

Banking on Social Change: Grameen Bank Lending to Women

Alexandra Bernasek*

The Grameen Bank in Bangladesh has become an international model for “microcredit” as a poverty alleviation strategy. The purpose of this paper is twofold: to evaluate the Grameen Bank as a strategy for empowering and improving the socioeconomic status of women in Bangladesh, and to identify lessons from the Grameen Bank experience that can inform development policy more generally. Arguments for and against Grameen Bank are evaluated in the light of evidence from studies of the Bank and knowledge of women and development. The conclusions that are drawn from this evaluation are that Grameen Bank is not a panacea for poverty alleviation and improving women’s lives, that it has increased the income of borrowers, has led to improvements in specific aspects of their lives, and that it has potential if used in conjunction with other progressive social and economic policies to contribute to long-term, sustainable, progressive social change.

KEY WORDS: Grameen Bank; microcredit; women’s status; empowerment.

The Grameen Bank in Bangladesh has become an international model for microcredit programs as an antipoverty strategy. It provides small loans to the poor for small-scale self-employment activities. Because it recognizes women’s centrality to the poverty alleviation process—as beneficiaries of it and as active agents in promoting it—the Bank has increasingly focused on providing credit to women. The Grameen Bank primarily focuses on improving women’s economic status, which it views as the foundation on which better social and political status can be built. The Bank’s poverty alleviation strategy, however, is grounded in a keen awareness of the cultural context, which conditions women’s willingness and ability to respond to economic opportunities.

*Associate Professor, Department of Economics, Colorado State University, Fort Collins, CO 80523-1771; e-mail: Alexandra.Bernasek@Colostate.edu.

This paper begins with a brief description of women's experiences with poverty in rural Bangladesh, and examines the ways in which culture hinders their income-earning opportunities. After a brief history of the Grameen Bank credit and social programs, we evaluate the Bank's strategy. The conclusion considers the Grameen Bank experience in the context of the broader development experience and draws lessons to assist in future efforts to improve the lives of women.

WOMEN AND POVERTY IN RURAL BANGLADESH

The majority of people in Bangladesh live in rural areas where fragmented land holdings or landlessness contribute to high poverty levels (Hossain 1988: 15–16). The limited employment opportunities in agriculture and industry force villagers into small-scale self-employment activities in the rural informal sector. Incomes generated from these activities are typically low due to low productivity rates or disadvantageous terms on contracts. Lacking sufficient working capital and collateral, those working in the informal sector must borrow money from local moneylenders at interest rates that are significantly higher than those charged in the banking sector. Poverty is persistent because income levels remain at or below subsistence, leaving no opportunity for savings, investment or wealth accumulation.

In rural Bangladesh, women are more likely to be poor than men, and they have fewer opportunities for moving out of poverty. Women in Bangladesh have less access to paid employment than men and are paid less than men (Khan & Hossain 1989). In 1998, Bangladesh was ranked 121 out of 143 using the United Nations' (2000) Gender Related Development Index.¹

Cultural norms and expectations in Bangladesh place additional constraints on a woman's access to assets and opportunities to earn an income.² Inheritance rights favor men. In those rare cases where women can inherit land, they rarely do so in practice. Instead, they defer inheritance rights to a male relative, who would then feel obliged to take care of them and their children.

Status is the basis for power and influence in rural society. Although it is most closely associated with wealth (determined primarily by land ownership), status also accrues to people who satisfy norms and customs.³ Adhering to appropriate gender roles is one of the most important determinants of status in rural Bangladesh (Wood 1994). Men are cast as providers and protectors of women and children; and women fill the role of caregiver in the home. The behavior of women is traditionally an important signal of status in rural society. Appropriate behavior for women in rural Bangladesh requires strict adherence to purdah (the practice of female seclusion), strict

adherence to appropriate gender roles, and relative freedom from menial work. Men have a significant interest in ensuring the appropriate behavior of women, since “inappropriate” behavior is often perceived as a man’s failure to provide for his family.

