an immediate **decline** in domestic violence when a woman joined a microfinance programme, like the study of Pronyk et al. (2006) conducted in South Africa. These results correspond to those of Koenig et al. (2003), Khandker (1998) and Hashemi et al. (1996). The study of Pronyk et al. (2006) measured a decline in domestic violence of 55% and allocated this to the joining of a microfinance program (Pronyk et al., 2006, Bajracharya and Amin, 2013).

Also Hashemi et al. (1996). emphasize several positive correlating results of microfinance, showing links between the decrease of domestic violence and other dimensions of female empowerment. They claim that, when a woman joins a microfinance program, she has more financial control and decision making power. This is already a form of increased empowerment due to microfinance. But it does not stop there, due to the increased control of her life, women also gain a greater social status. Due to this increased status, domestic violence decreases (Hashemi et al., 1996).

These views (of a decrease in domestic violence) are not shared by everybody. There are studies that show an **increase** in domestic violence, like that of Bajracharya and Amin (2013). They measured an increase of domestic violence toward females who are enrolled in microfinance programs. Possible reasons given for this increase are the patriarchal society of Bangladesh; the (financial) empowerment of women can lead to men who feel intimidated. Men reported to feel less-in charge and felt the loss of authority. They expressed these feelings, and try to re-enforce their position by using violence. These results are contradictory to the ‘reported effects by studies’ on domestic violence, as discussed in paragraph 5.3.

Not only are there many contesting views on the effects of microfinance on domestic violence (as a dimension of female empowerment), but also much criticism has been given concerning the validity of conducted studies. The criticism on the method of conducted research will be given in the next sections.

## Variable/dependent results

Rahman (1999) found inconsistent results; 70% of women who joined a microfinance program encountered an increase of domestic violence, merely 20% of women experienced a decline (Rahman, 1999). Other scholars have results consistent to those of Schuler et al. (2010) and Littlefield et al. (2003), indicating an initial increase of domestic violence, and an eventual decrease. For example; Jewkes (2002) found that initially, joining a microfinance program increases the domestic violence in that woman's household. She calls this the 'initial shock', which implies the shock a man experiences when the patriarchal gender norms of the household are challenged when his wife joins a microfinance program. The primary reaction given to this challenge of norms, roles and power within the household is violence, as a means to control a woman. Also, a reason given for the increase of violence is that men may use violence as a means to resolve their own 'crisis of male identity, caused by an inability to control women' (Jewkes, 2002). The degree of violence is dependent on how patriarchal a society is, and how domestic violence is accepted (Koenig et al., 2003). In societies where domestic violence is considered normal, like Bangladesh, domestic violence can intensify quickly with the 'initial shock' (Jewkes, 2002).

Jewkes (2002) finds that after this 'shock', things settle down. This is due to the woman's empowerment reached by the joining of a microfinance program itself, the trainings provided, and her new gained financial control. The group participation of a program, and the therefore induced social control, is also likely to decrease domestic violence. Three factors are specifically named by Jewkes (2002); 'educational, economic and social empowerment' of women caused by microfinance programs lead to a higher protection from domestic violence (Jewkes, 2002).

## Validity

As you can see, many studies find contesting results or variable results. Bajracharya and Amin (2013) recognize this contradiction and ascribe this to a *research bias*; it is likely that other factors may play a role in increased domestic violence and therefore the conducted researches may not have a very high construct validity.

One of these factors is *poverty*. Earlier studies have shown the correlation between poverty and domestic violence. These people living in poverty are also the main target group of most of the MFIs, which then leads to more domestic violence with microfinance members than with non-members. Thus, the domestic violence does not necessarily have to be attributed to microfinance programs (Bajracharya and Amin, 2013).

Another factor that may attribute to the levels of domestic violence are *household relations*. Women who are not married (anymore) or are a widow, are much less likely to obtain a microfinance loan; they are considered less credit-worthy. These women are clearly significantly less inclined to experience domestic violence. Demographic data showed that the majority of female-headed households were enrolled in a microfinance program. This resulted in the (highly questionable) assumption by certain scholars that microfinance programs directly lead to a decrease in domestic violence (Bajracharya and Amin, 2013).

Bajracharya and Amin (2013) state that many of the previous mentioned studies have researched domestic violence at a certain moment in time, not considering the possible *variable changes over time*. The hyperbolic behavioural line, which shows the change in the amount of domestic violence is based on evaluations over time.

