

Effects of Microcredit on Socio-Economic Development Indicators: A Study of Ansar-VDP Unnayan Bank Beneficiaries in Bangladesh

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<p>Abstract: <i>Introduction:</i> Bangladesh, a pioneer in microfinance since the 1980s, leads the world in microfinance operations aimed at low-income individuals, often women, in informal businesses. Despite its widespread use for development, the full impact of microfinance on socio-economic indicators remains unclear. This study aims to analyze this influence. <i>Research Question:</i> Despite decades of microfinance for development and poverty reduction, the extent of its impact remains unclear. While many researchers acknowledge microcredit as a tool for socio-economic development, others remain sceptical. This study aims to analyze the influence of microcredit on socio-economic development indicators. <i>Methodology:</i> The researcher compiled a comprehensive list of relevant indicators through a literature review. They then investigated which indicators are most impacted by microcredit, aiming to develop practical strategies to maximize the effectiveness of microcredit programs. Ansar-VDP Unnayan Bank, the sole government-owned bank dedicated to poverty alleviation through microcredit, was chosen as the study site. With a target population of 5.6 million, primarily living below the poverty line, Ansar-VDP Bank serves a significant portion of Bangladesh's impoverished population. <i>Data Collection:</i> Data collection involved structured and semi-structured questionnaires administered by trained bank managers. <i>Results:</i> The study found that microcredit impacts all analyzed indicators, with significant effects on calorie intake and income levels. While other indicators may be influenced, the impact was less pronounced. These findings suggest that microfinance practitioners should prioritize key indicators to achieve the desired outcomes, as positive change in these key areas can potentially influence other indicators.</p>	<p>Research Paper</p>
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INTRODUCTION

Microcredit, a system of small loans and financial services, has garnered worldwide attention as a poverty reduction tool originating in Bangladesh [1]. Bangladesh, a pioneer in microfinance since the 1980s, has utilized microcredit programs to empower low-income individuals, particularly women in informal businesses. However, the full impact of microcredit on various socio-economic indicators remains a topic of debate, especially in developing countries [2]. This study investigates the effects of microcredit provided by Ansar-VDP Unnayan Bank on socio-economic development indicators in Bangladesh. Ansar-VDP Unnayan Bank, a government-owned bank dedicated to

alleviating poverty through microcredit, serves a significant portion of Bangladesh's low-income population, including members of the Ansar & VDP organization.

Researchers acknowledge microcredit's potential to impact socio-economic development, but the extent of this impact varies. This study aims to identify which key socio-economic indicators are most affected by such programs, specifically focusing on Ansar-VDP Unnayan Bank beneficiaries in Bangladesh. By doing so, this research aims to contribute valuable insights for maximizing the effectiveness of microcredit initiatives in promoting socio-economic development [3]. The following sections will delve into the methodologies

employed, data collection strategies, analysis conducted, and the resulting findings [4, 5]. Ultimately, the research culminates in conclusions that address the central research question and verify the hypothesis.

OBJECTIVE

The primary objective of this study is to analyze the impact of microcredit provided by Ansar-VDP Unnayan Bank on key socio-economic development indicators among its beneficiaries in Bangladesh.

LITERATURE REVIEW

Bangladesh's Microfinance Landscape

Bangladesh has long been recognized as a pioneer in the microfinance movement, with organizations like Grameen Bank and BRAC leading the way in providing small loans to low-income individuals, particularly women, to support income-generating activities and promote financial inclusion. The success of these initiatives in Bangladesh has inspired similar microfinance programs worldwide, aimed at empowering marginalized communities and alleviating poverty.

However, despite the widespread adoption of microcredit as a development tool, debates persist regarding its true impact on various socio-economic indicators. While some studies highlight positive effects on income levels, entrepreneurship, and women's empowerment, others question the long-term sustainability and unintended consequences of microcredit programs.

Ansar & VDP: A Unique Context for Microcredit

To understand the beneficiaries of Ansar-VDP Unnayan Bank, a government-owned microfinance institution, it is essential to explore the context of the Bangladesh Ansar & VDP organization. Established with a vision of "peace, security, and development," this organization plays a crucial role in both rural security and socio-economic development initiatives.

I. The Ansar & VDP Comprises Three Main Components: The Ansar Bahini (a volunteer force assisting with law and order), Battalion Ansar (specialized units for security support and disaster management), and the Village Defence Party (VDP), which focuses on promoting socio-economic development and maintaining law and order in rural areas. Ansar-VDP Unnayan Bank was established in 1996 specifically to address poverty among the members of this organization through the provision of microcredit. Its mission is to alleviate poverty, improve living standards through income-generating activities, and contribute to the national economy.