These cultural beliefs affect how women’s earnings are regarded. Although poor women frequently earn small incomes, there is a tendency to devalue these contributions to the household. This means that women often must violate the norms of appropriate behavior to ensure the survival of their families. As such, they are not recognized for their contributions as men seek to protect their own reputations. This can limit women’s willingness and ability to respond to income-earning opportunities.

Social pressures enforce the norms and customs that confer status on individuals and their families. These pressures are often strong, and they work through gossip, rumor, and social sanction. Women who have been poor for one or two generations tend to be less status conscious than those who have just fallen into poverty, and seem more willing to accept income-earning opportunities through a flexible interpretation of appropriate behavior for women (Abdullah & Zeidenstein 1982).

THE GRAMEEN BANK

The Grameen Bank grew out of a project undertaken in 1976 by Dr. Muhammad Yunus when he was a professor at Chittagong University. Dr. Yunus talked to people in the villages around his university in an attempt to understand their experiences with poverty. From those discussions, he concluded that people were poor because they lacked access to credit at reasonable interest rates and under appropriate conditions.

Poor women in Bangladesh often engage in a variety of small-scale productive activities inside their baris. These are typically activities that extend women’s work in the home—paddy husking, rice crushing, raising poultry, basket-making, weaving. But without working capital, they must rely on credit to carry out these activities. Women lack access to credit from formal lenders not only because they are poor and lack collateral, but also because they are women and formal lenders in Bangladesh do not consider women to be creditworthy (Yunus 1994). If women do apply for loans from commercial banks, male relatives must cosign the loans, and it is the male cosigner and a male loan officer who negotiate the terms of the loan. This discrimination in lending limits women’s opportunities to finance income-earning projects at reasonable cost, and limits their opportunities to gain experience and knowledge from those projects. If women seek loans from informal sources such as local moneylenders, they are often obtained at usurious rates, ranging

from upwards of 10% per week. At those terms, the income earned from even the most productive activities could not support their families, let alone facilitate savings, investment and income growth.

After trying unsuccessfully to convince several commercial banks to make small loans directly to the poor, Dr. Yunus became convinced that a specialized financial institution was needed that would provide small loans to the poor (to women as well as men) on terms and conditions that were appropriate for them. A project began in Jobra in 1976 was soon expanded to other villages over the period 1976–1983; then in 1983 the government gave official recognition to the Grameen Bank, as a specialized bank to meet the needs of the poor.

The central feature of the Grameen Bank is its credit program—providing small loans to the poor to be used for self-employment activities. Strict criteria were established to ensure a focus on the poor, including restrictions on the size of a prospective borrower's landholdings. To provide incentives for repayment, the Bank developed an innovative lending scheme; borrowers are required to form groups of five from among their peers and accept joint responsibility for repayment of loans. Access to credit in the future is conditional on all group members repaying their loans. Although the bank monitors borrowers fairly closely, the organization of borrowers into groups provides incentives for additional peer monitoring (Varian 1990; Stiglitz 1990). The Bank even sequences the granting of loans to some group members in order to monitor their repayment performance before granting loans to the remaining group members. The repayment incentives created by this lending scheme use the only form of collateral that the poor have access to—social collateral.

Another feature designed to meet the needs of the poor is small loans that are repaid in weekly installments over a period of one year. The Bank is organized in concentric circles from bottom to top. At the bottom is the five member groups of borrowers. Approximately six groups of borrowers are then organized into a center for weekly meetings. One of the bank's branches typically covers 60 centers. Above the branch offices is the Area office which supervises the operations of about ten branches. Above the Area offices is the Zonal office which covers about ten areas. The highest level of management is the Bank's Head Office located in Dhaka. One of the unconventional ways the Bank conducts its business is to have the bank workers from a branch travel to the borrowers in their villages rather than requiring the borrowers to travel to the bank branch. A bank worker meets with the members of each center once a week. Loan payments are made at those meetings, which helps to facilitate transparency in the lending process. Average loan size is approximately US\$160 and the interest rate on loans is 20 percent (Grameen Bank, Statistical Update, February 2000).⁴ The interest

rate is set to the rate charged by other commercial lenders in Bangladesh. The Bank leaves the decision of what activities to undertake to the borrowers. The decision-making process includes a discussion among group and center members, who consider each individual's existing skills as well as current market conditions and the profitability of proposed activities.