Also another factor is often not taken into account; i.e. the *traits* a woman has in advance which make her enrol in a microfinance program. Not every woman even considers to enrol, women who already feel the need to be empowered or who want to object against the patriarchal culture are the women

whom enrol in these programs. Also women who have had past experiences in domestic violence are more likely to enrol. Bajracharya and Amin (2013) argue that these traits may be upsetting to a man i.e. challenge his dominant role, and therefore the violence in this household may be already high (Bajracharya and Amin, 2013).

These biases to many studies invalidate their gained results. Bajracharya and Amin (2013) state: “*a higher level of violence among microfinance members cannot be unequivocally attributed to program effects because of these preexisting differences*”(Bajracharya and Amin, 2013).

Naved and Persson (2005) have conducted in-deptresearch to find factors that link to domestic violence in Bangladesh. They considered many levels concerning the households and the woman, like an elaborate life history analysis. They found that the education level (of the woman and her husband), power relations in the household and poverty level of the household were the most prominent reasons for an increase in domestic violence. Also the age of getting married and communication between partners play an important role (Naved and Persson, 2005, Bajracharya and Amin, 2013)

## 6.4 Economic empowerment and household consumption

Paragraph 5.4 discussed that, according to scholars, the economic empowerment of a woman depends on her household relation and composition. Often a woman's (earned) money is taken away from her by her husband. Khan (1999) as well as Khandker (1998) stress the importance of the household, as a dependable of the degree to which a woman is economically empowered.

The same paragraph (5.4) gave an example of a woman who could not empower herself economically by opening a shop due to her household composition.

Schurmann and Johnston (2009) recognize the importance of household composition. They claim that often the borrowed money is spent by men in the household, while the women have to carry the weight of the loan and repayments. However, Schurmann and Johnston (2009) do state that the women of Bangladesh are not an uniform group, and the situation where she is in can differ widely. Factors like the amount of assets or skills a woman has, how far she is from economic opportunities (and how the infrastructure in her area is) and the extent to which a woman is supported by her husband, are essential for whether a woman is empowered by microfinance programs or not (Schurmann and Johnston, 2009). These external factors have a great influence on the level of economic empowerment and household consumption. This was not properly (according to Roodman and Morduch, 2009) taken into account in Khandker's research (1998). The criticism of Roodman and Morduch (2009) is given below.

### Household consumption: criticism

According to Khandker (1998) the consumption levels of a woman do significantly go up (with 20%) after joining a microfinance program, as described in paragraph 5.4. Roodman and Morduch (2009) criticize this research and state that it was a quasi-experimental design based on data from 1991-1992, and that they "*took advantage*" of information gained from panel data to strengthen their arguments. Roodman and Morduch (2009) argue that the results given throughout their work do not correspond to their concluding claim or the increase of household consumption due to MFIs (Roodman and Morduch, 2009).

To test if the conclusions drawn by Khandker (1998) are correct, Roodman and Morduch (2009) applied the same methods to the same data as Khandker (1998) did (in a 2SLS regression). They found totally different results i.e. the change in measured consumption level by microfinance programs differs due to other factors. It is not solely the enrolment in a microfinance program that causes a change in consumption level, which is not properly covered by Khandker (1998).

Also, the data used in Khandker's work "*question the basis for the quasi-experimental identification*" (Roodman and Morduch, 2009) and the panel dimension "*does not compensate for the lack of clearly exogenous variation in the treatment variable*" (Roodman and Morduch, 2009).

### Validity

Roodman and Morduch (2009) also found that Khandker's research (1998) was biased. In the research, they analysed survey's over a certain period of time. In this research the bias is not due to measurements at one point; this research was based over the 3 main rice seasons over a period of 2 years (1991-1992). However, the bias is in the selection of the households used for the surveys. To research the household consumption levels they used a group of households enrolled in a microfinance program as experimental group, and a group of households *eligible* to enrol (but not actually enrolled)

as a control group. The '*eligible*' part of this research is what Roodman and Morduch (2009) find to be biased (Roodman and Morduch, 2009). Kabeer (2001) also criticizes against Khander's work. She states that Khander's did not "*read*" empirical findings well.

Kabeer (2001) argues that Khander was inclined to interpret his own results to suit premediated assumptions. This creates a deterioration of validity (Kabeer, 2001).

Paragraph 5.5 discussed the influence of microfinance on education, as a dimension of female empowerment. Women who are enrolled in microfinance programs have at least a primary school education level, because (1) the requirement set for women to be able to read and write before they can enrol in a microfinance program, and (2) the educational programs given by MFIs may lead to a higher education level of its clients. This higher educational status of MFI members compared to non-members was found by Siwar et al. (2011).

