

## MICROFINANCE AS A TOOL TO EMPOWER WOMEN SLUM DWELLERS

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### ABSTRACT

Microfinance in developing countries has significantly targeting women for social development. Evidence in this regard has been analyzed from the case study method. This paper includes three target clients and their life to demonstrate development in a micro analogy manner. We estimate the impact of microfinance on status of women empowerment in slum dwellers in Dhaka. The paper introduces microfinance as a device to empower women who are slum-dwellers in the context of economic, social and decision making spheres.

**Keywords:** Empowerment, Microfinance, Slum-dwellers

### INTRODUCTION

Microfinance is the delivery the financial and credit services to the underprivileged people without collateral. Microfinance does not only provide financial and credit services, it also empowers the poor people. Empowerment means facilitating each person to attain his or her potential by developing the sense of self worth and self-reliance. Microfinance is the only financial channel which targeted clients irrespective of their location but they give priority on women. A women needs access to the material, human, social resources necessary to make strategic choices in her life to be empowered and microfinance allows that. Schuler and Hashemi (1994, p.65) is define a women's level of empowerment “as a function of her relative physical mobility, economic security, ability to make various purchases on her own, freedom from domination and violence within her family, political and legal awareness, and participation in public protests and political campaigning”. Charmes and Wieringa (2003, p.423) also identify women’s empowerment “as a process in which the following elements will be considered: awareness/consciousness, choice/alternatives, resources, voice, agency and participation”.

This paper focuses on this crucial social issue as a matter of investigation and considers Bangladesh as a research platform. Bangladesh has been experiencing considerable microfinance growth which bolsters women’s empowerment to a greater extent. However, most studies have focused on rural areas and among the cases devoted to urban groups, the slum areas have been ignored due to lack of infield data. Specifically slum dwellers are a highly vulnerable group and women empowerment in this social class never been prioritized. This paper attempts to begin to fill this gap. As mentioned above, most Micro Finance Institutions (MFIs) target women as a prime target client. This study will explore the slums of Dhaka as an important locale. In Bangladesh, imbalanced growth among social classes has led many

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people to migrate to urban areas. Lack of decentralization is another reason that binds certain groups of people to life in slums. These groups of people mostly take a transient attitude toward slum life which is not perceived as a permanent place to live. Depending on their economic capability and other social conditions, they will move from this place. Some of the MFIs are working in such types of slums in Dhaka. For this case study, which aims to produce authentic evidence lacking in the literature on slum dwellers, we have selected such clients of the SafeSave, a small MFI in Dhaka.

The organization of this paper is introduction, research gap investigation, Objectives of the research, Literature review, Methodology, Result and Discussion.

## **Objectives**

The main purpose of this paper is to identify the impact of microfinance on status of women empowerment in slum dwellers in Dhaka. At the same time the paper will point out how the following factors (i.e., economic, social and decision making) will enhance the women empowerment in such social frames.

## **LITERATURE REVIEW**

In previous time Bangladesh was known as a land of flood, but now the country better known as a land of Microfinance. Many researchers called this land as a birthplace of Microfinance also. Remarkably Bangladesh achieved a momentum success in the field of Microfinance although this country facing the challenges of poverty.

Traditional financial institutions have failed to provide basic financial services (Braverman and Guasch 1986, 1989; Hoff and Stiglitz 1990) and many programs like cooperative programs have been developed to fill this type of gap. Irish cooperative effort can be mention at this point. Their purpose is to help the poor become self-employed and thus escape poverty. Many of these programs provide credit using social mechanisms, such as group-based lending, to reach the poor and other clients, including women, who lack access to formal financial institutions (Huppi and Feder 1990; Von Pischke, Adams, and Donald 1983; Yaron 1994).

In Bangladesh women participation in development stream was somehow ignored by major formal financial institutions which had been changed by the increase of MFIs in recent years. Most of the MFI including largest one Grameen Bank targeted mostly women as their prime client. It is evident that microfinance targeted women due to the social, demographic and cultural reason. In certain aspect it also revealed that women have good economic or credit culture when it concerns mostly repayment.( Khandker, 1998).