Since its inception the bank has grown rapidly both in terms of coverage (it now lends to over 2.3 million people in over 40,000 villages in Bangladesh) and the volume of loans it has made; cumulatively the bank has lent out over US\$2.8 billion (Grameen Bank, Statistical Update, June 2002). Initially the Bangladesh government had a larger stake in the ownership of the bank. Today, borrowers own 90 percent of the bank shares and the government owns the other 10 percent. Original funding for the Bank came from organizations such as IFAD (an United Nations development finance agency), the Ford Foundation, NORAD (a Norwegian aid agency), and the Bangladesh government. The Banks' reliance on low-cost funds has declined over the 1990's and increasingly it has obtained loanable funds from commercial sources.

Initially, the bank made loans to women and men equally, a lending policy that was considered radical at the time. But as it gained experience and insights, the Bank has focused its new loans on women and now makes more than 95 percent of its loans to women. According to Dr. Yunus (personal communication) the reason for the change was the observation that income earned by female borrowers had more beneficial effects on the well-being of children and household members generally, than income earned by male borrowers. He concluded that women were more determined than men to pull their families out of poverty and, as such, Grameen Bank lending would be more effective in alleviating poverty if it focused on increasing women's income earning opportunities.

The majority of women receive loans for activities that are considered traditionally female activities—raising poultry, raising cattle, weaving, and food processing. These activities are generally less productive than men's income-earning activities. For this reason, over time women have borrowed for joint undertakings with their husbands to take advantage of higher profitability. These activities often involve home-based processing work, with men buying raw materials and selling the final product. Increasingly, they involve lease of land for cultivation.

In addition to providing credit, the Bank has promoted specific social development goals. The Bank's "Sixteen Decisions"⁵ is a list of goals for borrowers and their families to aspire to, and work toward. The decisions include commitment to better sanitation, education, family planning practices, housing, and better nutrition, among others. Women are seen as key to success in alleviating poverty and thus many of the social development goals are aimed at empowering women.

The Bank has also expanded its loan portfolio over time. For example, borrowers are able to take out housing loans,⁶ loans for building sanitary latrines, digging tubewells, and irrigating small gardens, loans for seasonal cultivation, and household loans for larger projects. Finally, the Bank has recently undertaken a number of initiatives with the goal of increasing the productivity of borrowers' loan activities, such as obtaining a license for cellular phones⁷ that borrowers can purchase and use to provide phone service (Grameen Telecom) and negotiating a joint marketing contract for weavers to make a particular fabric for export (Grameen Uddog).

Proponents of the Bank have argued that it is revolutionary in a number of respects: (1) its bottom-up approach to poverty alleviation provides the poor with direct access to resources, (2) it provides credit directly to women, (3) it has a nearly perfect loan repayment rate, and (4) it emphasizes building self-reliance among the poor. Bank critics have argued that: (1) women are co-opted into the capitalist system through their continued involvement in petty bourgeois production, (2) women who are already marginalized in the informal sector become more marginalized and less likely to leave the informal sector, (3) credit creates a burden of indebtedness, (4) patriarchal structures are not sufficiently challenged by the Bank and women are made more vulnerable to violence and exploitation, and (5) the Bank absolves the government of responsibility for providing basic necessities to the poor.

AN ASSESSMENT OF THE GRAMEEN BANK'S STRATEGY

This section considers the effects of the Grameen Bank on women. It begins by looking at women's economic status. It then considers the effect of the Bank on women's social and health status, and their empowerment. Schuler and Hashemi (1994:67) define "empowerment" as women's "relative 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." Finally, we look at the Bank as an agent of institutional change.

The Economic Condition of Women

Overall, it is clear that Grameen participation has positively and significantly increased women's income and their contribution to family income.

