



The Social Impact of Microfinance on Gender Norms and Behaviour

Region Matters: Variability in MFI Membership and Loan Use among Women in Bangladesh

Introduction

One of the main hypotheses of this research is that the wide variability in the nature of MFI activity and behaviour of microcredit borrowers, in particular gender practices and norms, across geography is related to the difference in contexts where MFIs operate. In this research, we characterise context variability in terms of vulnerability¹ (physical, economic, political, violence related) and opportunity (economic opportunities and opportunities to avail services and access resources) and institutions (social institutions like marriage, purdah, religiosity, and civil and political institutions) that may play a role in shaping the nature of both vulnerability and opportunity. Initially, the division is used as a rough proxy indicator of regional contextual variation. In addition, we use rural, peri urban and urban residence as another indicator of contextual variability in microfinance delivery and in women's lives.

About the Research

"The Social Impact of Microfinance on Gender Norms and Behaviour" is a research project undertaken by Institute of Microfinance (InM), Dhaka; BRAC Development Institute (BDI), BRAC University, Dhaka and The Population Council, New York. The purpose of this research is to study the spread, nature and wider impact of membership in microfinance institutions (MFIs) on gender norms and behaviour. In contrast to studies focusing on immediate and short term impact of microfinance, particularly impact evaluation studies that utilise research designs to control for variations in broader context, this research intends to study the long term synergistic impact of microfinance and context on women who form the majority of MFI beneficiaries. The research attempts to understand how programme influences diffuse through communities that vary in programme intensity and describe how these influences are mediated by social dimensions and characteristics of the community.

This research brief provides a current snapshot of the situation of female microcredit borrowers and their households in Bangladesh, their loan use pattern, and financial practices across urban and rural locations, and across geographical divisions. The information presented was collected through a nationwide household survey in 2011-12, on a nationally representative sample of 300 PSUs. The survey was conducted on a subset of households from a random sample of 30 households in each PSU, where there was at least one ever married woman below 50 years. This resulted in a surveyed sample of 6043 women and their households. Seventy nine per cent of the surveyed households were located in rural areas, the rest in urban metropolitan areas and municipal wards. We examine differences across divisions, and between rural areas (villages) and municipal wards (which we describe as peri urban areas) since the coverage of sample households was extremely poor in the metropolitan PSUs, (although information of the metropolitan urban sample households is also provided).

¹ Vulnerability is seen as an elevated susceptibility to the risk of adverse outcomes.

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MFI Membership by Location and Region

Overall, 46 per cent of ever married women under age 50 years had never been member of an MFI at any time in their life (Table 1). Many of the women who never joined (40%) said they did not feel any need for joining a MFI programme, while one quarter said they did not approve of MFI (broadly NGO) activity. However, one third (35%) expressed a wish to join but felt constrained because of family disapproval or because they were afraid of profitably utilising a micro loan. Twelve per cent of all women said they had been former MFI members. In other words, 58 per cent of all respondents were currently not participating in any MFI programme. However, some of these women (398 or 11%) reported that other household members were borrowers from NGOs, either micro loans or other loans.

Table 1: MFI Membership among Women by Location and Region, 2011-12

	All areas	Met ¹ urban areas	Municipal wards	All rural areas	Barisal	Chittagong	Dhaka	Khulna	Rajshahi	Sylhet
Total sample N	6043	237	1039	4767	274	815	1439	604	1364	271
Never member	2760	126	409	2225	129	460	673	294	501	168
%	46	54	39	47	47	56	47	49	37	62
Reason not member										
no need	40	45	47	39						
do not approve	25	25	24	25						
wants to join but constrained	35	29	29	37						
Former member	737	21	115	601	27	69	157	74	250	24
%	12	9	11	13	10	8.5	11	12	18	9
Currently not member	3497	147	524	2826	156	529	830	371	751	192
%	58	62	50	59	57	65	58	61	55	71
Current MFI member	2546	90	515	1941	118	286	609	236	613	79
%	42	38	50	41	43	35	42	39	45	29
Current irreg² MFI member	478	7	103	368	20	18	112	60	153	5
%	8	3	10	8	7	2	8	10	11	2
Current cont³ MFI member	2068	83	412	1573	98	268	497	176	460	74
%	34	35	40	33	36	33	34.5	29	34	27

Note: 1=Figures for metropolitan urban wards should be interpreted with caution as coverage of sample households was extremely poor; 2=irregular; 3=continuous.