Strategies and Goals of Ansar-VDP Unnayan Bank

To achieve its objectives, Ansar-VDP Unnayan Bank has implemented several strategies, including branch expansion, diversification of loan products, business portfolio growth, sound financial management,

efficient manpower utilization, and a commitment to transparency and accountability. The bank's goals are multifaceted, encompassing the expansion of loan coverage to reach more Ansar & VDP members, increasing profitability, sharing profits with shareholders, and achieving financial self-sufficiency.

By targeting a specific population with deep ties to rural development and security initiatives, Ansar-VDP Unnayan Bank presents a unique opportunity to study the impact of microcredit on socio-economic indicators within this context. This broadened literature review provides a comprehensive understanding of Bangladesh's microfinance landscape, the unique role of the Ansar & VDP organization, and the specific goals and strategies of Ansar-VDP Unnayan Bank in utilizing microcredit as a tool for socio-economic development.

METHODOLOGY

Research Problem Topic Area

Selecting a compelling research topic is crucial, as it needs to hold the researcher's interest throughout the study. Therefore, this research investigates:

The impact of microcredit on socio-economic development indicators among beneficiaries of Ansar-VDP Unnayan Bank in Bangladesh.

Research Question

The initial stage in the research process involves identifying the study problem or question [6]. The researcher identifies the study topic based on the concept. Exploring the relationship between the impact of microcredit and indicators of socio-economic development.

Research Hypothesis

This study investigates whether the impact of microcredit provided by Ansar-VDP Unnayan Bank on socio-economic development indicators in Bangladesh is mediated by the borrower's gender, specifically with women experiencing a larger positive impact compared to men. This hypothesis aligns with the title by focusing on Ansar-VDP Unnayan Bank and socio-economic development indicators. It also incorporates the concept of varying impact based on borrower characteristics, drawing from Jha *et al.*, who suggest other factors mediate microcredit's effects [7]. Since Ansar-VDP Unnayan Bank often empowers women, focusing on gender as a mediating factor offers a relevant and interesting angle for your research.

Research Philosophy

Philosophy is the process of critically analyzing the reasons behind fundamental beliefs and examining the underlying concepts used to convey those beliefs, according to the Encyclopedia Britannica. In addition, Collier poses the inquiry of 'why philosophy' and proceeds to provide an answer:

"One of the main reasons for choosing philosophy is that the only alternative to philosophy is not the absence of philosophy, but

rather the presence of poor-quality philosophy. An individual who is considered "unphilosophical" yet possesses an unconscious philosophy that influences their actions, whether in the fields of science, politics, or daily life." (Collier, 2017:24)

Philosophy encompasses the study of knowledge and its fundamental essence. The research

philosophy encompasses fundamental beliefs on the researcher's perspective on the world, referred to as the Worldview by Oliveira *et al.*, presents four worldviews: Post positivism, Constructivism, Advocacy & Participatory, and Pragmatism (Table 1) [8]. However, it is important to note that these categories should not be seen as strict classifications, but rather as organizing frameworks to help understand different perspectives.

Table 1: Four Worldviews Used in Research

Post positivism	Constructivism	Advocacy & participatory	Pragmatism
Determination	Understandings	Political	Consequences of actions
Reductionism	Multiple participant meanings	Empowerment and issue-oriented	Problem entered
Empirical observation and measurement	Social and historical construction	Collaborative	Pluralistic
Theory verification	Theory generation	Change oriented	Real-world practice-oriented

Source: Creswell and Piano Clark (2007) adopted from Creswell (2003)

This research will use a mix of methods to understand how microcredit affects social and economic well-being. This flexible approach recognizes the issue's complexity by considering both numerical data and in-depth descriptions [9]. The study starts by gathering qualitative information through interviews or group discussions. This aligns with a research viewpoint that stresses observing and measuring [10]. This initial stage can help sharpen the research questions and create a survey for collecting numerical data. Finally, statistical analysis of the numerical data will reveal broader patterns and connections between microcredit and social and economic indicators [11].

Research Approach

This study adopts a deductive approach to investigate the impact of microcredit on socio-economic development indicators. This approach starts with established theories about microcredit and poverty alleviation [12]. Based on these theories, the research will develop a hypothesis that predicts a specific relationship between microcredit and key socio-economic indicators. This hypothesis will then be tested through quantitative data collection and analysis [13]. The deductive approach allows for generalizable findings that contribute to existing knowledge on microcredit's effectiveness.

