
Microcredit Impact on Children's Education and Women Empowerment: A Review Experience of Grameen Bank Microfinance Schemes in Bangladesh

¹Abul Bashar Bhuiyan, ²Chamhuri Siwar, ³Abdul Gaffer Ismail and ¹Tareq Bin Hossain
¹School of Business Innovation and Technopreneurship, University Perlis Malaysia, Malaysia
²Institute for Environment and Development (LESTARI), University Malaysia Perlis
(UniMAP), Bangi-43600, Selangor, Malaysia
³Research Centre for Islamic Economics and Finance, Universiti Kebangsaan Malaysia
(UKM), Bangi-43600, Selangor, Malaysia

Abstract: This study reviews empirical evidence on the common findings from the existing literature on Grameen Bank microcredit performance on the borrower's literacy of children and empowerment in Bangladesh. The study collected relevant findings from the existing literature from the various sources. The study output revealed that Grameen Bank members are doing well to increase the borrower's literacy of children and empowerment compared to non members and control groups. However, the literatures also record few criticisms about the effective uses of microcredit rather than commercial mentality for profit making of MFIs.

Keywords: Children educations, empowerment, grameen bank, MFIs and Bangladesh, microcredit

INTRODUCTION

In recent years, millions of poor people worldwide have been benefited in the access of credit from microfinance activities, such as microcredit, microsaving and microinsurance, making these financial services a key-tool for development of many developing countries (Sica and Testa, 2009). It has been recognized as a popular and effective ante poverty tools to alleviate poverty over the world. The idea has been started by Professor Dr. Mohammad Yunus in 1970s; through an action project in Jobra village in the district of Chittagong, Bangladesh (Jolis, 1996).

Dr. Mohammad Yunus's Grameen Bank (GB) is the pioneer organization of microcredit in Bangladesh. GB group base microcredit model has replicated in the many countries in the world for its success in providing credit to the poor (Yunus, 1999). As of now, 65 countries in the world are following one of the other forms of Grameen's microcredit model (Hulme, 1990). Many studies identified about the real impact Grameen microcredit whether they truly improve the situation of their members in a sustainable way has also been discussed intensively (Chowdhury, 2001a; Khandker, 2005; Seibel and Torres, 1999). But very few studies have been done to compare their findings with those gathered by control or non members (Khandker, 1998a; Morduch, 2000; Zeller, 1999).

This initiative has given a critical overview of the most relevant findings of Grameen Bank credit and tried

to give some way of solving existing debate because some of studies have shown the negative result for the poverty alleviation (Chowdhury and Mosley, 2004; Sinha, 1998). We nevertheless present some of the existing findings that give us an idea of what might be the effect of microcredit institutions on society. The main purpose of this paper is to justify impact of Grameen microcredit on children education and women empowerment of the borrowers and compiled the output into an integrated point for further references.

Grameen bank group based microcredit model: Grameen Bank is the name of revolt in the world for its great initiative of group based microcredit model for poverty alleviation. The origin of this concept came out from the famous action research on Jobra village undertaken by Professor Yunus in 1976 resulted in various ground breaking Microcredit programmes. His research ended up finding the popular theoretical causes behind today's success of conventional MFIs' (Basher, 2007, 2010; Chowdhury, 2001b; Dossey, 2007; DOWLA, 2006; Kowalik, 2010).

Among which, some popular credit distribution impediments include lack of assets for collateral, lack of financial records and limited credit from the formal financial institutions. The extension of this theoretical understanding summarized for greater policy role in terms of bringing in a wider generation of poor people in productivity and making their effort sustainable to help the country keep growing. Group based microcredit model

Corresponding Authors: Abul Bashar Bhuiyan, Institute for Environment and Development (LESTARI), National University of Malaysia (UKM), Bangi-43600, Selangor, Malaysia

is process of opportunity for peer lending, peer monitoring, homogenous matching and joint liability with credit risk between the group members (Chowdhury, 2001a; Dossey, 2007; Dowla, 2006; Fernandez, 2010; Hossain, 1988; Kabir Hassan and Tufte, 2001; Karim, 2008; Kowalik, 2010; Kuhinur and Rokonuzzaman, 2010; Osmani, 1998).