Forty two per cent of ever married women under age 50 years were current members, the vast majority having taken a micro loan (95%) with only 5 per cent reporting only savings. Thus the primary reason for membership was to access micro loans. Women in peri urban areas were more likely to be current members compared to rural women. There is visible variation in rural women's propensity to join MFI programmes across geographical regions (divisions). Sylhet and Chittagong, and to a lesser extent Khulna, divisions are regions where rural women were least likely to join MFI programmes. Generally, one third of respondents had been continuous members (i.e. had not dropped out since joining), representing 81 per cent of current members, so by and large, the vast majority of women who joined MFI programmes remained constant members, with a mean length of membership of just over 6 years. The proportion of continuous members was higher than average in peri urban locations and in Barisal division.

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Socio-Economic Profile of Current MFI Members

Average age of current members was 34-35 years, without variation across locations and regions (Table 2). The average level of fertility (measured by mean children ever born CEB) was 2.82. There are observable variations by location and division; for example MFI members in Khulna and Rajshahi had lower fertility than average, while fertility level was higher in the other divisions, and highest in Sylhet. The households of nearly all the MFI members had both husband and wife present (92%); 5 per cent of husbands were migrants (national or international) and about 4 per cent of the members were widowed, divorced or separated, i.e. without husband. There are some variations by region in these proportions. For example, relatively higher proportions of current members had migrant husbands in Chittagong and Sylhet, while reverse was seen for Khulna and Rajshahi; MFI members in Sylhet were more likely than average to be without husband. The proportion of MFI members with no formal schooling was around 40 per cent on average, slightly lower in peri urban locations, and considerably lower in Barisal and somewhat higher in Sylhet.

Table 2: Socio-Economic Profile of Current MFI Members

	All areas	Met urban areas	Municipal wards	All rural areas	Barisal	Chittagong	Dhaka	Khulna	Rajshahi	Sylhet
Current MFI member	2546	90	515	1941	118	286	609	236	613	79
Mean age	34.6	36	34	34.6	34.8	34.9	34.5	35.5	34.1	34.7
Mean CEB	2.82	2.45	2.61	2.89	3.01	3.14	3.01	2.5	2.65	3.48
Marital status										
H resident %	91.5	87.8	93.8	91	91.5	82.9	90.1	93.2	95.4	86.1
H migrant %	2.9	0	1.6	3.3	4.2	5.9	4.8	2.5	1	2.5
H int migrant %	2	3.3	1.4	2.1	2.5	7	1.6	0.4	0.3	5.1
Wid, div, sep %	3.7	8.9	3.3	3.6	1.7	4.2	3.4	3.8	3.3	6.3
Mean years of schooling	3.4	3.8	3.7	3.3	4.7	3.2	3.2	3.4	3.3	2.6
No schooling	40.3	37.8	37.3	41.2	16.9	44.4	42.4	39	42.9	49.4
Up to primary (1-5)	34.5	31.1	34.8	34.6	56.8	31.5	35.1	36.9	30.5	32.9
Secondary (6-9)	21.2	23.3	22.5	20.8	22	21	19.7	21.2	22	16.5
SSC and above	4	7.8	5.4	3.5	4.2	3.1	2.8	3	4.6	1.3
Economic activity										
no econ activity %	14.1	53.3	23.7	9.7	3.4	6.3	16.4	9.3	6.4	7.6
only ES ¹ work %	29.2	15.6	27	30.4	50.8	56.3	22.5	34.3	17.1	58.2
IGA ² %	48.4	24.4	41.7	51.3	44.9	32.9	54.5	50	60.7	32.9
Waged work %	8.3	5.7	7.6	8.6	0.8	4.5	3.3	6.3	15.9	1.3

