

# Evaluation of microfinance and women empowerment



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Evaluation of microfinance and women empowerment: Case study on Grameen Bank in Northern Bangladesh Chapter One: Overview Where there is informal economy condition of developing countries, women face a comparative disadvantage. In the northern area of Bangladesh, economic conditions forced rural women to adopt microfinance (credit and savings) as one major strategy for self reliance. Women go through relatively much more hardship than men in countries that are striving towards economic growth to compete with developed countries.

Microfinance has been a proven successful vehicle for self-reliance of women in the northern poverty-ridden country areas of Bangladesh, where women are almost forced to adopt to this particular financial strategy due to their poor economic conditions. The principle of microfinance or microcredit is to provide bank and credit services to those otherwise are not eligible to get credit or finance because of their financial condition being way below the poverty level.

So, in the context of normal banking and financial world where people with such financial liability and risk may be considered burdensome some the total economy, the concept of microfinance is truly innovative for so-called third-world developing nations. In those economies, with almost no substantial source of income and lack of credit history, women are furthermore ineligible for credit or loan. Therefore, women in countries like that fail to reach any financial strength due to their ineligibility to obtain modern banking or financial services. In this dark area of economy, Professor Dr.

Mouhammad Yunus shed some light of hope by successfully implementing this truly innovative idea of microfinance. Objectives: \* To measure the effects of microfinancial services on rural women. \* By the way of analyzing the literature on microfinance and women empowerment. \* To find out the beneficiaries and the benefits of microfinance. \* To find out the evidence of women empowerment emanating from the provision of micro-finance. \* To find out the issues or problems customers are facing in the provision of microfinance. \* To find out how to improve micro financing to solve poverty among rural women.

Questions: \* What are the awareness levels of microfinance products among the targeted population? \* What are the effects on micro financial services? \* What are the evidence of women empowerment in targeted area? \* What does the concept of microfinance entail? \* What is the role of microfinance? \* What are the benefits of microfinance / microcredit? \* Who are the beneficiaries from microfinance? \* What is the process of getting a microcredit from Grameen bank? \* What problems customers are facing when they are applying for microcredit? What is the impact of microfinance on its customers? \* Does microfinance helps poor people to come out from the curse of poverty? \* How to improve micro financing to make it easier to reach people who actually can exploit this to improve their lives? Motivation: The researcher have chosen this topic because he thinks he really do like the concept of micro finance. He does have a lot of interest in micro financing. This is a unique, easiest and most effective way to reach and help people who are actually suffering from the curse of poverty.

With the help of micro finance they actually can come out of from that curse. He wants to build his career in investment bank or banking sector. And his belief is micro financing is profitable as well. As we all know that most of the commercial banks in Bangladesh still didn't launch microcredit as one of their normal running products. By and of this research he thinks that he will find out most of the aspect of micro finance and can approach this to any commercial bank in Bangladesh to encourage them to micro financing from which they can make profit as well.

Research context: In the beginning of Grameen Bank Professor Muhammad Yunus introduce a research project in 1976 for the poor people. The project accentuated with the light of following results:

- o Bring unbankable men and women under banking ability.
- o Terminate the high interest money lenders who exploits the poor.
- o With Encourage, direction and training construct new self employment opportunities for the poor and unskilled persons in Bangladesh. To find the disadvantaged, the women from the poorest households, within the fold of an organizational format which they can understand and manage by themselves and reverse the age-old vicious circle of " low income, low saving & low investment", into virtuous circle of " low income, injection of credit, investment, more income, more savings, more investment, more income". In the early days, when microfinance was first introduced between 1976 and 1979, the action research effectively demonstrated its positive impact in the village of Jobra and its vicinity.

In 1979, the project extended its reach to Tangail, a district north of capital city Dhaka, with help and sponsorship of the central bank and other major

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nationalized banks. After consecutive better than predicted results, by October of 1983, the Grameen Bank Project had grown to an independent bank itself through government legislation. With only 10% its share owned by the government, currently, Grameen Bank is mostly owned by borrowers, the rural poor whom it serves, with 90% of its share . Chapter 2 Literature Review: 2. The Research Concept Schreiner shows in the year 2000 that microfinance is a term to improve the poor person through the light of saving and services loans. That microfinance introduces as a social innovator in the year 1970. The general credit for microfinance is a micro loan which is less than \$100. that type of small loan is enough for hard worker to raise their business. Micro credit function is one of the expression of microfinance. 2. 2 Importance: The importance of microfinance is to help the poor people to settle their business.

It can make possible to change the meaning of poverty by using the tools of self employment. It's been said that the microfinance can help poor to establish their personal business. It changes the view of poverty by using self employment as a tool. It plays a very vital role and go towards the financial service to make it positive despite different levels of poverty with various dimension. The micro credit function develops the business participants those, emphasis on basic necessities of lower working class like education, food, health, lifestyle etc. ust because of earning maximum profit. The profit of microfinance helps to escape those people from susceptibility like wage slave virus, theft, and natural disaster and other climate events.

