

# The Effects of Microcredit on The Empowerment of Women in Northern Region of Bangladesh

Md. Rakibul Islam Rubel, Md. Mozahidul Haque, & Mohammad Earfan Ali Khondaker

## Abstract

The study investigated the effects of microcredit on the empowerment of women in the Northern region of Bangladesh. The leading NGOs namely ASA, BRAC, GRAMEEN BANK, PROSHIKA, SKS and TMSS were targeted for data collection in the three selected districts viz., Gaibandha, Rangpur and Dinajpur in the Northern region of Bangladesh. A total of 247 women (Microcredit borrowers) were selected randomly from the selected districts as the sample of the study. The findings of the study showed that microcredit reduces economic problems of the women and helps to enhance economic empowerment. And also after taking loan or involving with microcredit their family income, expenditure and savings increased significantly. Positive and significant empowerment effects were found for the indicators: intra-HH decision, mobility, and own & child healthcare. It is seen that after taking loan or involving with microcredit decision-making power have changed for the women in all the dimensions used in this study and more importantly the women view such changes rather positively. If interest rates are kept low, payments are collected in a reasonable amount of time, and support in terms of education and advice are granted to borrowers, microcredit can continue to positively impact and empower women in Bangladesh and abroad. It is hoped that the findings of this study would prove to be useful for Government departments, NGO's, Agencies and Researchers who wish to do further research in the areas mentioned above and may be helpful to the policy makers and planners in formulating plans for national development.



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## Introduction

Microcredit remains a popular income-generating tool utilized by the non-governmental organizations to enhance the living standards of the poor in developing countries. A global consensus has emerged that providing small loans or microcredit to the poor is the key element to reducing poverty and improving the socio-economic development of the women (Daley-Harris, 2009). Microcredit was introduced by Dr. Muhammed Yunus, the founder of the Grameen Bank of Bangladesh in the mid-1970s (Chandra, 2009). Microcredit can be seen as one of the service that provides small loans for poor people, especially women, who formerly had no access to a formal bank. Microcredits have reached women in diverse socioeconomic environments, and provided them with a better purchasing power and enabled them to invest money in small-scale businesses such as livestock, agriculture, fisheries and poultry (Haque and Itohara, 2009). It creates opportunities for self-employment rather than waiting for employment to be created for women and liberates them from the grips of poverty (Latifee, 2003). Thus, they become more visible in generating income, educate their children and participate in household decision-making and family planning methods (Mozdalifa, 2012). Women in developing countries are subject to various forms of discrimination and gender inequality. Due to gender based discrimination and socially constructed sub-ordination women have inferior status everywhere in all the aspects of life i.e. political, economic, familiar or social. Women who form almost half of the population in Bangladesh, majority of them are neglected and are denied from their right in every sphere of society (Begum, 2007). In Bangladesh, rural women are socially excluded from being involved in development activities due to gender-based labor distribution, and have a limited role in household decision-making, restricted mobility, and limited access to natural, physical, and financial resources (Sebstad and Cohen, 2000; Parveen and Leonhauser, 2004). Evidences show that women's accessibility to credit and involving women in income generating activities have positive implications in improving women's decision-making power at the household level (Leach et al., 2002; Premchander et al., 2003; Pitt et al., 2006; Hulme et al., 2007). This study aims to investigate the effect of microcredit in the improvement of women's socio-economic status in terms of income, expenditure and savings and also in women's empowerment in the Northern Region of Bangladesh. The main objectives of the study are:

1. to identify the socio-demographic and economic characteristics of women (Microcredit borrowers) families of the study population,
2. to examine the economic impact of the microcredit on women (Microcredit borrowers) families,
3. to observe empowerment status and decision-making power of women (Microcredit borrowers) at household level and
4. to scrutinize the impact of the microcredit on women (Microcredit borrowers) empowerment.

