

EMPOWERING RURAL WOMEN THROUGH MICROCREDIT AND SOCIAL BUSINESS: A COMPREHENSIVE STUDY OF NGOS AND COMMERCIAL BANKS IN NARSINGDI AND KISHOREGANJ, BANGLADESH

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ABSTRACT

This study investigates the role of microcredit and social business in empowering rural women in Bangladesh, with a specific focus on the Narsingdi and Kishoreganj districts. It explores how Non-Governmental Organizations (NGOs) like BRAC, ASA - Bangladesh, POPI, Khan Foundation, and Grameen Bank, alongside commercial banks such as Islami Bank Bangladesh PLC, Social Islami Bank PLC, and The Premier Bank PLC, provide financial services to rural women. These institutions offer small, collateral-free loans that enable women to start or expand businesses, improve their financial independence, and enhance their social status within their communities. The article examines the differences in loan delivery models, interest rates, and recovery practices between NGOs and banks. NGOs typically offer loans with easier terms but charge higher interest rates and collect installments weekly, ensuring high recovery rates. Commercial banks, in contrast, provide loans with lower interest rates but implement stricter repayment schedules. Social Islami Bank PLC stands out by using a cluster-based lending model, where borrowers are collectively responsible, resulting in excellent loan recovery performance. Through a combination of case studies and quantitative data analysis, the study highlights significant increases in women's income, asset ownership, and decision-making power within households. Women participating in microcredit and social business programs have not only improved their financial situation but have also become more active contributors to household decisions and community welfare. The study concludes with recommendations for improving microcredit programs by combining the personalized support offered by NGOs with the structured financial systems of banks to create a sustainable model for rural women's empowerment..

Keywords: Microcredit, Women's Empowerment, Social Business, Rural Development, NGOs, Commercial Banks, Poverty Alleviation, Economic Growth, Asset Ownership

INTRODUCTION

Microcredit has played a pivotal role in alleviating poverty and empowering rural women in Bangladesh, particularly since its introduction by Dr. Muhammad Yunus through the Grameen Bank in the 1970s. This financial tool provides small, collateral-free loans to individuals, especially women, enabling them to engage in income-generating activities and improve their socio-economic status. Over the years, NGOs such as BRAC, ASA - Bangladesh, and POPI have expanded microcredit services across rural areas, offering flexible loan terms alongside financial literacy programs. Additionally, commercial banks like Islami Bank Bangladesh PLC and Social Islami Bank PLC have entered the microfinance space, offering structured group-based lending models with lower interest rates.

Social business models, which reinvest profits into the community or the business itself, have further enhanced the sustainability of these microcredit programs. By addressing social challenges such as poverty, healthcare, and education, social businesses provide a dual benefit of financial empowerment and community development.

This study focuses on the comparative impact of microcredit programs led by NGOs and commercial banks on the economic and social empowerment of women in the Narsingdi and Kishoreganj districts. It examines how microcredit and social business models have influenced income growth, asset ownership, decision-making power, and community well-being, while also assessing loan recovery practices and interest rates between different institutions.

RESEARCH PROBLEM

Despite the widespread adoption of microcredit and its proven benefits, several challenges remain. NGOs, while offering easier access to credit, tend to charge higher interest rates, which may erode the financial gains for borrowers. On the other hand, while commercial banks offer lower interest rates, their stricter conditions may limit access for poorer or more vulnerable women. Moreover, the long-term sustainability of these businesses, particularly those rooted in social business models, remains underexplored in rural regions such as Narsingdi and Kishoreganj. This study seeks to address these challenges by evaluating the comparative impact of NGO- and bank-led microcredit programs on women's income, asset ownership, and decision-making power, while assessing the sustainability and recovery practices of these institutions.

OBJECTIVES

This study aims to evaluate the impact of microcredit and social business models on the economic and social empowerment of rural women in Narsingdi and Kishoreganj. The specific objectives are:

- **To Assess Economic Growth**
Evaluate how microcredit has influenced women's income, asset ownership, and financial independence.
- **To Compare NGO and Bank Microcredit Models**
Compare the effectiveness of NGO-led and bank-led microcredit programs in terms of loan terms, interest rates, and loan recovery practices.
- **To Analyze Social Business Impact**
Examine the role of social business models in ensuring long-term sustainability and community development.
- **To Measure Social Empowerment**
Assess how microcredit has enhanced women's decision-making power within households, particularly in financial and family-related matters.