Khandker (1998) put emphasis on women's membership is one of the important dimension of the group-based social development model. It is very difficult to reach women individually in rural Bangladesh because of the *pardah* systems, which secludes women in order to uphold standards of modesty and morality. Women may find it easier to counter seclusion as a group than as individuals. Although group

solidarity is effective with men as well, it is particularly effective with women in Bangladesh, who find it more convenient to attend weekly group meetings, adhere to the rules and regulations of group solidarity and prosperity, and make small transactions with the programs. While other programs bypassed women because they were perceived as high credit risks (because of childbearing and associated health hazards), the targeted credit programs promote women's participation. This emphasis partly reflects the programs emphasis on equity and long-term social and economic development and partly reflects the realization that loan recovery rates are higher for women than men.

Story of Sufia can be one of a million which changes the fate of women empowerment in Bangladesh. Dr. Muhammad Yunus started his experiment with these typical Bangladeshi women in Jobra Village in late 70s. Sufia Khatoon (bamboo stool maker) was in an inescapable a vicious cycle, which means, she must sell the finished products to the money lenders who used give her small credit to the poor people for their daily economic or other purposes. But due to inability of lack of finance she always had to compel to accept the unavoidable clauses of loan. But later the model of microfinance in Bangladesh changes this mechanism and allowed credit to reach the poor, especially poor women. As a consequence, the group formation and guarantee to repay individual loan became the hallmark of micro financing (Khandoker, 1998).

## **METHODOLOGY**

Case study method has been used as methodological preference for this research. "Case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used"(Yin, 1984, p.23). Since the role of micro finance on women empowerment, participant' behavior and life to demonstrate development in a micro analogy manner, lack of authentic success evidence in the area of impact of micro finance in a particular social context (Bangladesh), lack of primary data and theorizing problem, a case study method is a suitable approach that helps the researchers to examine data at the micro level and give a better insights into the detailed behaviors of the subjects of interest ( Zainal, 2007). Case study method helps the researcher to understand real life situations, issues and problems when there is a lack of plausible existing theory. It put emphasis on analysis of a comprehensive limited number of events or case which is related with situation or object and their relationships. As mentioned by Creswell (2007, p.73) "case study research is a qualitative approach in which the investigator explores a bounded system ( a case) or multiple bounded systems ( cases) over time, through detailed, in-depth data collection involving multiple sources of information (e.g., observations, interviews, audiovisual material, and documents and reports), and reports a case description and case- based themes".

In November 2011, this study conducted in the Mohammadpur slum of Dhaka city in Bangladesh The case study method had been used to collect the information in order to find out the impact of micro finance Institution, namely SafeSave on slum dwellers women empowerment. The purposive sampling had been used to select the target population. The target population has been selected from two major criteria's. One criterion was considering their gender and another one involvement with microfinance.

Primary data were collected from three (3) female clients of ‘Safe Save’ through focus group discussion and personal interview. Participants were selected on basis of their willingness to take part in interview and the availability of the research’s time during the field visit in slum area of Bangladesh. The characteristics of three female clients are as follows:

Client 1	Client 2	Client 3
Age 35, Education: secondary, Children: 3, Husband profession: business	Doing business; have two chotpoti shops, three family members, working with safe save for 7 to 8 years, primary education, have mobile phone and electricity.	Nine family members. Sons are salesmen, working with save safe for 10-15 years, taken 7000tk loan; Have TV electricity and Mobile , son is Decision maker

### **SafeSave Micro Finance Institution: Setting the Context**

SafeSave is located in Dhaka city. They are having 9 branches serving 17,600 clients in the slums of Dhaka. Their main objective is to serve their clients (poor and very poor men, women and children) in Dhaka, the capital of Bangladesh as money -management resource. They have classified their clients into three categories. 1. Employed (e.g., housemaids, day-laborers, or rickshaw drivers), 2. Self-employed (e.g., small stall-holders, peddlers or dressmakers) 3. Elderly, unemployed or school children. Majority of the clients are women. Safesave is having three main savings and loan schemes. Now their clients hold \$810,000 in their savings accounts (\$1 = 82 taka). On other hand 9,340 of the clients hold loans which are worth a total of \$625,000.

### **Results and Discussion**

Women can play a significant role to growth especially slum rural areas of developing countries along with men. But in slum households generally men dominate economic activity, decision-making, and ignore women as they are not empowered. Microfinance is one of the imperative means to empower women. Women are considered to be empowered when they have ability to make decision by own, influence in other decision making, access to resources, generate income, and voice to thrash out their grievances. Sine our objective is to find out the impact of microfinance on such women empower issues, there is evidence that the slum dwelling women who access microfinance ‘make economic progress’, ‘attain increased decision-making power’, and ‘gain higher standing in their communities’. The finding of data has been presented in a fashion of storytelling according to emergent issues from interview transcripts of three female clients in Safesave.

