

Impact of Microcredit Program on Women Entrepreneurship in Bangladesh: A Case Study of Society for Social Service

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1.0 Introduction

In 21st century, the world is running behind sustainable economic development and poverty alleviation through facilitating the underprivileged people. As Kanak and Iiguni (2010) stated today's world is facing the challenges of poverty alleviation, social inclusion, and reducing inequalities in society. In 2013, 10.7% of the world's population lived on less than \$1.90 a day, compared to 12.4% in 2012 (WB 2016). Asian Development Bank's Country Partnership Strategy showed, population below poverty line in Bangladesh almost halved from 56.6 million in 1990 to 23.6 million in 2016 (Nahreen 2017). Of course, there are no alternatives but making underprivileged people financially solvent and self-dependent. Here, solvency and self-dependence are correlated with employment. And the term 'employment' is very easy to ensure by creating entrepreneurship, because for the last few decades, microcredit plays a dynamic role regarding this issue. Generally, poor people are not facilitated by formal financial systems (banks and other financial institutions), as they cannot meet the collateral requirements and they have no past verifiable repayment record. Also, bureaucratic and lengthy procedures of credit make formal financial systems difficult for poor and underprivileged people. In this prevalent situation, microcredit has become increasingly a common tool for serving the under privileged people.

Bangladesh is now the largest lodge of microcredit operation in the world. According to the Microfinance Information Exchange (MIX) 2009 analysis report on Asia, Bangladesh caters to 22.8 million borrowers compared to 16

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million in India and 57.6 million in the whole of Asia. The prime objective of microcredit program was to enhance the income-earning potentials of female borrowers of the rural families and empower them socially and economically. Hence, it creates employment opportunity, increases productivity, ensures economic security, improves nutritional and health status, and upgrades housing of rural women (Afrin et al. 2010; Amin and Becker 1998; Duflo 2012; Gustafson and Khandker 2016; Khandker 1998; Malhotra and Schuler, 2005; Nisha and Rifat 2017; Pitt et al. 2003; Waller and Woodworth 2001; Weber 2002). Though some authors did not always agree with the claim and there exists some controversy related to the widespread development through microfinance but in a broader aspect the development through microcredit occurs (Bayar 2013; De Haan and Lakwo 2010; Gustafson and Khandker 2016; Nisha and Rifat 2017; Otero 1999). Poor people, who had entered into the microcredit program, are now able to improve their lifestyles and to reach out to the upper level of poverty net.

Bangladesh has been experiencing steady economic growth over the last decade and is gradually moving towards middle income status in the world. This economic growth recognizes the need for women's participation where half of 160 million people are female. It is no more a dream today that women with their male counterparts participate equally in every corner of the society. It is observed that the involvement of women in various entrepreneurial activities has empowered them in social, economic and cultural fields. In Bangladesh, women constitute above 10% of the total number of entrepreneurs in the country (Chowdhury 2017). Microcredit programs substantially contribute to bring women into entrepreneurship and to ensure the socioeconomic development of women. Thus, microcredit contributes to poverty reduction at the village level, especially for female participants; and it also helps poor people as well as the local economy. Microcredit programs have created significant positive differences in the socioeconomic lives of the rural women in Bangladesh (Afrin et al. 2010).

The study takes into consideration the impact of microcredit program of Society for Social Service (SSS) on the women entrepreneurship in Bangladesh. As Bangladesh is one of the pioneer countries to spread the light of microcredit worldwide (Gustafson and Khandker 2016), that's why this study propels to identify and know the impact of microfinance especially on women entrepreneurship. SSS is a non-government organization that works for improving the socio-economic conditions of people and setting up justice and peace in the society. Till June 2016, SSS stretched its working area in 10,224 villages, 1,182 Unions, 119 Municipalities, and 169 Upazillas (sub-district) under

27 Districts of Bangladesh. As on 30 June 2016, SSS disbursed Tk. 10,040.97 crore as credit among 546,126 members (98.50% women). The average credit recovery rate is 99.70% (SSS 2016). The beneficiaries of SSS get the opportunity of receiving different collateral free credits along with training, technological knowledge, technology transfer and other related services, where beneficiaries specially women can empower themselves through entrepreneurship.