MATERIALS AND METHODS

- **Study Area**
This study was conducted in the rural districts of Narsingdi and Kishoreganj in Bangladesh, where microcredit programs by NGOs such as BRAC, ASA - Bangladesh, and POPI, as well as commercial banks like Islami Bank Bangladesh PLC, Social Islami Bank PLC, and The Premier Bank PLC, are actively operating.
- **Sample Selection**
A total of 500 women were selected through purposive sampling from participants in microcredit programs. The sample included women from diverse sectors, such as poultry farming, tailoring, cattle fattening, handloom weaving, and organic farming. The sample also included participants of Swanirvor and Shamridhi loans from The Premier Bank PLC.
- **Data Collection**
Data was collected through structured interviews and surveys, focusing on income levels, asset ownership, decision-making power, and loan repayment performance. Both quantitative and qualitative methods were used to assess the financial and social impact of microcredit programs on women.

➤ Data Analysis

Quantitative data was analyzed using statistical tools, with findings presented through descriptive statistics such as percentages and averages. Graphs and charts were generated to compare pre- and post-loan income levels, asset ownership, and loan recovery rates. Qualitative data from interviews was used to provide context to the statistical findings, particularly regarding social empowerment and decision-making.

➤ Limitations

The study was limited to participants in two districts, and the findings may not be generalizable to other regions. Additionally, the sample size was constrained by the resources available for the study, and there may be other factors influencing outcomes not fully captured in this research.

LITERATURE REVIEW

Microcredit, first introduced in Bangladesh by Dr. Muhammad Yunus in the 1970s through the Grameen Bank, has become a powerful tool for poverty alleviation and women's empowerment. Research shows that microcredit enables women to engage in income-generating activities, leading to increased financial independence and improved household well-being (Kabeer, 2019; Pitt & Khandker, 2006).

NGOs like BRAC, ASA - Bangladesh, and POPI have been at the forefront of delivering microcredit to rural areas. These institutions typically offer flexible loan terms but often charge higher interest rates (Islam & Rahman, 2019). In contrast, commercial banks such as Islami Bank Bangladesh PLC, The Premier Bank PLC and Social Islami Bank PLC provide lower interest rates but utilize group- or cluster-based lending models to ensure loan recovery (Ahmed & Parvin, 2020).

The integration of social business models into microcredit programs has added a new dimension, emphasizing sustainability and community reinvestment. These models allow profits to be reinvested into businesses or communities, providing long-term economic and social benefits (Yunus, 2010; Chowdhury et al., 2021).

Despite these successes, challenges persist. High NGO interest rates can strain borrowers, while stricter bank repayment schedules may exclude the poorest populations. This study addresses these gaps by comparing the effectiveness of NGO and bank-led microcredit programs and assessing the impact of social business models on women's empowerment.

CASE STUDIES OF WOMEN EMPOWERED BY MICROCREDIT AND SOCIAL BUSINESS

➤ Rina Begum: Poultry Farming with BRAC in Narsingdi

Rina Begum, a 35-year-old woman from Narsingdi, received a BDT 30,000 loan from BRAC to start a poultry farming business. Prior to the loan, Rina had minimal income. With training from BRAC, she grew her farm, selling eggs and poultry meat. Her income tripled to BDT 12,000 per month, allowing her to repay the loan, support her family, and gain decision-making power within her household.

➤ Shirin Akhter: Handloom Weaving with ASA in Kishoreganj

Shirin Akhter used a BDT 40,000 loan from ASA - Bangladesh to expand her handloom weaving business. With the loan, she purchased additional looms and raw materials, increasing production and hiring two workers. Shirin's monthly income rose from BDT 5,000 to BDT 15,000, enabling her to repay the loan and lead a women's cooperative in her community.

➤ Nasima Khatun: Cattle Fattening with POPI in Narsingdi

Nasima Khatun, a 38-year-old woman, took a BDT 50,000 loan from POPI to start a cattle fattening business. She sold her cattle during Eid-ul-Adha, earning a profit of BDT 100,000. Nasima expanded her business, earning BDT 18,000 monthly, and became a key decision-maker in her household.