Todd (1996) compared a group of Grameen Bank borrowers who had ten years of membership with a control group of nonborrowers in the district of Tangail, and found that poverty rates were significantly lower among

Grameen Bank borrowers than among the nonborrowers. Over a one-year period, 57.5 percent of borrowers⁸ were no longer poor based on the official poverty measure, compared with 18 percent of nonborrowers. In addition, 15 percent of the borrowers were extremely poor, compared with 54.5 percent of the nonborrowers.

In addition, it appears that women have been able to maintain control over the credit they receive, and the income accruing from it. Hashemi, Schuler and Riley (1996) find evidence that women maintain significant control over their loan activities in a study based on interviews and observations from six villages in Bangladesh over the period 1991–94. Seventy percent of borrowers used all of their loans to fund an enterprise that they carried out alone or carried out in conjunction with their husband, and only 9 percent relinquished all of their loan to a husband or other relatives. It is somewhat disconcerting that women living in villages where the Bank had been operating for less time had the greatest control over their enterprises—63 percent had significant or full control compared with 27 percent in the older villages. However, villages where women exercised less control were in economically depressed areas, where men's activities tend to be more productive than women's. It may be that women are rationally investing their loans in men's activities.

More importantly, women have increasingly used Grameen loans to purchase and lease land in their own names (Bornstein 1996). This provides some evidence that improvements in economic status of women can be sustained since the profitability of farm activities was generally higher than the profitability of the nonfarm activities the women had originally invested in and since the assets are in the woman's name.

Despite considerable evidence that women's economic status has improved due to Grameen loans there are concerns about the continued marginalization of women in the informal sector due to Grameen loans. Female employment in the informal sector is characterized by low level of productivity, low levels of capital, lack of access to new technology, and lack of mobility to formal sector jobs. Women employed in the informal sector are viewed as vulnerable, and this vulnerability is reinforced by their continued presence in that sector (Kalpagam 1994; MacKewan Scott 1995). As Kalpagam (1994:242) argues, promoting income-generating projects for women in the informal sector may be successful in augmenting their incomes but it can't reduce women's oppression in the long run because it "often serves as a cap on their worker militancy and social unrest."

For this reason, researchers have argued that wage labor will likely be more efficient in the long run, that the stagnation and low productivity in rural areas limits the extent to which incomes can be raised from

small-scale activities in these areas, and that credit alone is not enough—borrower sustainability depends upon access to a wider range of financial services that smooth household cash flows and increase investment opportunities (see Wood 1997; Hashemi & Morshed 1997; Sharif & Wood 1997). Without such services, which they see as part of a “credit plus social development” program, they argue that wage labor is a preferable alternative to microcredit as a strategy for reducing poverty.

The Grameen Bank has shown some awareness of these issues. It has taken steps to strengthen the position of borrowers recognizing some of the difficulties they face producing in the informal sector. And it has tried to negotiate contracts on behalf of borrowers. One example is the contract it obtained for weavers to export “Grameen plaid.” Another example is the contract the Bank obtained for borrowers to buy cell phones and sell phone services in their villages.

Over the longer term, however, it is clear that there are limits to what can be accomplished within the informal sector. Government initiatives will be required to aid in the transition from informal to formal sector employment. Acknowledging this does not in any way invalidate the progress made by the Bank. It has helped improve people’s living standards in a relatively short period of time. In conjunction with other policies that create greater access to resources for women and the poor, microcredit can be a powerful tool for improving the lives of women.

The Social and Health Status of Women

Because income is an imperfect measure of welfare (Sen 1989) we need to look at other effects of Grameen Bank lending on women’s lives. Here too the evidence is clear that Grameen Bank loans have improved the lives of most women.

Access to housing loans has improved the quality of borrowers’ homes—tin roofs have replaced thatch keeping homes water-tight, structures are more sturdy and more likely to withstand the effects of extreme weather, ventilation is better, floors are smooth and sealed (Bernasek, 1992). These make women’s work of cleaning easier and less time consuming. They also provide better protection from sickness and disease, thereby decreasing the time women need to spend caring for ill family members. The Brameen Bank has taken steps to assure that women have their names on the leases, either as owner or joint owner, when they borrow for housing. Loans to build pit latrines should improve sanitation, reduce the incidence of illness, and place fewer demands on women’s time.