The Group based Microcredit is formed by five members in a group and with five to eight groups forming a centre. All members in the centre meet with a loan officer weekly. They have to learn the rules and regulation of MFIs in the first week, save \$0.02 a week, learn to sign their names and memorize a set of vows to self-improvement. Each group elects a chair and each centre elects a chief and at first two members gets loans first and then, one month later, two other members get loans. After one more month, the last member gets a loan. Because most loans last exactly one year, staggered disbursement reduces the risk of domino default because some borrowers must finish repayment before they know whether their comrades will default (Dossey, 2007; Dowla, 2006; Kabir Hassan and Tufte, 2001; Kowalik, 2010; Kuhinur and Rokonuzzaman, 2010; Wilkins and Jennifer, 2007; Zaman, 1999)

Historical development of grameen bank: Grameen Bank is the name of miracle story in the state of traditional financial institutions for providing financial assistance to the helpless and hopeless hard core poor people without physical collateral security. The birth history of Grameen (Grameen means "rural" or "village" in Bangla language) came about (Chowdhury *et al.*, 2005; Hossain, 2005; Khandker, 1998b; Osmani, 1998; Schreiner, 2003). A young economist Dr. Muhammed Yunus, with a freshly minted PhD from the USA had returned to Chittagong University in Bangladesh to help and build his newly created country, but he grew frustrated with abstract theory as he watched people starve during the famine of 1974. One day in his quest to find a way to help them, he met a bamboo weaver who, for want of less than \$ 1, was enthralled to a money lender. From his own pocket, the professor lent \$ 0.64 to the weaver. After then in 1976 Professor Muhammad Yunus, Head of the Rural Economics Programme at the University of Chittagong, launched an action research project in the village of Jobra, adjacent to Chittagong University, to examine the possibility of designing a credit delivery system to provide banking services targeted at the rural poor (Chowdhury *et al.*, 2005; Hossain, 2005; Jolis, 1996; Khandker, 1998b; Khandker and Chowdhury, 1996; Osmani, 1998).

The action research demonstrated its strength in Jobra and some of the neighboring villages during 1976-1979. He found that the poor people as well as the lower income group are facing the major problems is accessibility to credit. Their lack of assets for collateral, lack of financial

records and limited credit history has made almost impossible for them to obtain credit from the formal financial institutions. Due to lack of capital, the poor are tied to low productivity, usually self-employed economic activities. Thus, providing the poor with credit will generally help to solve the problem of the poor. In this regards, microcredit programme is generally perceived as one of the practical and attractive means for providing accessibility of the poor to credit and hence reducing poverty and achieving development objectives. In 1983 it was transformed into a formal bank under a special law passed for its creation by Bangladesh Bank (Central Bank of Bangladesh). It was the history of origin to enlighten the microcredit programme by Grameen Bank (Chowdhury *et al.*, 2005; Hossain, 2005; Jolis, 1996; Khandker, 1998b; Khandker and Chowdhury, 1996; Osmani, 1998).

Grameen Bank is owned by the poor borrowers of the bank who are mostly women and it works exclusively for them. Borrowers of Grameen Bank at present owned 95% of the total equity of the bank. Remaining 5% is owned by the government. When it became a bank in 1983, Grameen had 36,000 members and a portfolio of \$ 3.1 million and after then it is expanding as like as miracle stories for developing the unexpected dream by hopeless and helpless poor people in all over the world. By March 2010, it has 8.07 million borrowers, 97% of whom are women with 2,564 branches and in 81,351 villages in Bangladesh. Total amount of loan has been disbursed rapidly by Grameen Bank, since inception, is TK 522.24 billion (US \$ 9.09 billion). Out of this, TK 463.24 billion (US \$ 8.05 billion) has been repaid. Loan recovery rate is 96.72% (Grameen, 2010)

METHODOLOGY

This study conducted based on the survey of common literature of Grameen Bank microcredit on the borrower's children education and women empowerment. In this study, we conducted general search by the name of "Grameen Bank microcredit and women empowerment, Grameen Bank microfinance and women empowerment as well as Grameen Bank microcredit and Children education of the borrowers or Grameen Bank microfinance and Children education of the borrowers. From this search we found huge number of article abstracts, which we have read to determine which articles need to be included in the review of this paper. After reading through most of the articles were found are as case study approach and qualitative analysis of research. But we focus on this papers those are related to Grameen Bank microcredit impact on the borrower's children education and women empowerment.

Empirical findings:

Grameen bank microcredit impact on children's education: Sengupta and Aubuchon mentioned in their studies that Nobel Prize committee awarded the 2006 Nobel Peace Prize to Muhammad Yunus and the Grameen Bank "for their efforts to create economic and social development from below." The microfinance revolution has come a long way since Yunus first provided financing to the poor in Bangladesh. The committee has recognized microfinance as "an important liberating force" and an "ever more important instrument in the struggle against poverty." Although several authors have provided comprehensive surveys of microfinance, our aim is somewhat more modest. This article is intended as a non-technical overview on the growth and development of microcredit and microfinance (Sengupta and Aubuchon, 2008).