For the education level of client's children mixed results have been found by Marr (2012). In some cases microfinance may have a positive impact on the education level of children and in other cases children had to help with their mothers small enterprise which can lead to child labour. here is no clear linkage between microfinance and the schooling level of children.

Littlefield et al. (2003) states that microfinance may have a positive impact on the health and contraceptive usage of clients. This may have an indirect impact on more years of education.

This paragraph (6.5) will discuss the effects of microfinance on education, as a dimension of female empowerment, reported in paragraph 5.5. The educational levels of MFI members as well as the impact of microfinance on the education of MFI clients' children.

### **Education levels of the MFI members**

Chemin (2008) states that the initial education level of women who are a member of a MFI, does not impact her future earnings. However, he does claim that education does affect the participation in the MFI (before joining). He also found women who were members of a MFI, are more educated than non-members. The education level is probably a stimulus for women to empower themselves by joining a MFI. Also, women who are enrolled in a MFI, are 'educated' more by training programs offered by some MFIs (Chemin, 2008). This corresponds to Siwar et al.'s (2011) results as provided in paragraph 5.5.

Hulme and Moore (2006) highlight the positive effect of MFIs on education by discussing a separate program of the Grameen Bank. This program is called the Grameen Shikha (established in 1997), which promotes the education of GB members. They specifically target non-literate female members. The Grameen Shikha also provides special loans and grants for education, also for the children of their members (Hulme and Moore, 2006).

### **Impact on the education of children**

Morduch (1998) studies the effects of microfinance on the education of the children of microfinance clients. He compared his results on results of control groups, and measured how many children aged 5-17 (in %) of microfinance clients went to school. The MFIs that were involved in the research were the Grameen Bank, the BRAC and the Bangladesh Rural Development Board. He found that in villages where the Grameen Bank in particular was very active, 62% of the sons of members went to school in contrast to 34% of the sons of non-members. The difference was less when comparing daughters; 41% of GB's members daughters were enrolled in school versus 41% of non-members daughters (Morduch, 1998).

However, Morduch (1998) found contrasting results in villages where the other measured MFIs were active. He found that there were more children enrolled in school in villages where there were no MFIs active. In villages where the BRAC or the BRDB were active, there were less children enrolled in



schooling (Morduch, 1998). This contradiction was also found by Marr (2012), as discussed in paragraph 5.5.

Littlefield et al. (2003) claim that the impacts of microfinance are positive on education. They even state that the impact of MFIs entails that children of clients are more likely to go to school, stay in school longer, and are less likely to drop-out of school (Littlefield et al., 2003). Paragraph 5.5 already discussed Littlefield et al. (2003) in which it is stated that the education level may be correlated to health issues, both influenced by microfinance programs.

They discuss studies in their paper which show that in villages in Bangladesh, where the BRAC is active, children have more skills in reading, writing and mathematics. This was measured by taking a competency test, 24% of MFI clients passed in contrast to 14% of non-member clients. An ethnographic study in Grameen Villages in Bangladesh gave similar positive results. Here the levels of schooling of MFI clients' children tot non-members' children. 'Almost all' of the children of members had at least some level of schooling compared to 60% of non-member children (Littlefield et al., 2003). This could be related to programs like BRAC's non-formal primary school which accepts the children of members (Hulme and Moore, 2006).

Bezboruah and Pillai (2013) state that women who are enrolled in MFI programs, are more likely to invest in their children's education. They found this in a cross-country comparative research, and found these results to be applicable to all involved countries (Bezboruah and Pillai, 2013).

Chemin (2008) studied the benefits and the costs of microfinance. He states that microfinance increases enrolment for boys as well as for girls, but that the greatest improvements were found in the % of enrolled girls. This is probably because they had low initial enrolment (compared to boys) (Chemin, 2008).

### **Bias**

Chemin (2008) states that it is possible that researches concerning education are biased, due to their 'regression discontinuity' (Chemin, 2008). Unfortunately he doesn't put forward any evidence.

Paragraph 5.6 discussed several problems that women can come across concerning microfinance and religion. Khan (1999), Naher (2010) and Goetz and Gupta (1996) found that women face a risk to be criticized, excluded and ostracized by their society. Also, there have been instances that women were physically and verbally abused by religious anti-microfinance actors. Reasons for this abuse are that microfinance programs make women 'shameless' and 'Purdah-less' because women need to leave their homes in order to go to the programmes. An important reason for this is that women spoke and worked with men who were not their family members, which is in contrast with the "Purdah" law.