## Materials and Methods

### Study area and sample size

Considering the objectives of the study, the present study was conducted in the three selected districts in the northern region of Bangladesh viz., Gaibandha, Rangpur and Dinajpur where the leading NGOs namely ASA, BRAC, GB, PROSHIKA, SKS and TMSS were targeted for data collection. In these three districts, six upazillas (Gaibandha sadar, Sadullapur, Rangpur sadar, Pirgacha, Dinajpur sadar and Fulbari) were selected purposively and the targeted sample size was 250 women, but a total of 247 women responded, who were finally included in this study for analysis. In collecting information, almost equal respondents were taken from each locality.

### **Measurement of Women's empowerment**

Impact of the microcredit on women's empowerment assessed through compare their decision-making power in the three areas of decision-making (Intra-HH decision, Mobility, and Own & child healthcare) before and after taking loan. For each of these three areas of decision-making, women were asked who usually makes the decisions. Each question had four response options: self (women), husband, both (respondent and husband), and others. We created a binary variable for each type of decision-making by grouping together self and both responses in which women participate in decision-making coded as 1, and other responses together in which she has no say in decision-making, coded as 0).

### **Statistical analysis**

Data of filled up questionnaires for this study were computerized in Statistical Package for Social Science (IBM SPSS 22.0) software. Univariate analysis is done to know the frequency distribution and descriptive statistics of the selected study variables to realize the sample data. Paired sample t-test was applied to find out the significant difference between the average total monthly family income, average total monthly family expenditure and average monthly savings of respondents before and after taking loan. Chi-square test is used to test the independence of two variables. Logistic regression is used to explain the relationship between one dependent binary variable and one or more metric (interval or ratio scale) independent variables.

### **Results and Discussions**

#### **Social background of women (Microcredit borrowers)**

Table 1 below provides information on the frequency distribution on demographic and economic values of respondents (Microcredit Borrowers) in Northern region of Bangladesh. The majority 38.1 percent of the participants were between 25 to 34 years followed by 35.2 percent between 35 to 44 years, 13.8 percent below 25 years, and 13.0 percent 45 & above years. The average age of the respondents was 33.16 years. Regarding the educational level of the respondents, more than half that is 65.2 percent of the participants received primary education, while 19.8 percent received secondary and higher education. The illiterate women participants comprised 15.0 percent. The majority of the participants were literate; it could be due to the education facilities available nearby. The positive approach of the educated women made the others to become self-motivated to acquire knowledge and use the microcredit loans to start businesses. The findings showed that education, whether formal or informal, helped the members to get involved in economic activities. Occupation is one of the factors that indicate economic status. In the study majority of the participants (57.1%) were housewife. The participants who were working as day laborer and doing business formed 17.8 percent and 15.0 percent respectively. The category "Service & others" included participants who were working in the government & private sectors, tailors, coolies and housemaids.

**Table 1: Frequency distribution of demographic and economic values of respondents (Microcredit borrowers).**

Characteristics	Categories	No.	%
Age of respondent (years)	Less than 25	34	13.8
	25-34	94	38.1
	35-44	87	35.2
	45 & above	32	13.0
Education level of respondent	Illiterate	37	15.0
	Primary	161	65.2
	Secondary & Higher	49	19.8
Occupation of respondent	Housewife	141	57.1
	Day laborer	44	17.8
	Business	37	15.0
	Service & others	25	10.1
Marital Status	Married	226	91.5
	Single & divorced	21	8.5
Religion	Islam	212	85.8
	Hindu	35	14.2
Type of family	Single	171	69.2
	Extend	76	30.8
Place of residence	Rural	158	64.0
	Urban	89	36.0
Total monthly family income (BDT)	Up to 7000	22	8.9
	7001-9000	63	25.5
	9001-11000	69	27.9
	More than 11000	93	37.7
Total monthly family expenditure (BDT)	Up to 7000	24	9.7
	7001-9000	78	31.6
	9001-11000	94	38.1
	More than 11000	51	20.6
Land size of HH	Non-farming land	99	40.1
	Farming land	148	59.9

Source: MS Research (Role of microcredit in developing socio-economic status and women empowerment in the northern region of Bangladesh)