An experimentatal health program (Bornstein 1996) and access to loans for kitchen gardens to grow fresh fruit and vegetables have improved the

health and nutrition of family members, and can be expected to reduce the time women spend dealing with illness. It is also worth noting that Grameen Bank borrowers were more likely to implement the health aspects of the Sixteen Decisions than a control group—particularly in the use of sanitary latrines, growing vine and field vegetables, and immunizing children. They were also more likely than nonborrowers to consult private doctors for most illnesses. In addition, Grameen Bank women were more likely to eat better because they were more likely to eat with their husbands rather than after them. Finally, Grameen Bank women were found to take better care of themselves and obtain better nutrition during pregnancy, and over a one-year period there were fewer infant deaths to Grameen Bank women than to women in the control group (Todd 1996).

Increasing women's access to resources is thought to lead to greater decision-making power for women in household matters—especially those that affect the nutritional status, health and the education of children. And it is well known that the well being of children is positively affected by the access their mothers have to resources (Sen & Grown 1987). Here too the Grameen Bank has been quite successful. Using height and weight of children as indicators of nutritional status, Todd (1996) found that children of Grameen Bank borrowers were somewhat taller and much heavier than children in the control group. Comparing the children of Grameen Bank borrowers with the average Bangladeshi child, produced similar results.

Empowerment

Evidence of Grameen Bank success is less clear-cut in terms of empowering women.

As women's financial contributions to the household increase so too should their power in household decision-making. Mizan (1994) focuses on decision-making power in the family as a determinant of empowerment and concludes that Grameen Bank participation led to greater decision-making power for women in the family through both increased income and greater competence and motivation (see also Kabeer 1994). Moreover, as the number of years of borrowing increased, not only did women's income rise, but women also increased their negotiating skills, social network affiliations and knowledge—all of which enhance decision-making abilities. Similarly, Todd (1996) finds that partnerships between husband and wife were the most common form of household decision-making in the sample of Grameen Bank households and were the least common among households in the control group. The Grameen Bank group was also found to have a higher percentage of households in which women were the primary decision makers.

Furthermore, the Grameen Bank empowers women through access to credit and through rituals of participation and contact with other members of their credit group. The group lending structure used by Grameen Bank creates a support network among the members of a group. That support network then facilitates a process of "peer mentoring" that has contributed to women's empowerment (Hashemi, Schuler & Riley 1996; Bernasek & Stanfield 1997; Bernasek 1997). Informal interviews with approximately 30 borrowers revealed a gender difference in attitudes toward the group structure. Women consistently report a preference for the group structure—they repeatedly mentioned the access to advice, support, and assistance it facilitates, as well as the sense of legitimacy it gives them. Several women did not think they would have participated in the credit program if loans had been granted to them on an individual basis. Many also expressed the belief that they would not have been as successful in an individual lending program as in the group lending program. Mutual support and cooperation were identified as additional contributors to women's success in their loan activities and to the successful repayment of their loans (Bernasek & Stanfield 1997).

Even if women turn their entire loan over to their husband or some other male relative, they will still gain if these loans strengthen their decision making role within the household. Hashemi, Schuler and Riley (1996) find this to be the case. Grameen women who gave all their loans to their husbands or relatives were more likely to be empowered than nonborrowers in Grameen villages and in women non-Grameen villages (36, 15 and 9 percent of women were empowered, respectively). They find that 59 percent of Grameen borrowers were involved in making major household decisions compared with 21 percent of non-Grameen in Grameen borrowers and 17 percent of women in non-Grameen village. Both conflict and cooperation occur in households, and greater cooperation between husbands and wives is generally desirable (Sen 1990). Finding that most Grameen Bank women engage in joint household decision-making therefore should be regarded as a success in terms of empowerment. This is particularly evident when women speak for themselves and say that *they* believe they have become true partners with their husbands (Kabeer 2001; Bernasek 1992).