Note: 1=expenditure saving, 2=income generating

Overall, 14 per cent of MFI members reported that they were not involved in any economic activity; nearly half were involved in income generating activities (IGA), while a little more than 8 per cent reported engaging in waged work. There were wide variations in these proportions by location and region. MFI members resident in peri urban areas were twice as likely compared to MFI residents in villages to report no economic activity, while this proportion was highest among rural MFI members in Dhaka division compared to rural MFI members in other regions. Home-based IGA was the most common economic activity for MFI members generally; this propensity was relatively greater among MFI members in rural areas compared to peri urban areas, and among rural MFI members in Rajshahi, but less than average in Chittagong and Sylhet. With respect to waged work, which was the least common economic activity among MFI members, the geographical pattern is similar; it is notable that rural MFI members residing in Barisal and Sylhet were far less likely than others to engage in waged work.

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Loan Taking and Use Pattern of Current MFI Members

The mean length of membership among current MFI members was found to be a little over 6 years, with over half of the women joining a MFI programme within the last 5 years (Table 3). Only 12 per cent of current members had joined 12 or more years ago, indicating that the major drive in recruiting new MFI members and borrowers was during the last 5/6 years. Across regions, women in Chittagong and Sylhet followed by Khulna had relatively lower mean lengths of membership. While multiple or overlapping membership was 18 per cent overall, there was considerable variation by region, with over one fourth of MFI members in Barisal reporting membership in more than one organisation. Among current MFI members 95 per cent had taken a micro loan at some time, while 81 per cent were operating a current loan. Variations in these proportions by location and region were observed but small.

Table 3: Loan Taking Profile of Current MFI Members

	All areas	Met urban areas	Municipal wards	All rural areas	Barisal	Chittagong	Dhaka	Khulna	Rajshahi	Sylhet
Current member	2546	90	515	1941	118	286	609	236	613	79
Years since member (mean)	6.29	5.54	6.49	6.28	6.72	5.55	6.45	5.92	6.69	4.68
last 5 years %	57	63	54	57	53	61.5	58	57	53	71
6-12 years %	32	29	33	31	37	31	29	36	32	24
more than 12 years %	12	8	13	12	7	7	13.5	6	15	5
Multiple member	470	17	102	351	31	58	117	33	103	9
%	18	19	20	18	26	20	19	14	17	11
Ever taken micro loan	2429	79	494	1856	116	271	576	230	587	76
%	95	88	96	96	98	95	95	97.5	96	96
Current borrower	2062	63	409	1590	101	229	473	197	527	63
%	81	70	79	82	86	80	78	83.5	86	80

Next, we examine the loan use pattern by current MFI borrowers (Table 4). The average number of total micro loans taken by women MFI borrowers was around 5, with not much variation by location and region, except Sylhet where MFI borrowers had relatively fewer loans. Currently each borrower was operating on average 1.2 micro loans, again without much spatial variation. The average amount of the largest current micro loan was Tk.13802. Overall, 59 per cent of borrowers used this loan for an income earning activity², around one fifth used it for a productive purpose but not for income earning³, while the remaining borrowers used the loan for either consumption expenses⁴ (8.5%), dowry and marriage (3.5%) or crisis management⁵ (9.5%). Hence the majority (79%) utilised the loan for productive purposes. There was considerable variation in the pattern of loan use by location and region. Loan use for income earning purposes was greater in rural areas compared to peri urban areas, while the loan was more likely to be used for other productive activities in peri urban areas compared to villages. Loans were used for income earning most frequently in Barisal; use for consumption was relatively greater in Chittagong and Sylhet and in peri urban locations compared to villages; use for marriage and dowry was surprisingly small and greatest in Sylhet; use in crisis was relatively greater in Chittagong, Dhaka and Khulna. Thus, from the perspective of MFIs, loan use was relatively inefficient in Sylhet and Chittagong, and most efficient in Barisal.

² Income earning use includes purchase/lease of agricultural land; purchase of agricultural machinery; meeting agricultural running expenses; purchase/lease of non-agricultural machinery, raw materials or capital equipment; meeting running expenses for non-farm activity; purchase and rearing of poultry, fishery and livestock; money lending for interest.

³ Productive but non-income earning use includes land mortgage payment; purchase, build or repair home; meeting education and medical expenses; international migration expense; purchase of transport for use by household members.

