

## The Impact of Microcredit on the Socio-Economic Status of Female-Headed Low-Income Households in Bangladesh: A Mixed-Methods Study

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ARTICLE INFORMATION	ABSTRACT
<p><b>Article history:</b></p> <hr/> <p><b>Keywords:</b>            Microcredit            Women's Empowerment            Socio-Economic Development            Poverty Alleviation            Financial Inclusion            Bangladesh, Mixed-Methods            Research</p>	<p>This study investigates the multi-dimensional impact of microcredit on the socio-economic status of female-headed low-income households in Bangladesh, examining its role in economic upliftment, women's empowerment, and the structural challenges that mediate outcomes. The study utilized concurrent mixed-methods design. Place and Duration of Study: The study was conducted remotely with participants across Bangladesh, with primary data collection. Methodology: The research integrated quantitative survey data from 50 female microcredit borrowers who head low-income households with qualitative insights from 15 semi-structured interviews. A systematic review of secondary literature provided contextual depth. Quantitative data were analyzed using descriptive statistics and linear regression in SPSS, while qualitative data underwent thematic analysis using NVivo. Quantitative findings reveal strong associations between microcredit participation and enhanced household income (72% of respondents), business creation/expansion, and improved savings. Qualitative narratives highlight increased decision-making autonomy, investment in children's education and healthcare, and strengthened social capital. However, significant impediments were identified: high effective interest rates, income volatility, a critical lack of financial literacy and post-disbursement support (noted by 52% of respondents), and persistent socio-cultural gender barriers. Regression analysis indicated a weak, statistically non-significant relationship (Multiple R = 0.125, P &gt; .05) between microcredit access and self-reported quality-of-life enhancement. While microcredit is a vital tool for economic activity and social connectivity, its standalone efficacy for holistic socio-economic transformation is limited. Sustainable empowerment requires an integrated, client-centric approach combining flexible financial products, embedded financial education, gender-sensitive design, and linkages to broader social services.</p>

### 1. Introduction

The global microfinance movement, with its epicenter in Bangladesh, has fundamentally reshaped development discourse over the past five decades. Conceptualized as a tool for "banking the unbanked," microcredit—the provision of small, collateral-free loans to the economically active poor—promised not just financial access but a pathway out of poverty, particularly for women (Yunus, 2007). In Bangladesh, pioneered by institutions like the Grameen Bank and a vast network of Non-Governmental Organizations (NGOs), microcredit has evolved into a formidable sector. Recent data underscore its scale: the sector experienced a 26% credit growth in FY23, with a portfolio exceeding Tk. 249,000 crore, serving over 739 MFIs with 23,543 branches (Tribune Desk, 2023; Jalal, 2023). Notably, women constitute approximately 91% of borrowers, positioning microcredit as a primary engine for women's financial inclusion in the country.

The rationale for targeting women is deeply embedded in both pragmatic and transformative logic. Pragmatically, women are seen as more reliable borrowers with higher repayment rates and a stronger propensity to invest loans in family welfare (Khandker, 2005). Transformatively, access to capital is theorized to catalyze a shift in women's socio-economic status, enhancing their

income-earning capacity, decision-making power within households, and social standing within communities, thereby challenging entrenched patriarchal structures (Kabeer, 2001; Pitt et al., 2006).

Despite its celebrated status and expansive reach, the impact of microcredit remains a subject of vigorous academic and policy debate. While a substantial body of literature documents positive outcomes in terms of income smoothing, asset accumulation, and subjective empowerment (e.g., Khandker & Samad, 2016; Banerjee et al., 2015), a critical counter-narrative highlights limitations and unintended consequences. Critics point to issues of over-indebtedness due to high-interest rates and coercive repayment practices (Bateman & Chang, 2012), the marginal profitability of financed micro-enterprises (Banerjee et al., 2015), and the potential for reinforcing gendered burdens without fundamentally altering power dynamics (Karim, 2011; Mayoux, 2018). Much of this debate, however, revolves around aggregate or household-level impacts, with fewer studies offering a granular, nuanced understanding of the experiences of one of the most targeted yet vulnerable demographics: female-headed, low-income households. These households, often bearing the dual burden of poverty and gender-based constraints, represent a critical litmus test for microcredit's empowerment claims.

This study addresses this gap by asking: What is the lived impact of microcredit on the socio-economic fabric of female-headed low-income households in Bangladesh? It moves beyond a singular metric of success to explore a triad of interconnected research questions: In what ways does microcredit shape income-generation activities for these households? Which socio-economic factors (e.g., education, health, assets, social capital) are most significantly affected, and how are these effects manifested? What are the principal challenges and enablers these households face in accessing and managing microcredit, and how do these factors mediate final outcomes? By employing a mixed-methods methodology, this paper seeks to provide a holistic, evidence-based analysis that captures both the measurable economic changes and the qualitative, experiential dimensions of change. The findings aim to contribute to a more refined understanding of microcredit's role and inform the design of more effective, equitable, and empowering financial inclusion policies in Bangladesh and similar contexts.