Time Horizon

This study employs a cross-sectional research design, collecting data at a single point in time [14]. This approach is suitable given the research objective of understanding the current impact of microcredit on socio-economic development indicators. While a longitudinal study tracking participants over time might offer valuable insights into long-term effects, time constraints make a cross-sectional design more feasible for this investigation [15].

Research Methods

This study utilizes a mixed methods approach, combining qualitative and quantitative data collection and analysis techniques [16]. This approach is particularly suited to investigate the complex relationship between microcredit and socio-economic development indicators. Qualitative data, such as interviews or focus groups, can provide in-depth insights into beneficiaries' experiences and perspectives on microcredit's impact [17]. Quantitative data gathered through surveys or administrative records, allows for broader generalizations and identification of trends. By integrating both qualitative and quantitative data, this mixed methods approach offers a more comprehensive understanding of the research question.

Why Mixed Methods Research Technique Has Been Adopted?

This study adopts a mixed methods approach, combining qualitative and quantitative data collection and analysis [18]. This approach is particularly well-suited to explore the complex relationship between microcredit and socio-economic development.

Strengths of Mixed Methods:

- **Comprehensive Understanding:** Mixed methods provide a more complete picture by gathering both in-depth qualitative data (e.g., interviews, focus groups) and broader quantitative data (e.g., surveys, administrative records) [19]. Qualitative data can illuminate beneficiaries' experiences and perspectives on microcredit's impact, while quantitative data can identify trends and broader effects.
- **Triangulation:** By integrating both types of data, mixed methods research allows for triangulation, which strengthens the validity of findings by

identifying convergence or divergence between qualitative and quantitative results [20].

Addressing Challenges:

While mixed methods research can be time-consuming and require careful planning Steinmetz-Wood *et al.*, the benefits of a more comprehensive understanding of the research question outweigh these potential challenges [21].

RESULTS

The results chapter will present the findings from the data analysis. This analysis aims to:

- Describe the sample characteristics, including response rates and participant demographics.
- Examine the impact of microcredit on socio-economic development indicators. This section will explore whether microcredit has a

statistically significant effect on these indicators.

- Investigate the variation in the impact of microcredit across different indicators. This analysis will identify which indicators are most influenced by microcredit participation.

By presenting the findings in a clear and organized manner, the results chapter will contribute to a deeper understanding of the relationship between microcredit and socio-economic development. A survey was conducted using 115 questionnaires distributed to bank managers in four districts of Dhaka. The managers directly administered the surveys to respondents and completed the questionnaires based on the provided information. While all 115 questionnaires were returned, 15 were excluded due to not meeting the criteria for valid responses.

Table 2: Analysis of Response Rate

Distributed Questionnaire	Error		Valid Questionnaire	Response Rate (%)
	Errors	Partially Filled up		
115	3	32	80	69.50%

The response rate of the survey was 69.50 per cent, which seems to be high, but expected by the researcher as the well-trained Managers of the Bank administered the data collection task by themselves.

Survey Respondent Demographics

While the survey aimed at respondents from various socio-economic backgrounds, including factors

like age, literacy, and poverty level, the data from Figure 1 shows a different reality. The largest age group of respondents is concentrated in the 39-45-year-old range, representing 29% of participants. In contrast, the 60+ age group has the fewest respondents at only 2%. This suggests the survey may not have captured data as evenly from all targeted demographics as initially intended.