These findings by Khan (1999), Naher (2010) and Goetz and Gupta (1996) have been recognized by many scholars. The views of these scholars will be discussed in this paragraph.

### **Religion as a restraining factor to female empowerment**

Schurmann and Johnston (2009) discuss the Islamic religion in relation to microfinance. They name 'Purdah' as a reason why women can't interact with men who are not their relatives. According to 'Purdah' women are not allowed to be paid in money, they are not allowed to go to capital markets, and they are not allowed to do anything 'shameless' like interacting with men or working outside the household sphere. If women neglect 'Purdah' and still undertake these activities, they can lose their status and face ostracization (Schurmann and Johnston, 2009).

Also Ngo and Wahhaj (2012) recognize the limits that 'Purdah' lay on a woman. They also state the importance of a woman's limitation in mobility. They are not free to walk around (or sell) in public space. Therefore, they often invest their loan money in money-earning through home-bases activities. Often they choose for activities that are accepted by 'Purdah' and their tradition, like poultry or milk cow rearing (Ngo and Wahhaj, 2012). Ngo and Wahhaj (2012) state that when the gained dairy or agricultural products which are to be sold, are sold by their husbands, in order to respect the 'Purdah'.

In the general introduction we discussed what empowerment entails. Here, several issues were discussed related to empowerment. A woman's ability for controlling her life and freedom and for making independent decisions are a part of empowerment. When women face the risk of being ostracized from their society if they get involved with microfinance programs, their ability for controlling her own life is not existing. They are respected less in their society, which makes making independent decisions extremely difficult. Here we can speak of a poor adjustment of the microfinance program to religious contexts, and the effect of microfinance institutions on the empowerment of women is not very positive.

### **Social status and class hierarchy**

Kabeer (2001) argues that the conception of 'Purdah' is dependent on the social status and 'class' a woman is in. This is not the same for all female microfinance clients in Bangladesh, it correlates with 'class hierarchy'. She also argues that a woman's reason for obedience to 'Purdah' is variable; some women abide to this 'law' because of social pressure, others because of male control.

Because every woman has a different reason for 'Purdah', they all pay a different cost for (not) abiding. This also implies that the empowerment is different for every women. For some women, earning a livelihood is impossible in combination with maintaining their honor. These women do not work outside the house and do not enrol in microfinance programs. Some women (usually the poorest) have to set aside their honor in order to earn enough money to stay alive, and most of the time have to work outdoors. For these women, microfinance programs usually are a good means to be able to earn

money and gain more honor. Enrolling in a microfinance program is a 'step up' from working in a factory or in a field(Kabeer, 2001).

This entails that it is not per se religion that may repress female empowerment, it has a lot to do with social status and class hierarchy as well.

### **Propositions for the future**

Schurmann and Johnston (2009) make suggestions for future '*Purdah*' restrictions. They state that is very important to respect the '*Purdah*' in order for women to live peaceful in their society. To do this, women have to find a good match between their obligations (child care and other household chores) and their microfinance program duties. In order to respect '*Purdah*' they suggest that women should invest their microfinance loan into activities that can be done within their house, like making items that can be sold (Schurmann and Johnston, 2009). However, this means that women have to settle with less, and they are not able to make decisions about their own life and be free. This comes at the expense of empowerment.

Also, these propositions do include the restrictions of social status on empowerment, but they do not include class hierarchy. This is a factor that has not been researched much, though it plays an important role.

## 6.7 Understanding the effects of MFIs in terms of contextual factors

In previous chapters we have discussed the context in which MFIs operate in Bangladesh, with the different relevant landscapes (chapter 2), the different MFIs in Bangladesh and their various business models (chapter 3), the method of finding data on female empowerment in relation to MFIs and the concept of female empowerment itself – explained in six components (chapter 4), reported effects by studies on impacts of MFIs on these six components of female empowerment (chapter 5). Chapter 6 analyses these reported effects by looking at interpretations of scholars regarding these effects.

These chapters give information covering every relevant topic regarding the effects of MFIs on female empowerment. This paragraph is meant *to understand* this information.

In chapter 2 different landscapes have been discussed, to explain the context in which MFIs in Bangladesh operate. These different landscapes have been discussed with the aim to assess to what extent the success or failure of MFI programs in Bangladesh is the result of these specific landscapes and contextual factors.

In this paragraph, the contextual factors will be used to explain the success and/or failure of MFIs in Bangladesh on female empowerment (discussed in chapter 5 and 6).

In this paragraph we aim to answer the following sub question:

‘To what extent can the effects of MFI programs on female empowerment be explained in terms of different contextual factors (landscapes)?’