With regard to marital status a high percentage 91.5 percent of the participants were married and 8.5 percent were single and divorced. Generally, the married women from the lower strata faced many problems. The cost of living at that time forced the women to earn more to face the price increases. They needed to engage in economic activities to increase their income level. Married women had to shoulder many responsibilities, like looking after house, children and family. These microcredit income-generating activities seemed best suited to satisfy all their needs. The microcredit played a vital role in generating economic activities for the married women. It also seen that the majority of the participants were Muslim at 85.8 percent and 14.2 percent Hindu women were also represented in the analysis. This showed that the microcredit was widespread and benefitted women from all religions. Out of the 247 participants, 69.2 percent were from single or nuclear families and 30.8 percent were from

joint or extended families. More than half of the respondents belonged to nuclear families. The women from the nuclear families had more freedom in thought and action. They had more leisure time which they utilized to participate in productive activities, apart from their regular household and domestic work. The women seemed to become more productive when they get involved in income-generating activities. These NGOs provided the women with the means to become more successful through microcredit activities. In case of total monthly family income, 8.9 percent of respondent's total monthly family income was up to 7000 Tk., 25.5 percent in the range of 7001-9000 Tk., 27.9 percent in the range of 9001-11000 Tk., and 37.7% in the range of 11001 Tk. and above. Also about 9.7 percent of respondent's total monthly family expenditure from was up to 7000 Tk., 31.6 percent was in the range of 7001-9000 Tk., 38.1 percent was in the range of 9001-11000 Tk., and 20.6 percent was in the range of 10001 Tk. and above. In case of land size of HH, 40.1 percent respondents had non-farming land and 59.9 percent respondents had farming land.

### **NGO's and loan related information**

The following Table 2 provides information on the frequency distribution on different NGO's and microcredit related characteristics of women in Northern region of Bangladesh. Most of the women took loan from Grameen Bank (27.5 percent). They also took loan from BRAC (23.1 percent), ASA (19.4 percent), and TMSS (18 percent). In slightly, they also availed the loan from SKS and others. It has found that most of the respondents are prone to take loan from the available financial institution many more times. In percentage, it is nearly 80 percent and the other portions took loan for the first time. The table indicates that in the most cases the rate of actual interest is known to the women by 70 percent and the rest took loan without knowing the interest rate. The interest rate which is predefined by the NGOs is right said by 66 percent respondents and 34 percent said the interest rate is high. Most of the respondents nearly 40 percent took loan within the range between 10000 to 20000 Tk. One-fourth of the respondents were taken loan within 20000 to 30000 Tk., 20 percent taken loan more than 30000 Tk. and 15.0 percent less than 10000 Tk. In case of use of loan, nearly half of the respondents (44 percent) used their loan for business purposes. The other one-fifth portion of the respondents used the total loan for buying domestic animals such as cow, goat, and poultry the other respondents make use of their loan to buy vehicle by 10 percent, to buy land by 15.8 percent. Nearly 10.0 percent women consume loan for their family purpose. When the institutions gratify a loan, they measure the affordability of paying the loan. About 82.6 percent installments are affordable and the remained 17.4 percent installments are not affordable in nature. Some of the respondents who had taken loan before they failed to repay the loan occasionally by 39.3 percent, three-fifth of the respondents never failed to repay the loan. The remaining respondents always failed to repay the loan. According to the table most of the respondents (94.7 percent) were satisfied with the present activities of the NGOs and only 5.3 percent were not satisfied due to NGOs lengthy and pompous activities.