On the other hand, Grameen Microcredit is helping to increase entitlement of microcredit programme households on education through increasing capability to spend more on education of children. The average yearly educational expenditure of microcredit programme households is Taka 1669.30 and the co-efficient of variation is 1.72. Whereas the average yearly educational expenditure of without microcredit households is Taka 711.53 and the coefficient of variation is 1.57. The average yearly educational expenditure of Microcredit programme households is 135% higher than the average yearly educational expenditure of without microcredit households. He also found in terms of school attendance between them that there is no significant difference between the Grameen Bank's member households and the comparison households in terms of 'school attendance of 6 to 13 years old children in the household (Chowdhury, 2001b).

Same way, Holland and Wang in 2001 explored the promises and perils associated with the impact of microfinance on children's educational outcomes. The goal of this discussion is to ensure that the pervasive spread of microfinance to all parts of the globe is accompanied by benefits to children's educational outcomes (Holland and Wang, 2001). Another study has done for exploring the impact of microcredit on household's children education by Maldonado and González-Vega (2008). Within a random-utility framework, a model of household consumption, investment in education and borrowing suggests determinants at the individual, household and regional levels of the probability of schooling gaps. Using data from two surveys of households of clients of microfinance organizations in Bolivia, regression models examine determinants of schooling gaps. Inferences about otherwise positive microfinance impacts identify potential

negative effects of increased child-labour demand, which challenge usual assumptions and pose dilemmas for policymakers (Maldonado and González-Vega, 2008).

Hazarika and Sarangi in 2008 examined the effect of household access to microcredit upon work by 7-11-year-old children in rural Malawi. Given that microcredit organizations foster household enterprises wherein much child labour is engaged for discovering whether access to microcredit might increase work by children. It is found that, in the season of peak labour demand, household access to microcredit, measured as self-assessed credit limits at microcredit organizations, raises the probability of child work in households with average landholdings and retail sales enterprises (Hazarika and Sarangi, 2008).

Shimamura and Lastarria-Cornhiel (2010) evaluated the impact of agricultural credit programme participation on children's school attendance in rural Malawi. Their paired-site sampling survey reveals that credit uptake decreased school attendance by young girl children. This finding raises concerns that young girl children are exploited as child labour, either at home or in the field, when working adults become more involved in income-generating activities financed by credit. The data, however, do not show clear evidence for young girls staying at home to do household chores or working in the fields in households that obtained credit, but instead find simultaneous occurrence between attending school and taking responsibilities for domestic chores by young children. It would appear, therefore, that credit uptake delays the realization of this concurrence among young girl children and leads to delayed school enrolment (Shimamura and Lastarria-Cornhiel, 2010).

Grameen bank microcredit impact on women empowerment: As the women are the half part of human society and it is their right to move them into the main stream of development. Their ability to take advantage of opportunities that will lead to increase in their income or economic status, to protect themselves against other risks and to increase their ability to cope with these when they occur is very important. Reduction of poverty is partly a process of increasing income and economic stability which enables fulfillment of basic needs and access to different kinds of service. It has come into the forefront with the revolution of microcredit when Dr. Yunus realized women's empowerment is much more essential and precondition, as well as with the men, to remove poverty from the society. A good number of studies have revealed the extent to which microfinance has contributed to women's empowerment to control family decision. Zaman has made conclusion that Grameen microfinance has created an impact on the women borrowers to increase their involvement for controlling assets and social welfare (Zaman, 1999).

In terms of decision making by women borrowers, few study concluded positively. Khandker and Chowdhury (1996) found that women were more often

regarded as housekeepers, but now they are seen more as alternative sources of income, they increase their status with their decision making power for developing family (Khandker and Chowdbury, 1996). Moreover in Khandker's (1998a) study found that only 45% eligible households participated in the microcredit programmes where two-thirds of them were women. The study also found that in all respects performances of women were more significant than men. Finally he mentioned that those who did join the credit programmes were able to meet their families' basic needs for food, clothing, medical expenses and to prepare for the marriages of children, but the women who did not join they seemed to be self-excluding most often because of the following: the poverty of their household; lack of experience or means for starting an income-generating activity; fear of tainting their reputation or the trust of others if they can't repay and the pressure to meet immediate consumption needs such as food and clothing and other work responsibilities (Khandker, 1998a).