### **II Economic progress**

Micro-finance gives slum dweller female the opportunity to initiate their own business in the locality. This helps to develop the slum women economically and financially. On the whole, Micro finance encourages the women to participate in income generating activities. Slum-dwellers women are now more implicated economic and financial activities by getting loan and depositing money in Safasave, as one client stated;

“I have taken 7.000 tk as loan from safe save (MFI) and invest it to my business. Now, I have two shop of Chotpoti.”

According to another client

“I withdraw a loan amount Tk 8000 for the purchase of a mobile phone. Now, I have mobile phone business at our slum area. I can earn 100Tk per day from my business.”

Thus having a financial sustainability makes every family member more happy and certain about future, as another client stated;

“After being the member with 20tk and simple admission procedure, I started saving money in the micro finance institution (safe save). Then I took a loan amount 10000tk. I have bought a few portion of land in village from the loan of these MFI’s.”

Women now places monetary value on what she does and values herself for having some economic independence and contributing to the family’s economic well-being, as one client stated;

“My girl school fees are bearing through my business profit. Now I have a dream to buy refrigerator through my saving money at Safe Save.”

According to another client

“I withdraw 5000 TK from Safesave to support my son in business crisis.”

### **III Decision making capacity**

Micro-finance opportunities enhanced the decision making ability of the female since they are financially contributing their family so their importance and decision-making capacity/power at family affairs increased than before. Member of Safesave Slum-dwellers women are now have the ability to make decision by own and influence over other decisions as they are more economically independent and financial solvent, as one client stated

“I am doing small business at our slum area and making a significant contribution to my family. Previously, my husband is the decision maker of my family, who is doing the business of fish,

who has two fish shop. But now, we are taking decision jointly on every family matter.”

According to another client

“Firstly my husband did not interest to do samity (cooperative). He thought it’s full of difficulties. Then I make him convinced through rules and regulation of the safe save. Then he agreed with me.”

Apart from family, they are being recognized and respected at all levels. According to one client

“I am two years experienced in safe save. I have a tea shop at my area. Safe save also gave offer my neighbor at very early, then they did not believe them. Once they saw my success as a successful entrepreneur, my all the neighbors’ have involved with safe save and getting the advantage. Now they are also asking my advice on all aspects of their life.”

### [III] Social progress

Slum dwellers women are now become more aware about their family education and children health. According to one client

“I have very little education but I want to see my child as doctor in future. I am trying to buy fish and vegetable as much as I can for my family.”

Micro Finance improves the self-confidence level in women wits. Now, they are more confident than ever, as one client stated

“I have no bank account. Safe save is my bank. I am saving and taking loan with safe save. Saving and loan both are equal important for me. Because firstly I save then I withdraw the amount as loan or deposit format at my crisis moment.”

Micro Finance creates awareness in different social and safety issues. Now, slum woman are wakefulness than they had before. According to one client

“I have electricity and television at my home. Now, we can see movies, drama and news also. We become more aware about different government and NGO activities. We know what our right is and what we have to do for our future safety.”

From the case review, it reveals that now slum women can generate more income and contribute more to the family’s well being and future than they could do before. Women are more self independence and make a noteworthy contribution to the family emergency. Women are become more noteworthy and

respected among their family members as well as their society members. Previously these three families were dominated by the husband and son. All the decision regarding family issues were taken by the husband. But now women also more involved in the family decision making. They not only give advice to their family members but also to their community members. It also reveals that slum dwellers women are becoming more aware on the subject of different social and safety issues. They are more concern about their family member's education and health than ever. Now, they know their basic human rights and making demand over these rights. These results are similar to other studies (Chowdhury, Ghosh and Wright, 2005; Charmes and Wieringa, 2003; Khandker, 1998) as microfinance enhances women empowerment but different from other studies in the sense that microfinance has also significant impact on Bangladeshi women who are slum-dwellers.

## **CONCLUSION**

We recognized that micro finance has significant impact on slum dwellers women in terms of their economic, decision making and social progress. This type of research has much contributing scope for essential development in socio economic situation in Bangladesh. Women empowerment through microfinance can indirectly change the economic growth as well. Evidence of this study is mentionable to indicate the impact of microfinance programs in slum women. Considerable social upgraded life can be ensured by this type of effort as well. Under this research, data has been collect from one institution and three clients. Further research can be carried out to bring the results large scale in other financial institutions of Bangladesh.

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