The landscapes discussed in chapter 2 all simultaneously create a conducive environment and may positively create additional interactive impacts. The integrated multifaceted landscape in Bangladesh led to many positive impacts of empowerment, as discussed in chapter 5. This chapter discussed the reported effects by studies on impacts of microfinance programs on female empowerment, looked at in relation to the financial, political, cultural/religious and demographic landscape.

### **Female empowerment in relation to the financial landscape**

The financial landscape in Bangladesh is constructed in such a way that microfinance is attractive for potential borrowers. Also, because of a grading system, potential borrowers have a good overview of different MFIs in Bangladesh.

As discussed in paragraph 2.1, MFIs in Bangladesh are constructed with the Grameen model. This entails that these MFIs are selective (and have target groups), they have a proper repayment system, they have a good (working) administration and many MFIs have additional services. These additional services offered by MFIs are relevant for the female empowerment in Bangladesh due to MFIs.

The services and trainings, like skill trainings, health and social development and subsidies for clinics (especially provided by BRAC) are distinct for Bangladesh. These services and trainings have impact on the amount of female empowerment resulting from these MFI programs.

As we saw in paragraph 6.1, several articles concerning BRAC reported higher levels of mobility and participation as part of female empowerment, and articles concerning the Grameen Bank report higher levels in household decision making (Kabeer, 2001).

This higher level of mobility and participation can be due to the services and trainings offered by certain MFIs like BRAC. This information links the specific (financial) landscape of Bangladesh to the results regarding female empowerment found in Bangladesh, as the services and trainings can only be offered when the model is such that this is possible. The financial landscape therefore can be said to be conducive for higher levels of mobility and participation.

Other MFIs who focus more on financial services (like the Grameen Bank and ASA), have impact on female empowerment regarding higher levels in household decision making power. This also links to the financial landscape in Bangladesh as through the Grameen model, offered services by MFIs are existing in Bangladesh and less so in other countries, like Nepal (see paragraph 2.1).

Because of the grading system for MFIs that exists in Bangladesh, more competition is observed in Bangladesh than in other countries. This competition has led to specialization of MFIs on certain areas (and different services), which can explain the different results for BRAC and the Grameen Bank regarding female decision making power. These results can be explained in terms of the financial landscape, as the grading system and Grameen model are specific for Bangladesh.

Another issue regarding the financial landscape are the inflation levels. In countries where there is a high inflation level, MFIs cannot flourish. In Bangladesh there are low inflation levels, which has led to many MFIs. Also the economic growth in Bangladesh has had a positive effect on MFIs in Bangladesh. This can explain the success of microfinance in Bangladesh. In Bangladesh, many MFIs are funded (see paragraph 3.1.3). Because of this funding, it becomes possible for MFIs to grow and to establish specific programs and trainings.

This funding, together with the grading system in Bangladesh, has led to large numbers of competitive and specialized MFIs in Bangladesh. Because it is possible for MFIs to grow and specialize in Bangladesh, programs like BRAC's educational program has been able to thrive.

Though mixed results have been found, roughly taken, the education levels of children whose mother is enrolled in a microfinance program have gone up (see paragraph 5.5). Again, these results have been made possible due to the favourable financial landscape of Bangladesh.

### **Female empowerment in relation to the political landscape**

These higher educational levels can also be attributed to the political landscape of Bangladesh. As discussed in paragraph 2.2, the War of Liberation and the Floods of 1974 resulted in many poverty reducing initiatives (socio-politics). These initiatives also include programmes offered by MFIs, like the educational program offered by BRAC. The financial and the political landscape of Bangladesh created a favourable climate which led to successful female empowerment in terms of education. Many other initiatives thrived in this period, possibly stimulating female empowerment.

The Government of Bangladesh found a balance between regulation and supervision that has led to a conducive environment for MFIs in Bangladesh. Because of this balance, it is possible for MFIs in Bangladesh to self-govern and make decisions to implement certain programs. All types of programs have been implemented by MFIs in Bangladesh leading to female empowerment. For example, the Grameen Bank aims to empower women financially by stimulating them to generate an income. Chapter 5 also presents results showing that household consumption increases when a woman joins a MFI.

These results would not have been achieved if the political landscape of Bangladesh was not as it is.

The political landscape of Bangladesh is such that there is hardly any supervision and inspection in Bangladesh. Because of this innovation is possible, as well as competition between MFIs. Bangladesh is also less bureaucratic than other countries, which makes it possible for MFIs in Bangladesh to come up with new and innovative programmes, without having to go through all kinds of bureaucratic hassle. The great amount of programmes of MFIs (which can lead to female empowerment) therefore has been made possible by the 'laissez-faire' approach seen in the political landscape of Bangladesh.