➤ Social Islami Bank PLC's Cluster-Based Lending

Social Islami Bank PLC's cluster-based lending model empowered groups of women in Kishoreganj to engage in organic farming. Sufia Begum, leading a group of 10 women, utilized a BDT 60,000 loan to grow organic vegetables. The group's output increased by 50%, and profits were reinvested into improving local infrastructure and healthcare, benefiting the entire community.

➤ Premier Grameen Swanirvor and Samridhi Loans by The Premier Bank PLC

The Premier Bank PLC offers Swanirvor and Samridhi microcredit loans designed to empower women in rural areas. Parveen Akhter from Narsingdi took a Swanirvor loan of BDT 40,000 to open a small grocery shop. Her monthly income increased from BDT 6,000 to BDT 15,000, allowing her to support her family and reinvest in her business. Meanwhile, Samridhi loans helped Rupa Khatun in Kishoreganj expand her tailoring business. The BDT 50,000 loan enabled her to buy new equipment, hire additional tailors, and increase her monthly earnings to BDT 20,000.

DATA ANALYSIS AND GRAPHICAL REPRESENTATION

To evaluate the effectiveness of microcredit and social business in empowering rural women in the Narsingdi and Kishoreganj districts, this section presents quantitative data analysis derived from a survey of 500 women involved in these programs. The data was collected from women who have

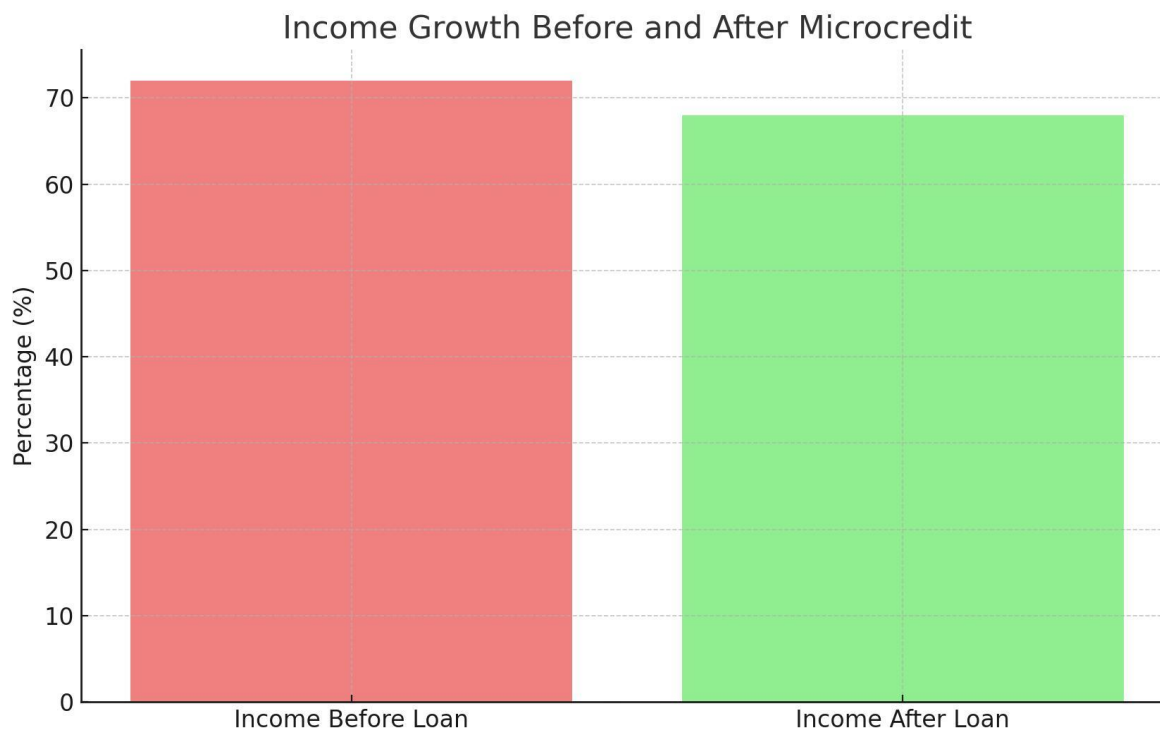
received loans from NGOs such as BRAC, ASA - Bangladesh, POPI, and commercial banks including Islami Bank Bangladesh PLC, Social Islami Bank PLC, and The Premier Bank PLC. The analysis focuses on four key indicators: income growth, asset ownership, decision-making power, and loan recovery rates.