Microfinance History: According to Robinson (2001) and Otero (1999) the term microcredit and microfinance is introduces in the year 1970 as a new

term in the arena of financial development among the poor. But we see from 1950's to 1970's there was subsidized rural credit programme by donors and governments that was in fact found in high losses (Robinson, 2001).

In the analysis of Robinson that the 1980's represented a turning point in the history of microfinance in that MFIs such as Grameen Bank began to show that they can provide small loans and savings services profitably on a large scale. By the opinion Mix, 2005 the term microcredit comes on light in the importance of development that Grameen Bank rightly shows the sustainability of microcredit function. In the year 1990, it is accentuated that the growth of microfinance institutions catch the respective goals which is described by Robinson, 2001, p. 54, Dichter 1999, p. 12. According to Robinson microcredit is now an established industry. . 4 Microfinance models: Microfinance interventions Mix identify that microfinance offers financial services for the poor people (Mix, 2005). According to UNCDF 2004 report, there are approximately 10000 MFIs in the world that deals with 4% of potential clients, about 30 million people. In the year 2000 Grameen Bank has identify fourteen different models on microfinance. Here I will emphasis on three out of 14 different models: Rotating savings and credit association (ROSCAs), the Grameen Bank and the village Banking models. \* (ROSCAs) Rotating savings and credit associations:

By this model a common fund will arranged by the contribution of the group of people which is handover to a member of that group (Grameen Bank, 2000). ROSCAs model is a common mode of savings and credit (Harper, 2002). Fisher and Sriram states rightly in 2002 ' merry grounds or self help group' about this model where all the members of this group are very close <https://assignbuster.com/evaluation-of-microfinance-and-women-empowerment/>

relation like friend or neighbours or social interaction means closely related with women. The Grameen Solidarity Group Model: In this model loans are given to individuals in groups of four to seven (Berenbach and Guzman, 1994).

Ledgerwood shows 1999 that this model payments are made weekly basis and group members are collectively ensure the payment of the loan and access to subsequent loans which is dependent on the successful payment by the group members. \* Village Banking Model: It is also the model of credit and savings which is under nursing by the NGOs. Hold rightly said in 1994 that village banking ensure financial services to build community self help groups. By the way the bank run by the members, it's the member who elects their officers, establish their own bylaws, distribute loans to individuals and collect payments (Grameen Bank. 000a). 2. 5 Academic debate in the function of microcredit and women empowerment: In an academic focus it is accentuated that microfinance holds a vital role to play in growth according to proponents of microfinance. In the year 2004 UNCDF shows that microfinance has three key roles for the development. These are as follows:

- \* Helping very poor households who are not able to meet their basic requirements and not able to protect themselves from risks.
- \* It is related with the developments in household economic welfare.
- \* It is runs for empower women.

All that Otero shows in 1999 that microfinance is not only about providing capital to the poor to fight with poverty on an individual level but also a role of an institutional level that takes financial services to the poor. 2. 6. 1

Related literature review on research objectives: The project of microfinance <https://assignbuster.com/evaluation-of-microfinance-and-women-empowerment/>

for women empowerment is reviewed by many changes and income level development. Kabeer (2003, p. 106) shows that the wider social effect is valuable for an organisation's internal learning process, as an MFI should be aware of the " full range of changes associated with its efforts and uses these to develop its performance".

On the other hand, Kabeer go into the individual or household study or to notify that analysis should also be organized at community, market/economy and national/state levels (2003, p106). 2. 6. 2 Empowering women: Women empowerment is one of the key objectives of many microfinance interventions. Kabeer, quoted in Mosedale (2003, p. 2) states that women require empowerment as they are forced by " the norms, beliefs, customs and values through which societies differentiate between women and men".

On the other hand MFIs insist to empower women indirectly through awareness programme to challenge the existing norms, custom and cultures which keep them at the level of disadvantage, training, and motivation. Here I have reviewed briefly the evolution of microfinance and women empowerment and three MFI models that is involve in the function of micro credit. MFI's main view is for economic development and kick out the poverty in the light of micro credit function. For more accentuate the need for microfinance MFI carefully designs services that meet the real need of the poor people. Chapter 3

Research Methodology: This chapter shows how the research questions will be answered taking into consideration conceptual, reliability and validity issues. It begins with the explanation of the project that research go forward

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through the way of various questions and answers. First of all the research shows the reconnaissance study and the identification of research units and then go forward to collect data and analyze in a theoretical frame in the phases two and three and then ends with the light of approaches which is most important. For living underline of poverty and no income source, women are ot bankable and not belonging any credit history. By this simple and clear reason women are unable to come close to a minimum requirement for an ordinary credit of as usual banking. Research Methodology: Research is about discovering new ideas, actively thinking about and working with them. We may use existing information, but should draw our own conclusions, synthesize and integrate our own original ideas into the finished product. Now micro financing is not only strict to the advancing credit to the poor but also extend to the saving, insurance and remittance.