Yet, some feminist critics argue that the Grameen Bank does not empower women because it does not directly challenge patriarchal social structures and so it may actually worsen women's lives (MacKewan Scott 1995; Goetz & Sen Gupta 1994). Because women generally work out of their home, Grameen lending fails to challenge the patriarchal family structure that places responsibility for domestic work in women's hands. And White (1992) argues that women in rural Bangladesh have been doing things that challenge patriarchal constraints on their income-earning opportunities for

a long time and that the Grameen Bank has not encouraged women to do anything that they haven't already been doing.

Along the same lines, Rahman (1999) argues that lending by Grameen Bank may create new forms of oppression for poor rural women who borrow from the Bank. Based on anthropological research in the village in Tangail (one of the oldest villages where the Bank has operated) during 1994 and 1995, he argues that the Bank's goal of achieving financial sustainability has been achieved at the expense of the borrowers. Emphasis on economic viability has meant that Bank workers are under pressure to increase loans and press for high recovery rates, which has translated into pressure on borrowers. Patriarchal structures place women in a vulnerable position to begin with, and by intensifying that pressure the Bank increases their vulnerability to domestic violence.

It is hard to assess empirically these competing claims regarding empowerment, but we can attempt to do so in three ways.

One important indicator of women's power is the control they have over family-planning decisions. Women generally express a greater desire than men to limit the number of children they have and to space them further apart. Contraceptive use is important in giving women greater control over fertility. Schuler and Hashemi (1994) found that contraceptive use is 11 percentage points higher in Grameen villages than in comparison villages. Moreover, Grameen Bank borrowers have a rate of contraceptive use of 59 percent compared with 43 percent in the control group. Non-borrowers in Grameen villages also have a higher rate of contraceptive use than nonborrowers in non-Grameen villages, suggesting a further spillover effect of the Bank. Also, women who were empowered and who contributed substantially to family support, were more likely to use contraceptives. Membership in the Grameen Bank was found to have a positive and significant effect on contraceptive use in addition to these influences. Schuler, Hashemi and Riley (1997) find that controlling for the effects of empowerment on contraceptive use, Grameen Bank credit still had a positive and significant effect. This suggests that the effects of credit go beyond standard measures of empowerment, and that credit programs can weaken the patriarchal family by bringing women out of their homes, by providing them with access to resources, and by requiring them to interact with others in public.

A second indicator of women's power concerns violence against women. While Rahman (1999a, 1999b) found that Grameen Bank loans resulted in greater violence against women, Shuler *et al.* (1996) found that women who participated in the Grameen program were much less likely to be beaten by their husbands than women who lived in non-Grameen Bank villages. Interestingly, nonborrowers in Grameen Bank villages were also less likely to be beaten by their husbands. This study indicates a spillover effect of the

Bank, and suggests that both credit and the Bank's social program contribute to a reduction in domestic violence in part by making women's lives more public.

The contradictory conclusions about the effect of Grameen Bank on women's experience with domestic violence are troubling. There could be an escalation of violence against women borrowers as the result of pressure for repayment and that women borrowers experience less violence against them than nonborrowers. It is possible that there are different reasons for violence in the home and that in some cases it is alleviated by women's access to credit and in other cases it is not (see Kabeer 2001). Clearly, more attention needs to be paid to this issue to understand where the problems lie and to figure out how to deal with them.

A third indicator of empowerment concerns the ability of women to improve the health and education of their children. The previous subsection pointed to evidence of greater health for children whose mothers borrowed from the Grameen Bank. In terms of education, Grameen children were found to be well ahead of children in the control group. Eighty-one percent of boys in the Grameen group had some schooling compared with 54 percent in the control group, and for girls the difference was even greater—all girls in the Grameen group had some education, compared with 60 percent in the control group⁹ (Todd 1996). In terms of the number of years of school children completed as a percentage of the number of years they could have completed, Grameen children again fair better than children in the control group—the percentages are 62 and 44 respectively. Moreover, improved access to education for girls is expected to have a positive long-run benefit as these girls reach adulthood.