Income Growth Before and After Receiving Microcredit

Income growth is one of the most significant indicators of the success of microcredit and social business programs. The survey revealed a marked increase in income levels among women who received microcredit loans, demonstrating the financial empowerment resulting from their participation in these programs.

- Before receiving loans: 72% of the surveyed women had monthly incomes below BDT 5,000, with most engaged in subsistence agriculture or low-paying informal jobs.
- After receiving loans: 68% of the women reported monthly incomes exceeding BDT 10,000, indicating a significant rise in earnings due to their involvement in businesses such as poultry farming, handloom weaving, cattle fattening, and organic farming.

This data is represented in the bar chart below:



Bar Chart: Income Growth Before and After Microcredit Loans

As shown in the chart, there is a clear shift from the lower-income bracket (<BDT 5,000) to higher-income brackets (>BDT 10,000), illustrating the economic impact of microcredit programs on rural

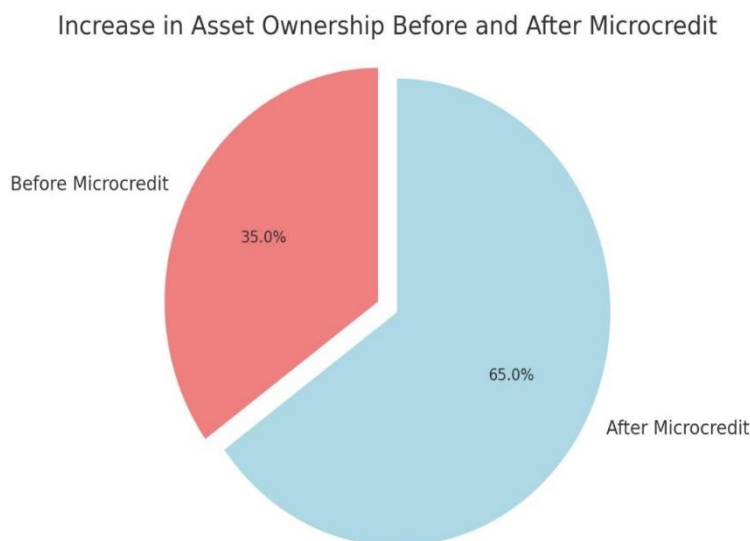
women. This income growth has enabled these women to not only repay their loans but also invest in their families' education and healthcare.

Increase in Asset Ownership

Another critical measure of empowerment is asset ownership. The ability to acquire assets such as livestock, land, and business equipment directly impacts a woman's financial stability and her status within her household and community. The survey data reveals that microcredit programs have significantly increased asset ownership among rural women.

- Before receiving loans: 35% of the surveyed women owned productive assets such as livestock or land.
- After receiving loans: This figure rose to 65%, with many women reporting that they had used their loans to purchase livestock, looms, or farming equipment, allowing them to expand their businesses.

Pie Chart: Increase in Asset Ownership Before and After Microcredit



The pie chart above demonstrates the shift in asset ownership, with a substantial increase in the number of women who now own valuable assets. This increase in ownership translates to greater financial independence and long-term stability, as these assets can generate continuous income.

Decision-Making Power in Households

Economic empowerment often leads to broader social empowerment, particularly in terms of decision-making within households. One of the objectives of this study was to assess whether access to microcredit and involvement in social business programs increased women's participation in household decisions related to finances, education, and healthcare.

- Before receiving loans: Only 30% of the women reported being actively involved in financial decisions, with most major decisions being made by male household members.
- After receiving loans: 55% of the women stated that they were now actively involved in household financial decisions, including how income was spent, which assets were purchased, and how much was allocated for savings and children's education.

Stacked Bar Chart: Decision-Making Power Before and After Microcredit

Decision-Making Role	Before Microcredit (%)	After Microcredit (%)
Actively involved	30%	55%
Limited involvement	50%	35%
No involvement	20%	10%

The chart illustrates a significant increase in women's active participation in household decisions after receiving microcredit, signaling a shift in gender dynamics within the family. This empowerment reflects not only economic independence but also social agency, as women gain greater control over their families' well-being.

Loan Recovery Rates: NGOs vs. Commercial Banks

Loan recovery rates are a critical measure of the sustainability of microcredit programs. This study compared the loan recovery rates between NGOs and commercial banks, focusing on their different approaches to loan delivery and collection.