### **Female empowerment in relation to the cultural and religious landscape**

The cultural landscape in Bangladesh is such that it is a male dominated society. Men control labour and are the ones who generally speaking have access to resources. Because of this male dominated society, female paid labour outside of her house is often forbidden. Because of this it is difficult for women to use their microfinance loan for out-of-house labour.

In the patriarchal male dominated society of Bangladesh domestic violence is normal. This can be seen all over Bangladesh, also in villages where there are no MFIs active. In chapter 5 we have seen that domestic violence initially goes up when a woman joins an MFI. This would probably not have happened in a society where domestic violence is not considered normal. Results have shown us, that after this initial increase of domestic violence, it does decline as women experience more empowerment. We cannot conclude that microfinance leads to more or less domestic violence in general, but it is clear that microfinance does influence domestic violence *because* the cultural landscape is what it is.

The cultural landscape also makes it possible for women to be ostracized from their society when they take a microfinance loan. This makes it relatively difficult for women to join an MFI and empower themselves. Here we see that the cultural landscape of Bangladesh has a negative influence on female empowerment in relation to microfinance.

Religious aspects (like ‘*Purdah*’) can make it difficult for women to have a microfinance loan, in many ways. This also is a hold back for female empowerment, as women have relatively less ability to control her own life, less freedom, and less decision making power.

All of these results have been reported and analysed in this thesis. However, they do not correspond to the information given in paragraph 2.3, where it is stated that ‘it is surprising to see, that even though religion is active, there is still a high tolerance for microfinance activities compared to other Muslim countries’ (Sharma, 2007).

This can mean two things. 1) The statement of Sharma (2007) is incorrect, and the discussed findings throughout this thesis are right and religion is unfavorable for female empowerment (or vice versa).

2) In Bangladesh there is relatively a high tolerance for microfinance activities, and in other Muslim countries the results of MFIs concerning religion on female empowerment are even worse.

Overall, we can see that the cultural and religious landscape of Bangladesh are relatively unfavourable for the effects of microfinance on female empowerment in Bangladesh.

### **Female empowerment in relation to the demographic landscape**

The demographic landscape in Bangladesh entails that there is a high population density, which makes the actual space (geographic capital) to resources small. People are close to opportunities, and there are relatively proper communication networks in Bangladesh which makes it relatively easy for women in Bangladesh to find an MFI to get a microfinance loan from. This is an overall constructive environment which has led to a great number of MFIs, and creates opportunities for women to empower themselves through microfinance programmes. This is another factor to take into account to understand the effects of microfinance on female empowerment in Bangladesh.

## 7. CONCLUSION AND DISCUSSION

### 7.1 Conclusion

The objective of this literature study was to find answer to the central question: *To what extent did micro-finance institutions (MFIs) in Bangladesh contribute to the empowerment of women in Bangladesh?* To answer this question (and the sub questions) , many sources of literature have been used. In this conclusion, an answer will be given to the central question and the sub questions.

**The first sub question** was: ‘What specific business models do different MFIs in Bangladesh use to empower women? (the different means used to empower women)’. This has been covered in chapter 3, where MFIs in Bangladesh have been discussed, and the business models of the most prominent MFIs use. These business models are used as a means to empower women. In this chapter it becomes clear that there are several MFIs active in Bangladesh, but the most prominent ones are the BRAC, the Grameen Bank, Proshika and ASA. Besides the MFIs, there are several other stakeholders involved with microfinance in Bangladesh. These have also been discussed in Chapter 3.

The business models of the most relevant four MFIs in Bangladesh have been discussed in paragraph 3.2. Here it became clear that BRAC and Proshika are the leading MFIs concerning social programmes compared to the Grameen Bank and ASA, and that the BRAC and the Grameen Bank are the most active MFIs in targeting women. All four MFIs offer different trainings and services (credit/finance/social).

**The second sub question** ‘What methods have different researchers used to observe effects of MFI programs on the empowerment of women?’ has been answered in chapter 4. This chapter discusses the method and the literature used to study empowerment, as well as the concept of empowerment as used in this thesis. Multiple scholarly articles including interviews have been used to gain information, using academic literature as well as grey literature. In paragraph 1.2, six dimensions of female empowerment have been discussed, as being: 1) Freedom, financial control and decision making power, 2) household relations and repayment issues , 3) Domestic violence, 4) Economic empowerment and household consumption, 5) Education, 6) Religion and social pressure.