**Table 2: Frequency distribution of different NGO's and microcredit related characteristics of women.**

Characteristics	Categories	No.	%
Name of NGO's	Grameen Bank	68	27.5
	BRAC	57	23.1
	ASA	48	19.4
	TMSS	44	17.8
	SKS	21	8.5
	Others	9	3.6
Loan taken before	First time	58	23.5
	Many times	189	76.5
Actual interest rate	Known	171	69.2
	Unknown	76	30.8
Interest rate is right	Right	163	66.0
	High	84	34.0
Amount of loan (BDT)	<10000	37	15.0
	10000-20000	97	39.3
	20001-30000	62	25.1
	>30000	51	20.6
Use of loan	Buying domestic animal	44	17.8
	Buying vehicle	26	10.5
	Business	111	44.9
	Buying land	39	15.8
	Family purpose	22	8.9
	Paying lend & others	5	2.0
Installments affordable	Yes	204	82.6
	No	43	17.4
Fail to repay installments	Never	141	57.1
	Sometimes	97	39.3
	Always	9	3.6
Satisfaction with the present activities of NGO's	Satisfied	234	94.7
	Not satisfied	13	5.3

Source: MS Research (Role of microcredit in developing socio-economic status and women empowerment in the northern region of Bangladesh)

### The Economic impact of the microcredit on respondent's families

The Economic impact lies in terms of increase in the income, the capacity to spend more, and the level of saving. The higher the income generating level the higher will be the economic impact. Therefore, income, expenditure, and savings are most important variables which are used to study the economic status of women (Microcredit borrowers). In order to study this, it was very important to compare the respondent's level of monthly income, expenditure, and savings which were the parameters that evaluated the living conditions of the respondents before and after taking loan. The following Table 3 shows average total monthly family income, average total monthly family expenditure and average monthly savings of the respondents before and after taking loan, where paired sample t-test was applied to find out the significant difference between the average total monthly family income, average total monthly family expenditure and average monthly savings of respondents before and after taking loan. Since the P value is less than 0.01, there is a significant difference at the 1 % level for each of the economic characteristics of the respondents before and after taking loan. The average total monthly family income, average total monthly family expenditure and average monthly savings were higher after taking loan than before taking loan. And also after taking loan or involving with microcredit their family income, expenditure and savings increased significantly. These show the effectiveness of microcredit.

**Table 3: Paired t-test for significant difference between economic characteristics of respondents before and after taking loan.**

Economic Characteristics	Loan status	Mean $\pm$ S.E.(Mean)	t-value (p-value)
Total monthly family income (Tk.)	Before taking loan	9584.41 $\pm$ 189.979	13.691** (0.000)
	After taking loan	11312.75 $\pm$ 240.771	
Total monthly family expenditure (Tk.)	Before taking loan	8760.53 $\pm$ 154.796	10.564** (0.000)
	After taking loan	9934.21 $\pm$ 159.394	
Monthly Savings (Tk.)	Before taking loan	1024.29 $\pm$ 82.68	4.939** (0.000)
	After taking loan	1477.73 $\pm$ 99.55	

Note: \*\* denotes significance at 1 % level

Source: MS Research (Role of microcredit in developing socio-economic status and women empowerment in the northern region of Bangladesh)

### Impact of the microcredit on women's empowerment

Impact of the microcredit on women's empowerment assessed through compare their decision-making power in the three areas of decision-making (Intra-HH decision, Mobility, and Own & child healthcare) before and after taking loan. Table 4 shows percent distribution of women's (Microcredit borrowers) decision-making power in decision-making areas before and after taking loan.