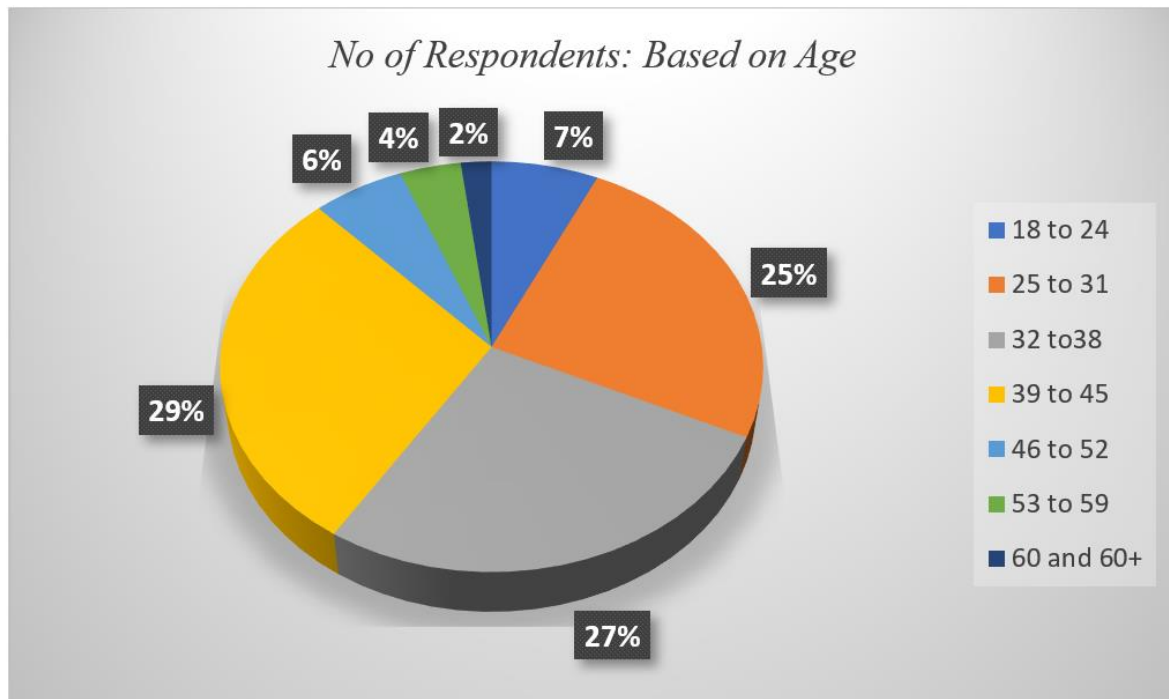


Figure 1: Analysis of Respondents in Terms of Age

Figure 2 reveals a potential limitation in the survey data: literacy levels. Over half (54%) of respondents appear to have basic literacy skills only, meaning they can read and write at a foundational level.

A significantly smaller proportion, around 7%, possess literacy exceeding secondary education. This concentration of respondents with lower literacy skills might influence the overall results of the survey.

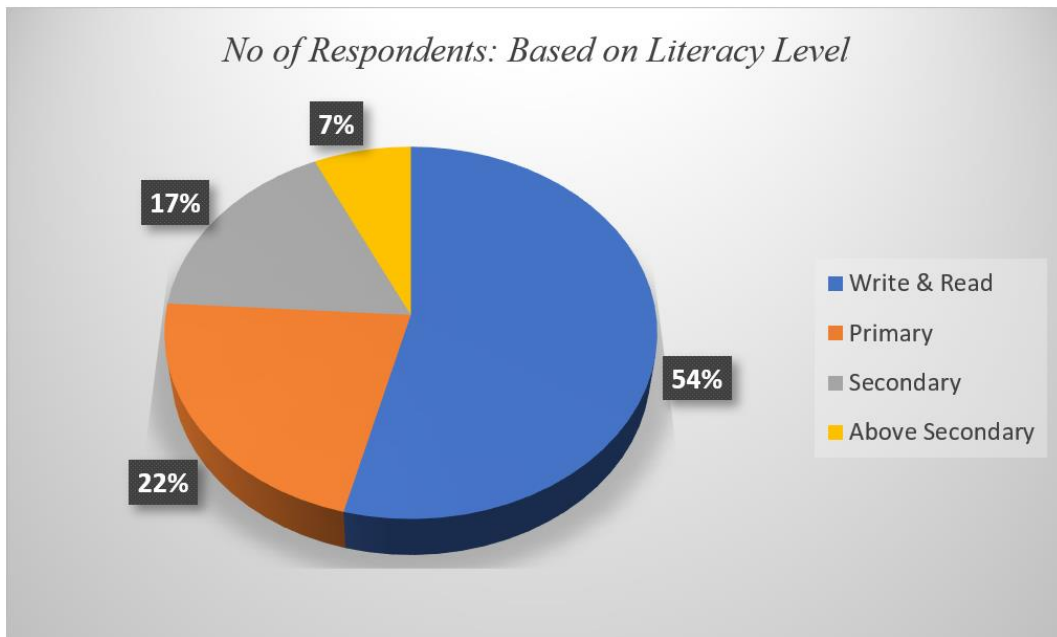


Figure 2: Analysis of Respondents in Terms of Literacy Level

Figure 3 illustrates the high poverty rate among respondents. A substantial majority (69%) falls under the

poverty category, while only 31% represent non-poor households.