## 2. Methodology

To address the multi-faceted research questions, this study adopted a pragmatist research philosophy and a concurrent mixed-methods design (Creswell & Plano Clark, 2017). This approach allows for the integration of quantitative breadth with qualitative depth, providing a more comprehensive understanding than either method alone.

### 2.1 Research Design and Data Collection

The study was conducted over a cross-sectional time horizon.

#### 2.1.1 Quantitative Component

A structured survey was administered online via Google Forms to a purposive sample of 50 female microcredit borrowers who were heads of their households and classified as low-income. The survey instrument captured data on demographics, loan history, changes in income and assets, savings behavior, household expenditures, and perceptions of empowerment and challenges. Descriptive and inferential statistics were used for analysis.

#### 2.1.2 Qualitative Component

Semi-structured interviews were conducted with 15 participants purposefully selected from the survey pool to represent diversity in loan duration, business type, and geographic location. Interviews, conducted in Bangla and later transcribed and translated, explored lived experiences, decision-making processes, coping strategies for repayment, and perceived social changes. This data was analyzed using thematic analysis (Braun & Clarke, 2006).

#### 2.1.3 Secondary Component

A systematic literature review following the PRISMA framework (Page et al., 2021) was conducted to contextualize primary findings within the broader academic discourse. Peer-reviewed articles, institutional reports, and national statistics from 2000-2024 were analyzed.

## 2.2 Data Analysis

### 2.2.1 Quantitative Analysis

Survey data were analyzed using SPSS. Descriptive statistics summarized participant characteristics and key variables. Graphical analysis illustrated trends in perceptions. A simple linear regression was performed to explore the relationship between microcredit access (independent variable: enhanced ability to meet financial emergencies) and a key outcome (dependent variable: enhancement in quality of life).

### 2.2.2 Qualitative Analysis

Interview transcripts were coded inductively and deductively using NVivo software. Initial codes were grouped into themes such as "Business Initiation as Empowerment," "The Burden of Repayment," and "Negotiating Social Space."

### 2.2.3 Integration

Findings from both strands were integrated during the interpretation phase, where quantitative patterns were explained and enriched by qualitative narratives, following a "threading" approach (Creswell & Plano Clark, 2017).

### 2.3 Ethical Considerations & Limitations

Informed consent was obtained from all participants. Anonymity and confidentiality were strictly maintained. Participants were informed of their right to withdraw at any time. The study's limitations include its relatively small, non-random sample, which limits generalizability, and its cross-sectional nature, which cannot establish causality. Potential for social desirability bias in responses is acknowledged.

## 3. Results and Discussion

### 3.1 Socio-Demographic Profile of Respondents

The 50 survey respondents had an average age of 38 years. All were engaged in informal sector activities, primarily small-scale retail (32%), home-based tailoring (28%), livestock/poultry rearing (20%), and food processing (12%). The average loan size was Tk. 45,000, with an average loan tenure of 18 months.

### 3.2 Economic Impacts: Income, Enterprise, and Stability

The quantitative data strongly supports microcredit's role in facilitating economic activity. A significant majority (72%) reported an increase in household income post-loan. This was qualitatively elaborated as stemming from two main pathways: Business Start-up: For 40% of interviewees, the loan provided the essential seed capital to start a first enterprise. As one participant stated, "With the 30,000 taka, I bought a sewing machine and cloth. Now I stitch clothes for the neighborhood. It's not a lot, but it's my own money." Business Expansion: Another 32% used the loan to scale existing ventures. "I had a small tea stall. The loan let me buy a fridge to sell cold drinks. My sales increased by half," explained another borrower. The survey indicated improved financial resilience: 64% agreed their ability to meet regular household needs had improved, and 58% reported being better able to handle small financial emergencies. Furthermore, 55% noted an increase in their household savings rate.

### 3.3 Social and Empowerment Outcomes: A Nuanced Picture

Impacts extended beyond economics. On empowerment, 68% of survey respondents reported having a "greater say" in household financial decisions. Qualitatively, this often related to expenditures on children. "Before, I had to ask my brother-in-law for every taka for my son's school books. Now I manage it myself from my shop's earnings. I feel respected," shared one widow. Investments in human capital were evident. Over 60% of respondents reported increased spending on their children's education (uniforms, tutoring, fees) and family healthcare. The loan itself was sometimes used directly for human capital: "I took a second loan specifically to pay for my daughter's college admission fees. It is an investment." The social capital fostered by the mandatory weekly or bi-weekly group meetings was a recurring theme. Women described these meetings as spaces for mutual support, information exchange (on market prices, health issues), and solidarity. "We are five sisters in our group. If someone is sick, we collect a small amount to help. We also discuss our problems. It feels like we are not alone."