2.0 Objectives of the Study

The study attempts to explore and measure the influence of the microcredit program on the women entrepreneurship in the developing countries, like Bangladesh. Specifically, the study attempts:

- To examine the effect of the microcredit program on the women entrepreneurship in Bangladesh; and
- To measure the effect of the microcredit program on the women entrepreneurship in Bangladesh.

3.0 Conceptual and Contextual Issues

Women entrepreneurship is an inevitable part of economic development process of any developing country. MIDAS (2009) found out a positive relationship between women entrepreneurship and economic development of Bangladesh. Ekpe et al. (2010) showed that women entrepreneurship can be an effective strategy for poverty reduction in developing countries. That is why, in the National Industrial Policy 2010 (chapter 9), it is included that all the necessary assistance and services would be provided by SME Foundation and BSCIC, for encouraging and developing the participation of women entrepreneurs. The policy also states that Government will identify and remove legal barriers in relation to women's participation in enterprises (GOB 2010). In the last 10 years, SME foundation helped as many as 2 lakh people to establish business and of them 1 lakh and 20 thousand were women entrepreneurs (Abnews 2017). Bangladesh Bank is also contributing significantly to commercial banks to promote women entrepreneurship (BB 2014). But the real scenario is that Bangladesh Bank's circular of providing a loan of BDT 2 million for women's businesses did not have many takers (Chowdhury 2017).

At present female headed enterprises constitute 7.21% of the total business entrepreneurs in Bangladesh (BBS 2015), and the trend is increasing

(Chowdhury 2017). Sultana (2012) stated that women entrepreneurship of Bangladesh is growing at accelerated rate and their contribution to socio-economic development is significant. Today 40% to 60% online businesses are owned and operated by women from different professions (Nazneen 2017). This year 62% out of the total participants in the SME fair were women entrepreneurs (Abnews 2017). The growth of the business of women entrepreneurs showed increasing trends, like shift of some enterprises from micro to small and small to medium enterprises had been occurred, from 2009 to 2013, through expanding their capital and labor base (BB 2014). Thus, women entrepreneurship has been recognized as an important source of economic growth and creating new jobs for themselves and others. Many uneducated women today are enthusiastically raising family incomes through micro ventures and reinvesting their earnings in their communities. These scenarios inspire other women to pursue their dreams through entrepreneurship at the grassroots level.

Microcredit aims to break the rural poverty in developing countries especially by helping groups who are unable to access bank loans and poor villagers who rely on local moneylenders (Misnan and Manaf 2015). Mayoux (2001) showed that micro-finance programs can make a significant contribution to women empowerment. Hence, women members of microfinance institutions have more control over savings and income generation from the business, greater role in decision-making, greater self-efficacy and self-esteem, and greater freedom of mobility (Kato and Kratzer 2013). Mahmuda et al. (2014) revealed that participants who demonstrated proper planning, hard work and personal interest in the enterprise through micro-financing have witnessed improved quality of life and poverty reduction. In short, women entrepreneurship increases family income and contributes to poverty reduction. Bakhtiari (2011) stated that microfinance can be considered as an important element of poverty reduction strategy. If women are economically empowered they are likely to invest in the future human capital of society that lower household poverty (Adewusi 2011).

As women engage in business activities, they face different constraints and opportunities compared to their male counterparts (ADB 2013). Khatun (2014) reported that majority of women entrepreneurs experienced the problem of providing all required documents during the process of obtaining the loan. They face commonly three obstacles when developing a business - overcoming bureaucracy, hiring talent and acquiring financing (Chowdhury 2017). The lack of training by the microfinance institutions is a factor in very less number of women starting new business from microfinance loan (Mahmood 2011). Although women entrepreneurs do not undertake their businesses at a

commercial level, they are now breaking barriers and inspiring other women to become self-reliant.

4.0 Research Methodology

4.1 Research Nature

The current research is an exploratory research in nature. Exploratory research simply explores the research questions, leaving room for further researches. This research is an examination into a subject in an attempt to gain further insight.

4.2 Research Type

The research type is quantitative. Quantitative research is an inquiry into an identified problem, based on testing a theory, measured with numbers, and analyzed using statistical techniques.

4.3 Data Sources

The study collected the data from the primary source. The respondents were the women entrepreneurs, assisted by the microcredit program of SSS, provided the required data of this study.