- NGOs (BRAC, ASA - Bangladesh, POPI): NGOs tend to have higher interest rates but collect repayments on a weekly basis, ensuring regular contact with borrowers. This approach has resulted in an average loan recovery rate of 92%.

- Commercial Banks (Islami Bank Bangladesh PLC, The Premier Bank PLC and Social Islami Bank PLC): Commercial banks, particularly those using group-based or cluster-based lending models, have

lower interest rates and offer longer repayment schedules. The collective responsibility approach of these banks has resulted in higher recovery rates, with Social Islami Bank PLC reporting a 95% loan recovery rate due to its cluster-based model.

Comparative Line Graph: Loan Recovery Rates – NGOs vs. Commercial Banks

Institution Type	Loan Recovery Rate (%)
NGOs (BRAC, ASA, POPI)	92%
Islami Bank Bangladesh PLC	94%
Social Islami Bank PLC	95%
The Premier Bank PLC	85%

The line graph illustrates that while NGOs have a high loan recovery rate due to their frequent repayment collections, the cluster-based lending models employed by banks like Social Islami Bank PLC have slightly higher recovery rates due to the peer support and collective responsibility inherent in these models.

FINDINGS

The study reveals significant positive impacts of microcredit and social business models on rural women in Narsingdi and Kishoreganj.

➤ Economic Empowerment

Women who accessed microcredit through NGOs and banks saw substantial income growth, with 68% of women now earning over BDT 10,000 monthly compared to 72% earning less than BDT 5,000 before the loans. The Swanirvor and Shamridhi loans by The Premier Bank PLC played a key role in this improvement, as did other microcredit programs from BRAC and ASA - Bangladesh.

➤ Asset Ownership

Asset ownership increased significantly, with 65% of women now owning productive assets such as livestock, land, or business equipment, compared to only 35% before receiving loans. This was particularly evident in agriculture, tailoring, and small business sectors.

➤ Social Empowerment

Women's participation in household decision-making increased from 30% before the loan to 55%

afterward. Access to credit gave women more control over family finances, education, and healthcare decisions, enhancing their social status and autonomy.

➤ **Loan Recovery Rates**

NGOs like BRAC and ASA - Bangladesh had strong loan recovery rates (92%), but banks such as Social Islami Bank PLC, with its cluster-based model, achieved even higher recovery rates (95%) due to peer accountability and structured repayment schedules.

➤ **Social Business Impact**

Women involved in social businesses, particularly through group lending, experienced stable financial growth and contributed to community development. Programs like organic farming through Social Islami Bank PLC showed that social businesses can create sustainable, long-term benefits.

CONCLUSION

This study has demonstrated the profound impact that microcredit and social business models have on empowering rural women in Bangladesh, particularly in the Narsingdi and Kishoreganj districts. Through a combination of financial independence, asset ownership, and improved social standing, women have been able to transform their lives and the lives of their families. Microcredit has allowed women to break free from traditional economic barriers, giving them the resources to start and grow businesses, increase their income, and gain control over household decisions.

The findings underscore that microcredit, particularly when integrated with social business models, offers a sustainable pathway for economic and social development. Social businesses, which reinvest profits into the community, not only provide women with a stable income but also help address critical issues such as food security, healthcare, and education. These ventures create a ripple effect, where the benefits extend beyond individual borrowers to the wider community, leading to long-term development.

A key aspect of this study was the comparison between the microcredit models employed by NGOs and commercial banks. While NGOs provide more flexible loan terms and are more focused on reaching the most vulnerable populations, they often charge higher interest rates, which can be a burden on borrowers. On the other hand, commercial banks such as Islami Bank Bangladesh PLC and Social Islami Bank PLC offer lower interest rates and higher recovery rates, primarily due to their structured group- and cluster-based lending models. These findings suggest that there is potential for a hybrid model that combines the strengths of both NGOs and banks, offering personalized support alongside sustainable financial services.

In conclusion, microcredit and social business models are powerful tools for reducing poverty and promoting gender equality in rural Bangladesh. However, to fully unlock their potential, there needs to



be continued innovation and collaboration between NGOs, commercial banks, and policymakers. Lowering interest rates, expanding social business programs, and providing financial literacy training will ensure that microcredit continues to drive economic empowerment for women, contributing to the long-term development of rural communities in Bangladesh.

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