Institutional Change

A final area to consider is the extent to which the Grameen Bank has been able to change the institutions that contribute to the subordination of women. Here the Bank has done less well. It appears to have had very little effect on broad social structures that oppress women. Patrilocy, divorce practices that favor men, and the dowry system remain intact. As Todd (1996:202) writes: "There was universal agreement amongst the women in our two villages that dowry was an evil. There was also almost universal payment of it." It appears to be the most ignored of the Sixteen Decisions. Goetz and Sen Gupta (1994) also point to lack of progress in eliminating the dowry system and the unwillingness of borrowers to significantly challenge the practice of *purdah*.

Lack of progress in eliminating the dowry system has implications for the education of girls. Although younger mothers are more supportive of

education for their daughters than older mothers, the dowry system constrains the amount of education girls receive because higher education requires a larger dowry for a “good” marriage. Todd (1996) explains why there is such a large gap between theory and practice when it comes to dowry. Grameen mothers want a better life for their daughters than they themselves have; but in rural Bangladesh this continues to mean the payment of a “good” dowry to obtain a “good” husband. This is one area where change has come very slowly despite the best efforts of the Bank.

Public places still remain off limits to women and women continue to be underrepresented in public institutions. There are some promising changes here though. For example, there is evidence of a declining incidence of child marriages. The average age at marriage of daughters of Grameen Bank borrowers was 15 years, compared with an average age of 14 years among the daughters of nonborrowers. The difference was even greater when only recent marriages were considered—the age range for Grameen daughters was 16–19 years (Todd 1996). There is also evidence that Grameen Bank borrowers have succeeded in defining “purdah” more flexibly—expanding the concept of “inside” to include their Grameen Bank activities. Just by requiring their presence in public places, the Bank has increased women’s visibility (Todd 1996:30–36).

Many feminists are critical of Western judgments about what constitutes desirable social and institutional change (Narayan & Harding 2000), and argue that there is no vantage point from which to judge that one set of institutions is more desirable than another set. But such a perspective still allows for a somewhat positive assessment of the Grameen Bank. For example, Kabeer (2001) argues that although some women choose a stricter adherence to purdah as the result of their access to credit while other women choose to increase their movement in public spaces, this is positive because it indicates that women have more choices than before.

Finally, it is important to remember that social change occurs slowly and radical social change is disruptive. Most women express a desire to improve their lives within the context of existing social institutions such as the family (Bernasek 1992). The Grameen Bank allows them to do that to a large extent, but it also supports them in challenging the social institutions that they themselves want to change. As with poverty alleviation, it seems unlikely that the Grameen Bank alone will lead to major long-run changes even though the Bank has helped to make significant short-term advances.

CONCLUSIONS

The Grameen Bank has clearly improved the well-being of many of its women borrowers and their families. Grameen women have higher incomes,

their families are less likely to live in poverty, the quality of their homes has improved, their nutritional status and maternal care have improved, they have access to better sanitation and clean drinking water, their children have greater access to education, they are more likely to consult private doctors in the event of illness, and their ownership and control of income and wealth (in particular land) has increased.

The evidence also indicates, but less definitely, that women's social status and their empowerment within the family have improved due to Grameen lending. As women's make greater financial contributions to the family, they exercise more power in household decision-making, and they have more control over important areas of their lives (contraceptive use and fertility decisions, ownership of land and homes). The effect on family violence, however, is less clear and should be monitored.

Examining the social institutions that contribute to women's low social status, the evidence shows little change as a result of the Grameen Bank. There is some evidence of a decline in the incidence of child marriage and a more flexible interpretation of *purdah*, but patriarchy and the dowry system remain firmly in place. Grameen borrowers admit that they would like to see an end to dowries, but they know that if they want good husbands for their daughters, payment of a good dowry continues to be necessary. Similarly, women's political participation and political consciousness have changed very little. And Grameen Bank lending appears to have had no significant effect on women's voting behavior in local and national elections (Mizan 1994).