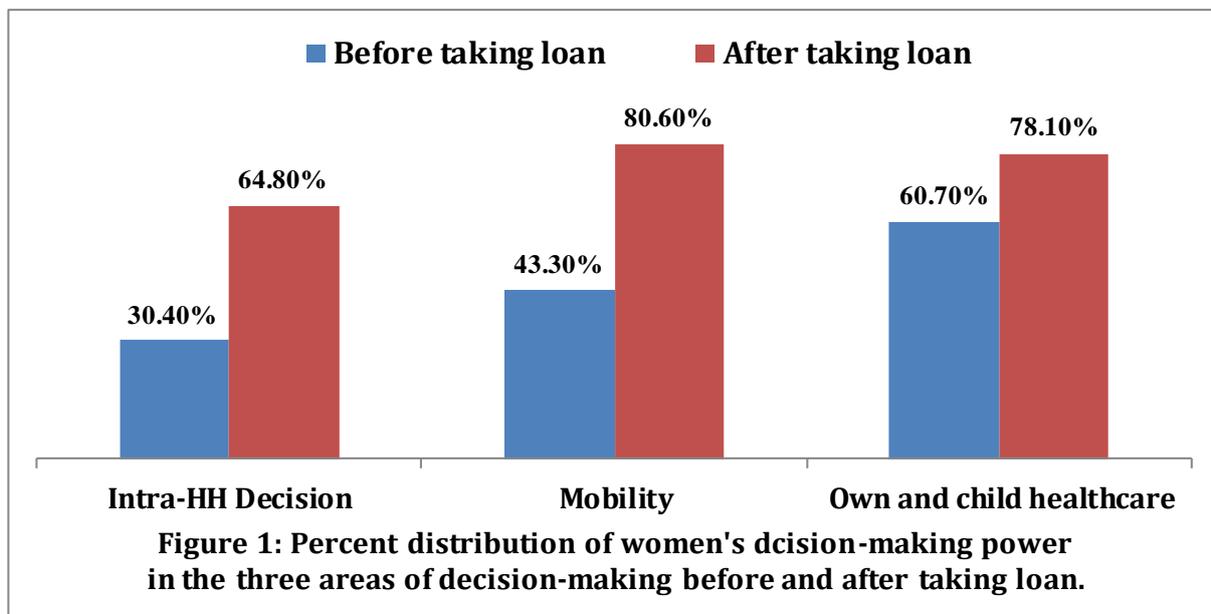


Figure 1 showed the percentages of women's participation in the decision-making areas before and after taking loan. The data and information collected from the respondents clearly showed that there was a positive change in their decision-making power in the decision-making areas after taking loan. Participation in decision-making about intra-HH decision increased from 30.4 percent before taking loan to 64.8 percent after taking loan. In the same way, the participation in decision-making about mobility increased from 43.3 percent to 80.6 percent after taking loan. Similarly, participation in decision-making about own and child healthcare increased from 60.7 percent to 78.1 percent after taking loan. So it is clear that, after taking loan from NGOs the respondents gained their decision-making power. This really showed the positive impact of the empowerment of women after involving in the NGOs with respect to the changes in their mobility and decision-making power.

Table 4 represents the association between women's participation (Microcredit borrowers) in Intra-HH decision-making before and after taking loan. In the following table the Chi-square value was 15.107 and since the P value was less than 0.01, the study concluded that there was a significant change at the 1 % level of significance in the empowerment of women after taking loan. So that women had become more empowered and enjoyed greater control over decision-making about Intra-HH Decision after taking loan.

**Table 4: Association between women's participation (Microcredit borrowers) in Intra-HH Decision-making before and after taking loan.**

Intra-HH Decision		After taking loan		Total	Chi-square value (p-value)
		No	Yes		
Before taking loan	No	74 (43.0%) [85.1%]	98 (57.0%) [61.3%]	172	15.107** (0.000)
	Yes	13 (17.3%) [14.9%]	62 (82.7%) [38.8%]	75	
Total		87	160	247	

Note: 1. The value within ( ) refers to Row Percentage  
 2. The value within [ ] refers to Column Percentage  
 3. \*\* denotes significance at 1 % level

In the same way Table 5 indicates that women had become more empowered and enjoyed greater control over decision-making about their mobility after taking loan.

**Table 5: Association between women's participation (Microcredit borrowers) in decision-making about mobility before and after taking loan.**

Mobility		After taking loan		Total	Chi-square value (p-value)
		No	Yes		
Before taking loan	No	44 (31.4%) [91.7%]	96 (68.6%) [48.2%]	140	29.701** (0.000)
	Yes	4 (3.7%) [8.3%]	103 (96.3%) [51.8%]	107	
Total		48	199	247	

Note: 1. The value within ( ) refers to Row Percentage  
 2. The value within [ ] refers to Column Percentage  
 3. \*\* denotes significance at 1 % level

Also Table 6 describes that, women had become more empowered and enjoyed greater control over decision-making about own and child healthcare after taking loan.