**The third sub question** ‘What do these different researches report regarding effects of MFIs (and specifically BRAC) on the empowerment of women?’ has been extensively discussed in chapter 5, using the six dimensions of female empowerment. This chapter discussed the reported findings and effects of the BRAC, Grameen Bank, ASA and Proshika on female empowerment. This has been done by covering 6 factors of female empowerment. Chapter 6 discusses these results, showing how studies interpret these effects, and answering **the fourth sub question** ‘How have the different researchers interpreted these effects, and how do they explain these effects?’.

.The aim of this chapter was to analytically report on the success and failure of MFIs to empower women in Bangladesh. However, throughout this thesis it became clear that almost all findings were not all ‘successful’ or all a ‘failure’.

Because of these findings, all results are not simply to be put in a ‘bad’ or ‘good category’. These findings showed us the followings results concerning female empowerment.



- **Financial control and decision making power**

The effects on the decision making power as a part of female empowerment vary with different MFIs, although there are findings that all women enrolled in a microfinance program have an increased decision making power to some degree. This may lead to more autonomy. However, other researchers found that women don't have much decision making power over the loans; the husbands often decide. The question is how high the validity of these results are, because the 'level of control' has not been specified.

- **Household relations and repayment issues**

Researchers found that women often borrow money from MFIs to pay off the loan of another MFI. This can lead to a trap where poor people can get stuck in. Possible solutions like flexibility have been put forward.

- **Domestic violence**

The conclusion researches was not uniform. Some researchers found a decrease in domestic violence after the women joined a MFI, others found an increase. There were also researchers that found an initial increase and then a decrease when a certain empowerment 'tipping point' was reached. Several possible reasons for this have been discussed. There is a question of validity in this topic, as 'research bias' has been found. Factors other than the joining of a microfinance program could be the main reason for changes in domestic violence (like poverty or household relations). Also, the variable changes over time have often not been taken into account.

- **Economic empowerment and household consumption**

Again, with this topic, researchers found contradicting results. Some studies found that the consumption levels of women go up and others found that this level went down, related to the enrolment of microfinance programs.

- **Education**

The effects of microfinance programs on the level of education has been overall positive. The level of education of the woman enrolled in a microfinance program went up, as well as the level of education of her children.

- **Religion**

Religion has been found to be a restriction to empower women. It is difficult for women to respect 'Purdah' and to be enrolled in a microfinance program at the same time; they risk to lose their status and face ostracization. Because of religion itself; women are not empowered. They are not able to make decisions about their own lives without being held back, and it is also not easy for them to join microfinance institutions. If they can't join microfinance institutions, they can't be empowered through all factors stated above. This shows us that religion is a great restriction and hold-back for female empowerment.



**The fifth sub question** is ‘*To what extent can the effects of MFI programs on female empowerment be explained in terms of different contextual factors (landscapes)?*’. Chapter 2 explored four different operational landscapes. The landscapes appear to be of great importance contributing to the popularity of microfinance in Bangladesh. With the financial landscape; good financial institutions, the macroeconomic environment (concerning levels of inflation) and the funders (providing aid) can be decisive for the success or failure of microfinance in a country. The second landscape that has been discussed is the political landscape. In this paragraph it appears that the government and its politics play an important role. For example, the presence and amount of governmental subsidies and regulations are important. Also, the socio-political environment (concerning laws and restrictions) and the amount of supervision and inspection can make or break microfinance. The remaining landscapes cover the cultural/religious and demographic landscape. Here it is covered that religion, and how religion is viewed and persecuted in a country can restrict women to join microfinance programs. The importance of the demographic landscape entails the distribution of services and infrastructure. All of these landscapes and all the factors they cover are of utmost importance to understand the factors which play a role in contributing to Bangladesh’ success in microfinance. This chapter focussed on why microfinance has been an overall success in Bangladesh, but did not give attention to female empowerment.

This has been done in paragraph 6.7 where these landscapes have been applied to the reported effects of microfinance on female empowerment. This has been done in order to understand the effects of microfinance in the context of Bangladesh. The findings here were that *the financial landscape* has positive effects on female empowerment, through microfinance. Because of the financial landscape, healthy competition arisen between MFIs in Bangladesh, which lead to innovation and the offering of several services and trainings as specialisations of MFIs. Also the inflation and funding possibilities are relatively positive for microfinance in Bangladesh, in relation to other countries.