⁴ Consumption use includes giving money to relatives; purchase of consumption asset; purchase of furniture; election expense; and household expense.

⁵ Crisis use includes repayment of former loans and payment for litigation.

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The overwhelming majority of borrowers who used their micro loan for income earning reported either making a profit after meeting all expenditures and paying installments (72%) or expecting a profit in the near future (20%). The variation by region suggests that there may be a positive relationship between the propensity to use loans for income earning activity and likelihood of making profit. Profits were more likely to be spent on meeting household consumption expenses (60%) rather than reinvesting in business, buying asset or saving. With the exception of borrowers in Sylhet and Chittagong, the majority perceive that the use of a micro loan for income earning had increased peace in the family and improved the household's living standards, which corresponds with reports that the major portion of profits were spent to meet household consumption expenses. Finally, it is evident that the vast majority of these borrower households were dependent on micro loans for conducting this income earning work, demonstrating the continued demand for micro loans.

Table 4: Micro Loan Use Pattern among Current Borrowers (2062)

	All areas	Met urban areas	Municipal wards	All rural areas						
					Barisal	Chittagong	Dhaka	Khulna	Rajshahi	Sylhet
Current borrower	2062	63	409	1590	101	229	473	197	527	63
Mean no. total micro loans	5.1	4.4	5.2	5.1	5.5	5.1	5.2	4.9	5.2	3.9
Mean no. current micro loans	1.2	1.24	1.2	1.2	1.4	1.3	1.2	1.2	1.2	1.1
Amt all current loans (mean taka)	16235	18984	17914	15694	18257	19611	16178	13178	14431	12159
Amt micro loan 1 (mean taka)	13802	16095	15535	13265	14079	15790	14045	11533	12167	11540
Use micro loan 1										
Income earning %	58.9	44.4	51.3	61.4	70.3	56.3	62.2	64	61.1	54
Prod , not income earning %	19.6	19.0	23.0	18.7	17.8	19.2	15.6	12.7	22.8	27
Consumption %	8.5	25.4	10.5	7.3	5	9.6	8.7	5.6	5.5	12.7
Dowry %	3.5	3.2	4.4	3.3	3	2.2	2.5	4.1	4.2	4.8
Crisis %	9.5	7.9	10.8	9.2	4	12.7	11	13.7	6.5	1.6
Profit from income earning use (n)	1214	28	210	976	79	129	294	126	322	34
yes %	72	78.6	79	70.3	78.9	64.3	73.1	76.2	66.8	61.8
in future %	21.6	10.7	14.3	23.5	16.9	23.3	21.8	20.6	27	29.4
no profit %	6.4	10.7	6.7	6.3	4.2	12.4	5.1	3.2	6.2	8.8
Profit used HH consumption %	60	71	68	58	66	46	59.5	59.5	60	53
Profit used save, invest, asset %	40	29	32	42	34	54	40.5	40.5	40	47
Dependent upon micro loan %	81	86	81	80.6	78.9	95.3	81	75.4	74.8	100
Increase in family peace %	72	57	77	71.1	76.1	55.8	73.1	80.2	72.7	52.9
Improvement in living standard %	65	53	74	63.4	76.1	42.6	67.7	78.6	61.5	41.2

Note: Micro loan 1 = largest current micro loan, Prod = productive activity

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Conclusions

A large proportion (40%) of ever married women is borrowers, and most women who borrow remain borrowers. They use the micro loan for a productive purpose and make a profit. The perception of MFIs among borrowers is positive. The observable differences in socio economic characteristics of MFI members by location and region and the pattern of loan use lends support to our hypothesis that there are important contextual influences on these behaviours. In particular, the differences indicate that rural MFI members in Barisal, followed by Khulna, were most active in micro loan utilisation for income earning, relatively more likely to report making a profit, and were more likely to perceive micro loans as beneficial for their households and families. MFI members in Sylhet and Chittagong appear laggards in this respect, with MFI members in Dhaka and Rajshahi falling in between. Explanations for some of these differences will be explored in greater detail from our qualitative study and from further quantitative analysis.



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