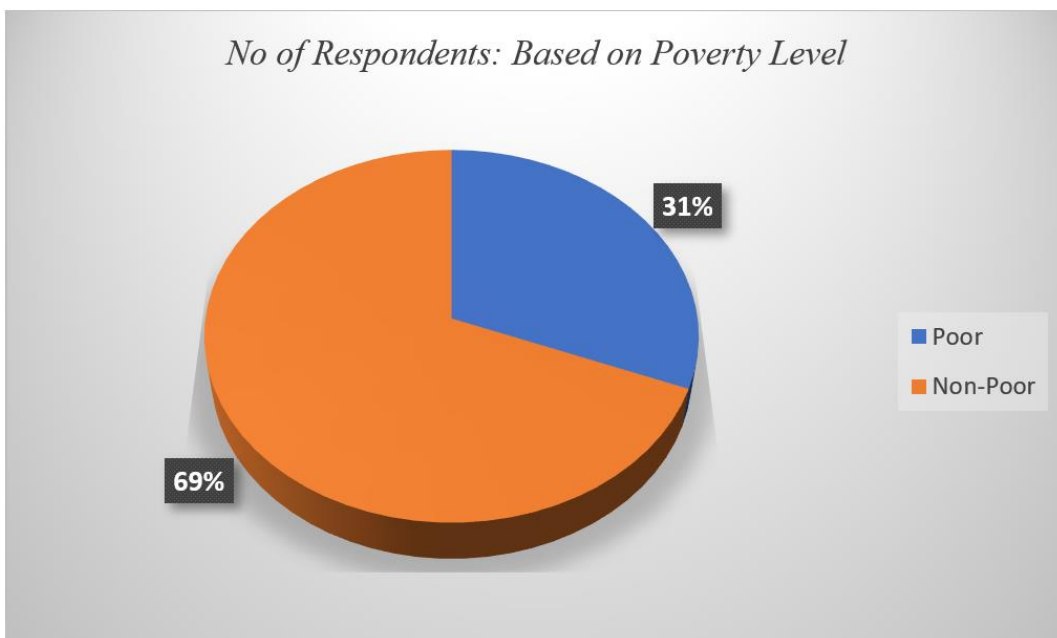


Figure 3: Analysis of Respondents in Terms of Poverty Level

Impact of Microcredit on Socioeconomic Indicators: Calorie Intake

We begin by examining how microcredit affects calorie intake, a key indicator of dietary well-being. Figure 4 shows a difference in average calorie consumption between beneficiaries and non-

beneficiaries. Beneficiaries consume 5 units more on average compared to the 2-unit average of non-beneficiaries. This data suggests a potential link between microcredit and increased calorie intake, though further investigation is needed to determine the cause (e.g., dietary changes, access to food).