4.4 Questionnaire Design

The items in the questionnaire were constructed after reviewing the relevant literatures. A clear and simple questionnaire translated into ordinary Bengali, and briefing the contents and purpose of the survey influenced the respondents for providing the data.

4.5 Sample Plan

The study was concerned about those women entrepreneurs, who were financed by the microcredit program of SSS. Importantly, all the respondents were only those entrepreneurs who enrolled themselves in the microcredit program of SSS at least 5 years ago.

4.6 Sample Size

A total of 150 women entrepreneurs of SSS were prompted randomly. The sample size decision was based on cost and time considerations.

4.7 Data Analysis

The collected data were initially fed into and processed by the SPSS-20 software. For analyzing the impact of microcredit on women entrepreneurship, the Binary Logistic Model is used.

4.8 Data Variables

Women Entrepreneurship (We) is the *dependent variable* in this study and microcredit is the *independent variable* that contains 7 items, which address various aspects of microcredit. The items are- Total Capital (Tc), Amount of Microcredit (Am), Taking Training (Tt), Business Environment (Be), Educational Qualification (Eq), Duration of Business (Db), and Yearly Family Savings (Fs).

4.9 Hypotheses

H₀: Microcredit does not influence women entrepreneurship.

H₁: Microcredit influences women entrepreneurship.

5.0 Findings and Analyses

5.1 General Characteristics of Women Entrepreneurs

	18-25	2.6%
Age of entrepreneurs	26-35	42.0%
	36-45	32.7%
	46-55	20.7%
	56-above	2.0%
	Illiterate	10.0%
Level of education	Primary	28.7%
	SSC	49.3%
	HSC	11.3%
	Bachelor	0.7%
	Agriculture	3.3%
Sector-wise classifications of the enterprises	Fishery	4.0%
	Livestock and poultry	36.0%
	Handicraft and cottage industry	13.3%
	Small business	34.0%
	Direct service	2.7%
	Mini-factory	2.0%
	Others	4.7%

Motivation for starting business	Self-idea	60.7%
	Family business	18.7%
	Favorable environment	14.7%
	Job experience	3.3%
	Influence of others	2.6%
Training facilities obtained by the entrepreneurs	Yes	32.7%
	No	67.3%
Economic conditions before joining the microcredit program	Ultra poor	2.7%
	Poor	55.3%
	Middle class	42.0%
	Poor	0.7%
Economic conditions after joining the microcredit program	Middle class	5.3%
	Micro entrepreneur	92.7%
	Small and medium entrepreneur	1.3%

Source: Authors' Calculation through SPSS Analysis

5.2 Data Analyses and Interpretations

For analyzing the impact of microcredit program on women entrepreneurship with the help of Logistic Regression Model, an equation is adopted below. In this equation, Women Entrepreneurship (We) is the dependent variable and Total Capital (Tc), Amount of Microcredit (Am), Taking Training (Tt), Business Environment (Be), Educational Qualification (Eq), Duration of Business (Db) and Yearly Family Savings (Fs) are independent variables.

The Equation is:

$$We = e^{a+b_1Tc+b_2Am+b_3Tt+b_4Be+b_5Eq+b_6Db+b_7Fs+u} \dots\dots\dots(i) \text{ or}$$

$$\ln We = a+b_1Tc+b_2Am+b_3Tt+b_4Be+b_5Eq+b_6Db+b_7Fs+u \dots\dots\dots(ii)$$

Where, a= Constant, b_i =Coefficient of variables, and u=Stochastic Disturbance Terms.

Now using SPSS program, the coefficient values are generated in the table 5.5 and set up in the equation no. (iii) as below:

$$\ln We = -1.805+0.000Tc+0.000Am+-.281Tt+.374Be+-.111Eq+ .012Db+ 0.000Fs+u \dots\dots\dots(iii)$$

$$SE = (1.117) \quad (.000) \quad (.000) \quad (.404) \quad (.403) \quad (.235) \quad (.040) \quad (.000)$$

$$Wald = (2.613) \quad (.124) \quad (12.069) \quad (.485) \quad (.862) \quad (.225) \quad (.091) \quad (.624)$$

$$Sig = (.106) \quad (.725) \quad (.001) \quad (.486) \quad (.353) \quad (.635) \quad (.763) \quad (.430)$$