**Table 6: Association between women's participation (Microcredit borrowers) in decision-making about own and child healthcare before and after taking loan.**

Own and child healthcare		After taking loan		Total	Chi-square value (p-value)
		No	Yes		
Before taking loan	No	34 (35.1%) [63.0%]	63 (64.9%) [32.6%]	97	16.265** (0.000)
	Yes	20 (13.3%) [37.0%]	130 (86.7%) [67.4%]	150	
Total		54	193	247	

Note: 1. The value within ( ) refers to Row Percentage  
 2. The value within [ ] refers to Column Percentage  
 3. \*\* denotes significance at 1 % level

Table 7 shows the significant studied variables for decision-making power after taking loan about intra-HH decision of the women in Northern region of Bangladesh. Respondents with age group 25-34 years and 35-44 years were 3.06 and 9.39 times higher empowered to make decision about intra-HH decision than the women aged less than 25 years. It implies that, decision-making power increased with the increase of their age. Women with Secondary & Higher level education were 3.43 times higher empowered to make decision about intra-HH decision than the Illiterate women. That means, decision-making power is high for the women who had completed secondary & higher education level. Muslim women were 7.84 times higher empowered to make decision about intra-HH decision than the Hindu women. So that, decision-making power is lower for the Hindu women compared to the Muslim women. Urban women were 5.71 times higher empowered to make decision about intra-HH decision than the rural women. So that, decision-making power is high for the urban women compared to the rural women. Women who had taken loan many times were 11.2 times higher empowered to make decision about intra-HH decision than the women who had taken loan first time. It means, new clients were less empowered compared to the old clients. Women whose amount of loan was Tk. 20001-30000 were 2.66 times higher empowered to make decision about intra-HH decision than the women whose amount of loan was less than 10000 Tk. That means a higher amount of loan increase the decision-making power of the women.

**Table 7: Results of binary logistic regression analysis of significant studied variables for decision-making power after taking loan about intra-HH.**

Variables	Categories	B	S.E	P value	Odds Ratio	95% C.I. for OR	
						Lower	Upper
Age of respondent (years)	Less than 25 (RC)				1.00		
	25-34	1.12	0.59	0.051	3.06*	0.96	9.70
	35-44	2.24	0.79	0.000	9.39**	4.26	20.74
	45 & above	0.99	0.71	0.158	2.71	0.68	10.81
Education level of respondent	Illiterate (RC)				1.00		
	Primary	-0.46	0.56	0.422	0.63	0.21	1.93
	Secondary & Higher	1.23	0.67	0.048	3.43*	0.91	12.90
Religion	Islam	2.06	0.62	0.001	7.84**	2.33	26.39
	Hindu (RC)				1.00		
Place of residence	Rural (RC)				1.00		
	Urban	1.73	0.47	0.000	5.71**	2.26	14.43
Loan taken before	First time				1.00		
	Many times	2.42	0.52	0.000	11.2**	4.05	31.27
Amount of loan (BDT)	<10000 (RC)				1.00		
	10000-20000	0.62	0.59	0.421	0.63	0.19	2.04
	20001-30000	0.98	1.57	0.000	2.66**	0.55	12.81
	>30000	0.77	1.79	0.213	0.36	0.08	1.62

Note: Level of significance: \*\*p<0.01 and \*p<0.05

Source: MS Research (Role of microcredit in developing socio-economic status and women empowerment in the northern region of Bangladesh)

Table 8 indicates the significant studied variables for decision-making power after taking loan about mobility of the women in Northern region of Bangladesh. Result implies that, Women whose total monthly family expenditure was more than 11000 Tk. were 2.26 times higher empowered to make decision about mobility than the women whose total monthly family expenditure was up to 7000 Tk. That means women empowerment increased with the increase of total monthly family expenditure. Women who had taken loan many times were

4.31 times higher empowered to make decision about mobility than the women who had taken loan first time. It means, new clients were less empowered compared to the old clients.