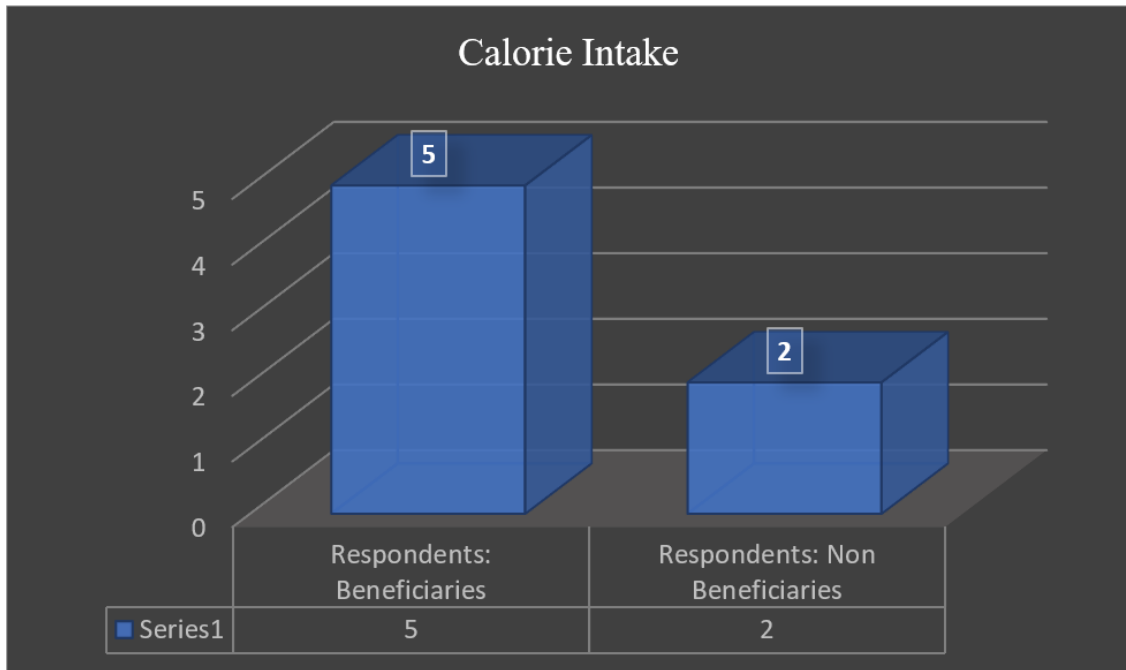


Figure 4: Calorie Intake

Impact of Microcredit on Socioeconomic Indicators: Income Level

Building on the previous analysis, let's examine income level as another socioeconomic indicator. Figure 5 depicts a similar pattern to calorie intake. The average

income of microcredit beneficiaries (5 units) is demonstrably higher compared to non-beneficiaries (2 units). This suggests a potential positive influence of microcredit on income generation.

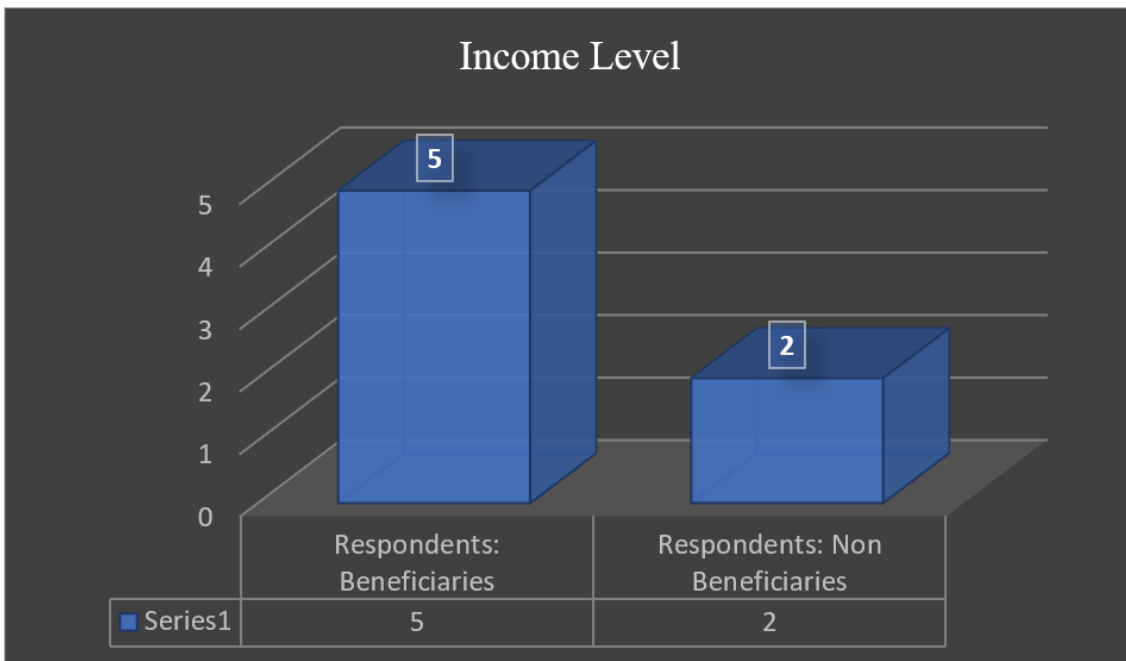


Figure 5: Income Level

Impact of Micro-Credit on Indicators of Socio-economic Development: Sanitation Facility

The chart (Figure 6) shows that the average level of awareness of sanitation facilities of Beneficiaries is 4 which is 2 for non-beneficiaries. Therefore, the

impact of Credit support in the development of awareness of sanitation facilities is visible, however, the impact is not so significant like income level and calorie intake.