### 3.4 The Mediating Challenges: Constraints on Empowerment

Despite these positive trends, the study uncovered profound challenges that mediate and often dampen microcredit's benefits. The Burden of High-Cost Credit: This was the most significant barrier. While 52% of survey respondents considered interest rates "fair," qualitative interviews revealed a more complex reality. The effective annual interest rates (including fees) were often poorly understood but perceived as burdensome. "The weekly payment is fixed, rain or shine. Some weeks, after paying the installment, there is almost nothing left for food. We eat simpler meals those days." The regression analysis yielded a non-significant result (Multiple R = 0.125, P > .05), suggesting that the stress of high-frequency repayments may offset the perceived quality-of-life benefits from increased crisis resilience. Income Volatility and Repayment Stress: For those in agriculture or seasonal trade, income was highly irregular. "In the mango season, I have money. But for three months, sales are very low. Repaying the same amount every week is a constant worry," said a fruit vendor. Unexpected expenses, like illness, often forced borrowers into distressing dilemmas between repaying the loan and caring for family. Critical Gap in Support Services: A staggering 52% of survey respondents stated they received no training or business support from their MFI. This lack of financial and entrepreneurial literacy was a key theme. "They gave me the money and told me the repayment schedule. No one asked what I would do with it or how to run a business better." This gap leads to sub-optimal loan utilization and vulnerability to business failure. Persistent Gender and Social Barriers: While microcredit provided economic agency, it did not automatically dismantle patriarchy. Several women spoke of male relatives pressuring them to hand over loan proceeds or take loans on the men's behalf. Furthermore, their increased economic role sometimes led to social censure. "People in the village say I am neglecting my home because I go to the market. They say a woman's place is inside."

### 3.5 Discussion

This study confirms that microcredit acts as a significant, though not unproblematic, lever for socio-economic change for female-headed households in Bangladesh. The findings align with the "virtuous spiral" narrative in demonstrating tangible gains in income, asset creation, human capital investment, and subjective empowerment (Khandker & Samad, 2016; Pitt et al., 2006). The role of microcredit in providing a platform for social capital formation among marginalized women is a particularly salient and positive finding, echoing the work of Amin et al. (1998). However, the findings equally resonate with and amplify the critical perspectives in the literature. The pervasive challenge of high-cost credit and repayment pressure substantiates the warnings of Bateman and Chang (2012) about the potential for microdebt. The weak statistical link between credit access and quality-of-life improvement in our regression model is telling; it suggests that the net benefit may be precarious, easily eroded by the financial

strain of repayment. This moves the debate beyond a simple “pros vs. cons” dichotomy to a more nuanced understanding of trade-offs and conditionalities.

The most striking finding, however, is the glaring disconnect between financial provision and capacity development. The near-total absence of tailored training and support reported by our participants points to a systemic failure in the prevailing microcredit model. It treats poverty as merely a lack of capital, neglecting the equally critical deficits in skills, knowledge, and market access (Bateman & Chang, 2012). This “credit-only” approach arguably sets up vulnerable borrowers for failure, as they navigate competitive informal markets without the necessary tools. Furthermore, the persistence of gendered constraints confirms that economic interventions alone cannot reconfigure deep-seated social norms (Karim, 2011; Mayoux, 2018). Empowerment is a fragmented and contested process. While women gain economic agency, they may simultaneously face increased workloads and social criticism, a phenomenon described as “empowerment’s shadow.” Therefore, this study argues that the impact of microcredit is profoundly mediated by the institutional ecosystem in which it is delivered and the social context in which it is received. For female-headed households, microcredit is not a magic bullet but a double-edged sword: a vital source of capital and social connection that also carries significant risks of stress and indebtedness in the absence of adequate safeguards and support.

#### 4. Conclusion

This research affirms that microcredit continues to play a crucial, albeit complex, role in the livelihoods of female-headed low-income households in Bangladesh. It is a powerful enabler of entrepreneurship, income security, and social connectivity. However, its potential to generate sustainable, transformative empowerment is severely curtailed by structural flaws in its delivery—principally high costs, rigid repayment structures, a lack of non-financial services, and insensitivity to gendered realities. To move from a model of financial access to one of genuine socio-economic inclusion, an integrated, client-centric approach is necessary.

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