*The political landscape* in Bangladesh is such that MFIs hardly have any supervision, inspection and bureaucratic hassle. Therefore, MFIs in Bangladesh have the freedom to innovate in order to be able to compete with other MFIs. The lack of bureaucratic hassle also stimulates MFIs to start up new programmes and trainings. In countries where a lot of rules exist, it is difficult for MFIs to get their licence, and it is difficult for MFIs to thrive. Also, the political landscape has led to poverty reducing initiatives (socio politics), which created a positive environment for all sorts of innovative and new initiatives, like MFIs to start up and grow. Because the political landscape was accommodating for MFIs, they are a major presence in Bangladesh, creating all types of trainings to stimulate female empowerment.

*The cultural and religious landscape* entail that Bangladesh has a male dominated patriarchy in which men control labour, access to resources and finances within households. Also, it often means that women are forbidden to perform paid labour outside of her house. This makes it very difficult to women to empower themselves. Microfinance programmes often require weekly meetings (with i.a. men) for their female clients. The landscapes of Bangladesh discourage interaction between men and women who are not related. Also, ‘*Purdah*’ disallows women to undertake activities to empower themselves. Here we can see that the cultural and religious landscape is probably not very stimulating for female empowerment risen by microfinance. What is surprising here, is that the religious landscape in Bangladesh is still relatively accepting, compared to other countries (paragraph 2.3).

The fourth and last landscape that has been discussed is the *demographic landscape*. This landscape is stimulating for female empowerment through MFIs, as there is a high population density in Bangladesh, with high levels of geographic capital.

All these landscapes of Bangladesh make microfinance in Bangladesh specific, and different from how microfinance is organized and works out in other countries. By looking at the different landscapes as context in which microfinance operates in Bangladesh (in relation to female empowerment), we see that Bangladesh has a conducive environment for microfinance and may positively create additional interactive impacts on female empowerment.

Though the context in which MFIs operate in Bangladesh are mostly (relatively) simulative for the effects of microfinance on female empowerment, we can conclude that microfinance institutions don't have an overall positive impact or an overall negative impact on female empowerment. There are many factors that play a role, and many results that have been found. However, many results have been found by researches that are biased or have a low validity. If this was not the case, the researches may have found total different results, which would have changed our view on the 'female empowerment' due to MFIs.

In this thesis it also became clear that all factors of female empowerment correlate. For example; without financial control, women won't have much decision making power about her loan. This can lead to tension in the household, which is related to domestic violence. When a woman is economically empowered, she will have a higher consumption level. With a higher consumption level, a woman will spend more money on the education of her children. Also, the domestic violence and repayment issues will be less.

Throughout this thesis the main and specific questions have been discussed and answers (sometimes contradictory) have been given. There is one issue which has not become totally clear: the effect of MFI programs on female empowerment in terms of the cultural and religious landscape. In paragraph 2.3 Sharma (2007) claims that even though religion is pre-dominant in Bangladesh, there is still a high tolerance for microfinance activities compared to other Muslim countries. This statement is in contrast with paragraphs 5.6 and 6.6 (religion and social pressure). In the latter paragraphs, examples have been given of how religion may be a constraint to female empowerment through microfinance programs.

For example, there have been instances that women were physically and verbally abused by religious anti-microfinance actors. Reasons for this abuse are that microfinance programs make women 'shameless' and 'Purdah-less' because women need to leave their homes in order to go to the programmes. Here we can see that the cultural and religious landscape is probably not very stimulating for female empowerment risen by microfinance.

Paragraph 6.7 recognizes this contradiction, and states that perhaps Bangladesh is *relatively* religiously accepting towards microfinance programs, and other countries may be even harsher towards women who want to join an MFI.

In order to really understand this contradiction, literature studies regarding religious restraints regarding the effects of microfinance on female empowerment need to be studied. This has not been done for this thesis, as this thesis was specifically about Bangladesh, and there was limited time to study everything.

Of course, the business models of MFIs in Bangladesh are very specific for Bangladesh, because they work for the landscape of Bangladesh. The landscapes of Bangladesh are overall stimulating for microfinance, as discussed in chapter 2. MFIs in Bangladesh have the effects on female empowerment, as discussed in chapter 5 and 6, because of these specific landscapes. Other countries, like Nepal (compared to Bangladesh in chapter 2), have a different financial situation, different rules and legislations, different cultures and a different bureaucratic system. It is therefore impossible to say what effects MFIs with the same business models (as discussed in paragraph 3.2) will have on female empowerment in different countries. This implies that the external validity of the reported effects throughout this thesis is not very high.

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