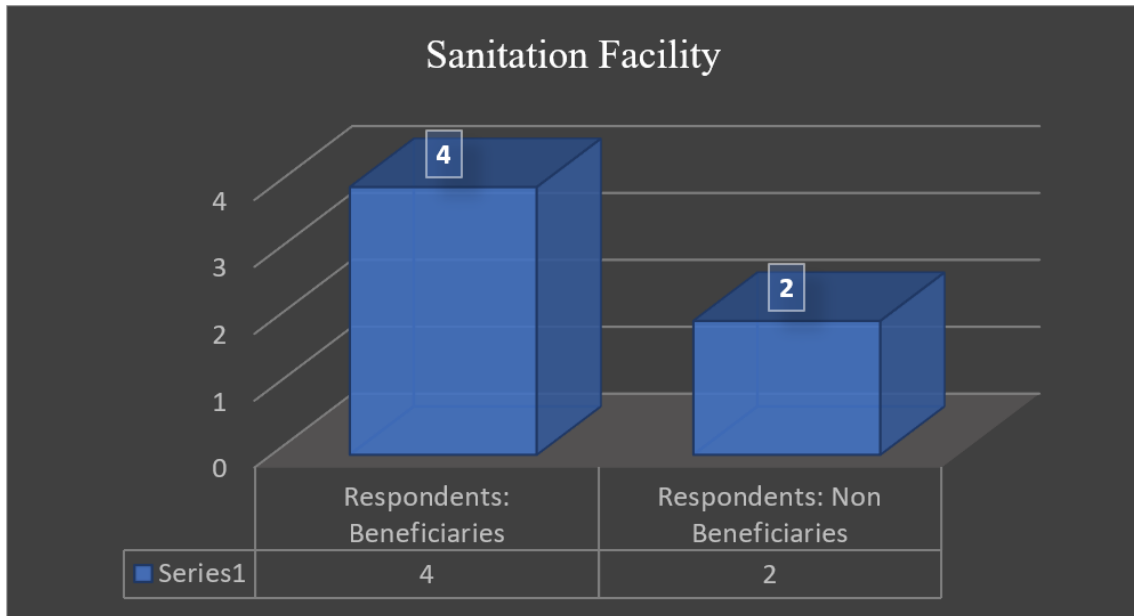


Figure 6: Sanitation Facility

Health Care Awareness

Following the trend observed with sanitation awareness, Figure 7 suggests a positive influence of microcredit on healthcare knowledge. Beneficiaries show a higher average level of healthcare awareness (by 4 units) compared to non-beneficiaries (2 units). It's

important to note, however, that this difference is less significant than those seen for income and calorie intake. This pattern indicates that microcredit might play a role in raising healthcare awareness, but the effect appears to be weaker compared to its impact on other aspects of well-being.

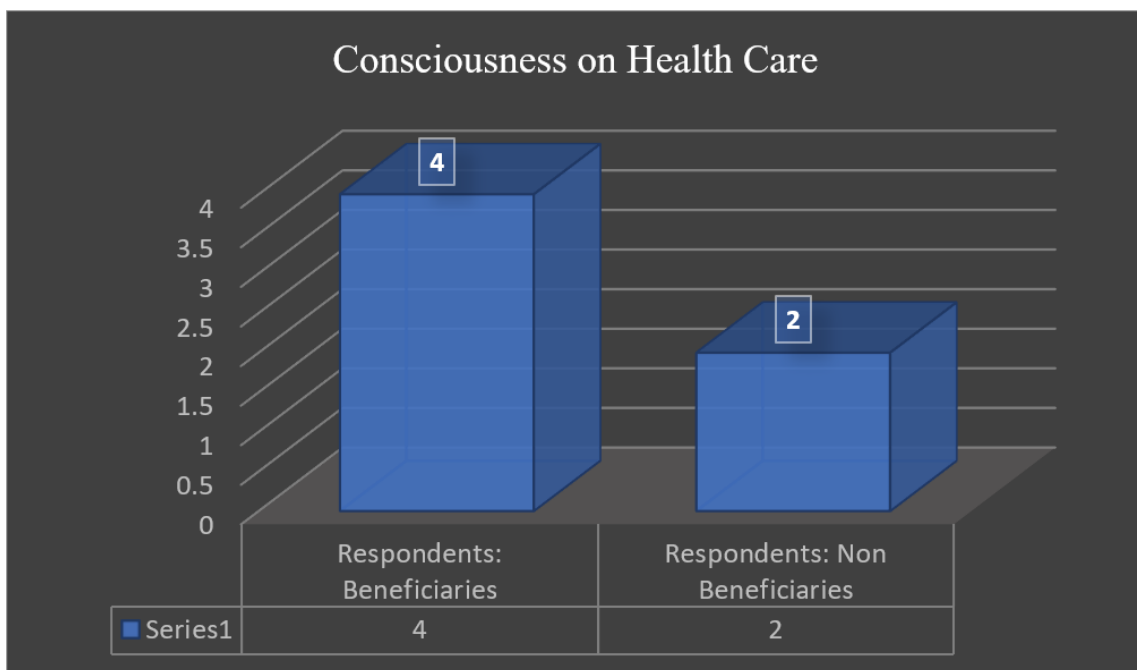


Figure 7: Consciousness of Health Care

Impact of Microcredit on Socioeconomic Indicators: Family Planning Awareness

Moving on to family planning, Figure 8 shows a similar pattern to other indicators. Beneficiaries have a higher average level of awareness (4 units) compared to non-beneficiaries (2 units). However, this difference is

again less pronounced than the ones we observed for income and calorie intake. This suggests that microcredit might contribute to a rise in family planning awareness, but the impact seems weaker compared to its influence on other aspects of well-being.