The impact of the Grameen Bank needs to be evaluated in the context of development economics as well as in terms of its ability to improve the lives of women. The older, growth-oriented approach to poverty alleviation in development has been top-down and indirect; it assumed that economic growth will best help the poor. This approach depends on creating a sufficiently large number of wage labor opportunities to productively employ the large poor population in developing countries. In most poor countries this approach has not met with much success.

In contrast, the Grameen Bank's approach to poverty alleviation represents a radical departure from the traditional development approach, and is reminiscent of the strategy advocated by E.F. Schumacher (1973). It has provided the poor with direct access to small amounts of credit in order to increase their earnings from productive self-employment activities. The slow, but sustainable, reductions in poverty resulting from Grameen Bank lending compares favorably with the rising poverty resulting from the traditional approach to development (World Bank, 1990).

The Grameen Bank has demonstrated the benefits of providing resources directly to women—particularly for themselves and for their children.

The broader lesson of the Grameen Bank is that providing microcredit to poor has great potential for improving women's socioeconomic status, increasing their empowerment, and lifting their families out of poverty. However, it remains true that whether or not women can respond to these new opportunities depends on the structural and cultural constraints they face.

Microcredit, following the Grameen model, is not a panacea. But in conjunction with a broader set of progressive social and economic policies, microcredit can improve the lives of poor women and children in the short run; and it can contribute to more significant social, economic and political change in the long run.

ENDNOTES

1. The index measures gender differences in life expectancy at birth, adult literacy, combined primary, tertiary and secondary school enrolment and GDP per capita. In 1998 the value was 0.441.
2. Mizan (1994) presents the best summary of the ways that structural and cultural factors hinder Bangladeshi women's ability to realize their potential in income earning and family decision making.
3. Wealth also has an indirect effect on status since norms and customs are typically costly to satisfy, and wealthy families are in a better position to pay those costs.
4. Loan size and interest rates are in nominal terms. Inflation rates in Bangladesh over the period 1992–1999 ranged from a low of 3.1 percent to a high of 8 percent. In 1999 the inflation rate was 7.2 percent (IMF, *World Economic Outlook*, May 2000: 219). Average loan size and the interest rate on loans both rose in the mid 1990's from \$70US and 16 percent, respectively.
5. The Sixteen Decisions are: 1) The four principles of Grameen Bank—discipline, unity, courage, and hard work—we shall follow and advance in all walks of our lives; 2) We shall bring prosperity to our families; 3) We shall not live in dilapidated houses. We shall repair our households and work towards construction new household as soon as possible; 4) We shall grow vegetables all year round. We shall eat plenty of them and sell the surplus; 5) During the planting season, we shall plant as many seedlings as possible; 6) We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health; 7) We shall educate our children and earn enough to pay for their education; 8) We shall keep our children and the environment clean; 9) We shall build and use pit latrines; 10) We shall drink tubewell water. If it is not available, we shall boil water or use alum; 11) We shall not take any dowry in our sons weddings, neither shall we give any dowry in our daughters weddings. We shall keep the center free from the curse of dowry. We shall not practice child marriage; 12) We shall not inflict any injustice on anyone, nor shall we let anyone to do so; 13) For higher income we shall collectively undertake bigger investments; 14) We shall always be ready to help each other. If anyone is in difficulty we shall all help; 15) If we come to know of any breach of discipline in any center, we shall all go there and restore discipline; 16) We shall introduce physical exercise in all our centers. We shall take part in all social activities collectively.
6. As of June 2002, 549,592 houses were built with Grameen Bank housing loans (Grameen Bank, Statistical Update, June 2002).
7. As of June 2002, the Bank had granted loans for 14,443 village phones (Grameen Bank Statistical Update, June 2002).
8. Serious illness of a family member was experienced in the majority of cases in which households did not rise above the poverty line.

9. Male children are often taken out of school earlier than female children so female children tend to have more schooling, but few children are schooled beyond class five.

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