Again, using the equation (iii), Women Entrepreneur creation can be calculated as below:

$$We = e^{-1.805+0.000Tc+0.000Am+-.281Tt+.374Be+-.111Eq+ .012Db+ 0.000Fs+u} \dots\dots\dots(iv)$$

In favor of this Logistic Model, table 1, table 2 and table 3 bear the significant status. The experiment finds the result that, if other variables are kept unchanged, the suitable amount of microcredit (Am) can impact woman entrepreneurship, as $b_2=0$ but $p=0.001<0.05$. On the other hand, equation (iii) shows that other variables' p-values are not significant, i.e., $p>0.05$. This status bears the information that only training, business environment, yearly savings etc. cannot impact women entrepreneurship without the help of microcredit. As a result, microcredit program: financial services, training, and education all together can influence women entrepreneurship.

Table 1: Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 0	Constant	.547	.169	10.405	1	.001	1.727

Table 2: Omnibus Tests of Model Coefficients

		Chi-square	Df	Sig.
Step 1	Step	21.936	7	.003
	Block	21.936	7	.003
	Model	21.936	7	.003

Table 3: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	175.211 ^a	.136	.186

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than 0.001.

Table 4: Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Ex (B)	95% C.I. for Exp (B)	
								Lower	Upper
Step 1 ^a	Tc	.000	.000	.124	1	.725	1.000	1.000	1.000
	Am	.000	.000	12.069	1	.001	1.000	1.000	1.000
	Tt	-.281	.404	.485	1	.486	.755	.342	1.666
	Be	.374	.403	.862	1	.353	1.454	.660	3.201
	Eq	-.111	.235	.225	1	.635	.895	.565	1.417
	Db	.012	.040	.091	1	.763	1.012	.935	1.096
	Fs	.000	.000	.624	1	.430	1.000	1.000	1.000
	Constant	-1.805	1.117	2.613	1	.106	.164		

a. Variable(s) entered on step 1: Tc, Am, Tt, Be, Eq, Db, Fs

To identify factors that impact women entrepreneurship, a logistic regression analysis is conducted. Variables that are used in equation (i), (ii), (iii) and (iv) are

also used in the Table 4. The results indicate that all the variable, together, accounted for a significant amount of variance in success (likelihood ratio $\chi^2 = 21.936$). The Nagelkerke R^2 indicates approximately 18.6% of the variance in women entrepreneurship is accounted for by the predictors. Capital, training, supporting environment, education, tenure of business, and family savings do not significantly independently impact the women entrepreneurship, because in all the cases p is greater than the value of significance ($p > .05$). Among the variables, amount of microcredit (Am) significantly impacts the women entrepreneurship ($b = .00$, or $= 1.00$, $p < .05$) after controlling for other variables. Here, the amount of microcredit equally impacts the women entrepreneurship [$\text{Exp}(B) = 1.00$]. Hence the null hypothesis is rejected and the alternative hypothesis is accepted. In other words, microcredit is a tool that positively impacts women entrepreneurship.

6.0 Conclusions

Proper implementations of microcredit would empower the women and help them to establish their respect, independence, and participation in their communities and households which will help the nation to attain the Sustainable Development Goals (SDGs) within 2030. The major focus of the study was to observe and measure the impact of microcredit program on the women entrepreneurship in Bangladesh. It is generally perceived that microcredit helps to ensure women empowerment and to develop the socioeconomic condition of rural people to become self-sufficient. Specifically, microcredit plays a critical role in women entrepreneurship, as the study shows that 92.7% women became entrepreneurs after being included into the microcredit program. But before being included in the microcredit program 2.7% of them were ultra-poor, 55.3% were poor, and 42% were middle class. This finding fortified the positive relationship between the microcredit and the women entrepreneurship.

However, all the independent variables of microcredit do not directly influence the women entrepreneurship. The amount of microcredit had a strong relation with women entrepreneurship, whereas training, educational qualification, business environment, and family savings had a supportive relation with women entrepreneurship. In other words, if other variables can be controlled, then the amount of microcredit can influence women entrepreneurship.

This study was first phase in investigating the degree of impact of microcredit on the women entrepreneurship in Bangladesh and part of larger ongoing research. It will direct the future research on the role of women entrepreneurship in the economic development of Bangladesh.

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