**Table 8: Results of binary logistic regression analysis of significant studied variables for decision-making power after taking loan about mobility of the women.**

Variables	Categories	B	S.E	P value	Odds Ratio	95% C.I. for OR	
						Lower	Upper
Total monthly family expenditure (BDT)	Up to 7000 (RC)				1.00		
	7001-9000	-0.78	0.62	0.209	0.46	0.14	1.55
	9001-11000	0.38	0.66	0.548	1.47	0.43	5.22
	More than 11000	0.82	0.73	0.001	2.26**	0.55	9.39
Loan taken before	First time (RC)				1.00		
	Many times	1.46	0.39	0.008	4.31**	2.03	9.12

Note: Level of significance: \*\*p<0.01

Also table 9 reveal the significant studied variables for decision-making power after taking loan about own & child healthcare of the women in Northern region of Bangladesh.

**Table 9: Results of binary logistic regression analysis of significant studied variables for decision-making power after taking loan about own and child healthcare.**

Variables	Categories	B	S.E	P value	Odds Ratio	95% C.I. for OR	
						Lower	Upper
Type of family	Single	1.37	0.57	0.008	3.94**	2.23	6.96
	Extend (RC)				1.00		
Total monthly family income	Up to 7000 (RC)				1.00		
	7001-9000	1.27	0.89	0.077	2.69	1.105	6.55
	9001-11000	1.02	0.51	0.038	2.77*	1.67	4.62
	More than 11000	2.04	0.69	0.012	7.69**	3.85	15.33
Total monthly family expenditure	Up to 7000 (RC)				1.00		
	7001-9000	0.63	0.72	0.125	1.86	0.45	7.75
	9001-11000	1.27	0.83	0.389	3.57	0.70	18.24
	More than 11000	1.75	0.88	0.001	5.75**	2.38	13.87
Loan taken before	First time (RC)				1.00		
	Many times	1.03	0.38	0.008	2.81**	1.30	6.01

Note: Level of significance: \*\*p<0.01 and \*p<0.05

Source: MS Research (Role of microcredit in developing socio-economic status and women empowerment in the northern region of Bangladesh)

Result showed that, Women of single family were 3.94 times higher empowered to make decision about own & child healthcare than the women of extend family. That means, decision-making power is high for the women of single family compared to the women of extend family. Women whose total monthly family income was Tk. 9001-11000 and more than 11000 Tk. were 2.77 and 7.69 times higher empowered to make decision about own & child healthcare than the women whose total monthly family income was up to 7000 Tk. Again women whose total monthly family expenditure was more than 11000 Tk. were 5.75 times higher empowered to make decision about own & child healthcare than the women whose total monthly family expenditure was up to 7000 Tk. That means women empowerment increased with the increase of total monthly family income and expenditure. Women who had taken loan many times were 2.81 times higher empowered to make decision about own & child healthcare than the women who had taken loan first time. It means, new clients were less empowered compared to the old clients.

## Conclusion

The study investigated the effects of microcredit on the development and empowerment of women in the Northern region of Bangladesh. The findings from this study that microcredit plays an important role in the development of women. The Economic impact of the microcredit on respondent's families shows that, after taking loan or involving with microcredit their family income, expenditure and savings increased significantly. The results indicate that microcredit strengthens women's family standing represented by their greater role in the household decision-making process. Positive and significant empowerment effects were found for the indicators: intra-HH decision, mobility, and own & child healthcare. It is seen that after taking loan or involving with microcredit decision-making power have changed for the women in all the dimensions used in this study and more importantly the women view such changes rather positively. According to the results of binary logistic regression analysis, Women who had taken loan many times were more empowered to make decision in the three areas of decision making than the women who had taken loan first time. So that, old clients are more empowered compared to the new clients. The result that microcredit has a positive effect on women's decision-making ability within the household is in line with the findings from Holvoet (2005) and Kabeer (2001). If interest rates are kept low, payments are collected in a reasonable amount of time, and support in terms of education and advice are granted to borrowers, microcredit can continue to positively impact and empower women in Bangladesh and abroad.

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