In the same way, Rahman has also shown in his study in 1999 about the priority of women of Grameen Bank credit. There are several good reasons for giving loans exclusively to women, which include the following:

- Grameen Bank aims to provide loans for the poorest of the poor. As women are among the most disadvantaged in Bangladeshi society, the poorest of the poor are often women.
- The loans given to women seem to bring more benefit to the family than loans given to men. Women tend to use the income generated by the loans to promote their children's welfare rather than for radios, motorcycles, gambling and tobacco, which is often the case with loans given to men.
- Finally, women have proven better credit risks than men have. They are less mobile and socially more vulnerable than men and therefore easier to apply pressure to. A married woman finds it difficult to leave home and defaulting on a loan could damage her reputation seriously in the village.

Therefore, female borrowers go to great lengths to ensure repayment of the loans (Rahman, 1999). Furthermore, Mckernan (2002) has done another study by using primary data on household participants and nonparticipants in Grameen Bank and two similar microcredit programmes to measure the effect of credit on total productivity and compared the non-credit members to microcredit programme participants. The total effect has been measured by estimating a profit equation and the non credit effect by estimating the profit equation conditional on productive capital. Productive capital and programme participation are treated as endogenous

variables in the analysis. She found large positive effects of participation and the non credit aspects of participation on self-employment profits (Mckernan, 2002).

Another empirical study examined the effect of group-based credit for the poor in Bangladesh on the seasonal pattern of household consumption and male and female labour supply. They used Quasi-experiment methods for data analysis based upon 1991/92 survey data as they used the same methods in 1998. They found that microcredit can help smooth seasonal consumption by financing new productive activities whose income flows and time demands do not seasonally cover the income generated by existing agricultural activities. The results also strongly suggest that an important motivation for credit programme participation is the need to smooth the seasonal pattern of consumption and male labour supply. It is only by the extent of lean season consumption poverty that households are selected into these programmes. In addition, the largest female and male effects of credit on household consumption are during the lean season (Pitt *et al.*, 2003)

Bhuiya and Chowdhury (2002) explored the impact of a woman-focused development programme on child survival in Matlab, a rural area of Bangladesh. The programme was targeted to households owning less than 50 decimals of land and members selling more than 100 days of labour for living in a year. Programme components included formation of women's groups for saving and credit, training on skill development, functional literacy including legal and social awareness and technical and marketing support to projects undertaken with the loan money from the organization. A total of 13,549 children born alive during 1988-97 in the study area were included in the study. Hazards of mortality during pre- and post-intervention periods were compared among the programme participants and non-participants controlling the effects of other relevant variables. They found that there has been a 52% reduction of the pre-intervention level hazard of death of children during infancy of participant mothers compared to 31% reduction for the infants of non-participant mothers from similar socioeconomic background. There had also been a substantial reduction in hazard of death during childhood (1-4 year age group), however, the reduction was statistically similar for all groups of children irrespective of their mothers' participation in the development programme (Bhuiya and Chowdhury, 2002). Khandker examined the effects of microfinance on poverty reduction at both the participant and the aggregate levels using panel data from Bangladesh. The results suggest that access to microfinance contributes to poverty reduction, especially for female participants and to overall poverty reduction at the village level. Microfinance thus

helps not only poor participants but also the local economy (Khandker, 2005).

CONCLUSION

The study aims to review of empirical evidence on the common findings from the existing literature of Grameen Bank microcredit performance on the borrower's literacy of children and empowerment in Bangladesh. The overall output of this study denoted that Grameen Bank has positive impacts in terms of increasing income and consumption as well as reducing their members' vulnerability and alleviation of poverty. On the other hand in the same way our findings also has given a positive impact result on borrowers efforts about their health safety and more conscious for their children's schooling in compare between non members of the village. Furthermore the assessment of the impact on the women empowerment and decision making of borrowers we have found several authors conclusion on the borrower's empowerment i.e., Grameen Bank has a positive influence on their female members. Especially in regard to women's status, their increased involvement in family decisions, expanding knowledge, awareness and an improved situation for children were the most important realizations. But their positive success does not match in a remarkable point within overall percentages of reducing poverty in Bangladesh. On the same way some of few studies have found to show their negative findings in respect of outreached to the hardcore poor as well as less development area and negative impact of women only involvement with credit and it is increased their work load and social burden. Furthermore they also mention that most of MFIs are exploiting illiterate poor borrowers because they are offering credit with commercial approaches rather poverty reduction.

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