

Microcredit, Micro-enterprises, and Self-employment of Women: Experience from the Grameen Bank in Bangladesh

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Overview

- ✓ Poor are financially constrained due to the exclusion policies of the formal financial sector and the exploitative nature of the informal financial sector.
- ✓ Considering the financial constraints of poor, the microcredit program of the Grameen Bank was first initiated in 1976 in Bangladesh.
- ✓ Grameen Bank became a formal sector specialised bank in 1983

Objective

- ✓ Evaluate whether the access to microcredit program of the Grameen Bank has enabled women members to start the micro-enterprises which are managed and owned by them.



Selection Biases in Impact Assessment

- ✓ Non-random selection of program participants
- ✓ Non-random selection of program areas

Data

- ✓ Considering these biases, this study selected new microcredit program member households as comparison households.
- ✓ The study collected information from two hundred and ten households from the comparison branch and three hundred and sixty households from the program branches.

Econometric model

$$Prob (E=1) = f(XH, XV, M)$$

$$BC = f(XH, XV, M)$$

Where, E = is a dummy variable coded “1” if the MC program member is self employed and coded “0” if not; BC= Business Capital of the Household; XH = is a vector of household and individual characteristics; XV = is a vector of village-level characteristics; and M = is a microcredit variable.



Table 3
Employment Status of MFI Members of the Program Group

Employment Status	Program Group	Comparison Group
Micro-enterprise Ownership	19 (6.01%)	14 (6.83%)
Housewife and Poultry	8 (2.53%)	4 (1.95%)
Housewife	273 (86.39%)	177 (86.34%)
Others	16 (5.06%)	10 (4.88%)
Total	316	205
Pearson Chi2	0.3214	
Pr	0.956	

Table 4
Determinants of the Micro-enterprise Ownership by Women Members of the Grameen Bank

Variable	Labels	Coefficeints
microcredit	Grameen bank membership duration	0.0005
hage	HH head's age	0.0552***
tmm0t15	Total number of HH male members between 0 to 15	-0.2494**
tfm25t40	Total number of HH female members between 25 to 40	0.6350*
tmm40t59	Total number of HH male members between 40 to 59	-0.7946**
Observations		489
LR Chi2(13)		38.44
Prob > Chi2		0.0163
Pseudo R2		0.1591

*** p<0.01, ** p<0.05, * p<0.1



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Table 5
Employment Status of Husbands of the Grameen Bank Members

Employment Status	Program Group	Comparison Group
Agriculture	69 (21.84%)	51 (24.88%)
Micro-enterprise Ownership	118 (37.34%)	47 (22.93%)
Daily Labourer	32 (10.13%)	39 (19.02%)
Housewife	68 (21.52%)	43 (20.98%)
Others	29 (9.18%)	25 (12.20%)
Total	316	205
Pearson Chi2	16.99	
Pr	0.002	

Table 6
Determinants of the Micro-enterprise Ownership by Husbands of Women Members of the Grameen Bank

Variable	Labels	Coefficients
mdur	Grameen bank membership duration	0.0055***
Tfm0t15	Total number of HH female members between 5 to 15	0.1232*
pass	Productive Assets (BM)	0.00001***
pschool	Existence of Primary School in the Village (Dummy)	0.3707**
dbank	Distance of the Nearest Bank from the House	-0.2202***
Observations		517
LR Chi2(13)		45.52
Prob > Chi2		0.0034
Pseudo R2		0.0703

*** p<0.01, ** p<0.05, * p<0.1

Table 7

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Table 7
Micro-enterprise Capital

Group	Mean (Taka)	Std. dev.
Comparison	5,515	1,228
Program	15,812	1,707
t (pr)	4.42 (0.00)	

Table 8
Micro-enterprise Capital of the Program Group Households

Membership Status	Mean (Taka)	Std. Err.
Before Membership	5,100	763.15
After Membership	15,812	1,707
t (pr)	7.72 (0.00)	

Table 9
Determinants of the Micro-enterprise Capital of the Household

Variable	Labels	Coefficients
mdur	Grameen bank membership duration	119.19***
tmm25t40	Total number of HH male members between 25 to 40	4623.95*
pass	Productive Assets (BM)	0.34***
school	Existence of Higher Secondary School in the Village (Dummy)	5393.89*
dmarket	Distance of the Nearest Market	3276.76*
dbank	Distance of the Nearest Bank from the House	-4850.76***
Observations		515
R-squared		0.18

*** p<0.01, ** p<0.05, * p<0.1



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Conclusions

- ✓ The microcredit program participation does not significantly contribute to the self-employment of women and to the ownership of micro-enterprises;
- ✓ But, the same microcredit program participation significantly contributes to the self-employment of husbands of women members and to the ownership of micro-enterprises;
- ✓ It also significantly increases capital of existing household businesses that are usually operated by household male members.



Thanks



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