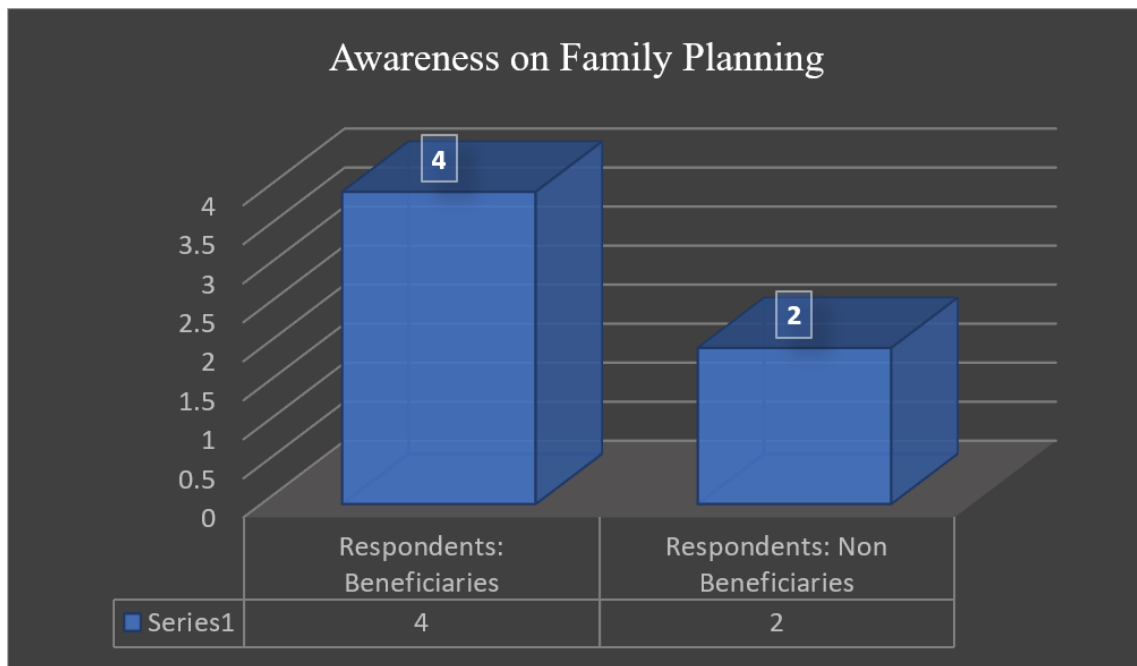


Figure 8: Awareness on Family Planning

DISCUSSION

Our study aligns with existing research, demonstrating a positive impact of Ansar-VDP Unnayan Bank's microcredit on income levels and calorie intake, which strengthens the argument for microcredit's role in poverty reduction [22, 23]. However, the effects on health awareness and family planning seem less substantial. Future research should explore the reasons behind this disparity. Understanding why income and calorie intake have a stronger impact could be crucial. Additionally, examining the long-term effects of microcredit and how program design variations influence these outcomes would provide valuable insights for practitioners. By prioritizing consistent monitoring of income and calorie intake, microcredit programs like Ansar-VDP Unnayan Bank can refine their impact assessments and ensure they more effectively contribute to broader socio-economic development goals in Bangladesh.

CONCLUSION

To understand how microcredit from Ansar-VDP Unnayan Bank affects socio-economic development, this study combined survey data with in-depth interviews (a mixed methods approach). Bank managers distributed surveys, and the qualitative data helped refine the survey instrument for better accuracy.

The results align with past research, showing a clear positive impact on income level and calorie intake, key indicators linked to poverty reduction (as evidenced by existing studies on microcredit's role). The study also suggests a potential influence on other areas like health awareness and family planning, though these effects seem less significant. This combined approach offers

valuable insights for microcredit practitioners working with Ansar-VDP Unnayan Bank beneficiaries. By prioritizing monitoring of income level and calorie intake, practitioners can design more efficient tools to assess the program's impact on poverty reduction and broader socio-economic development in Bangladesh.

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