United Nations
Division for the Advancement of Women
Expert Consultation on the 2009 World Survey on
the Role of Women in Development
Copenhagen, Denmark
17-19 February, 2009

**Micro-finance & Women's Empowerment: Myths and Realities**

**Shazreh Hussain**

Division for the Advancement of Women
Department of Economic and Social Affairs
United Nations, New York
Fax: (212) 963-3463
daw@un.org
http://www.un.org/womenwatch/daw

## I. OVERVIEW

Micro-finance emerged as a strategy to alleviate poverty by lending to women and has led to a breakthrough in providing women with access to financial services. By the end of 2006, microfinance services had reached over 79 million of the poorest women in the world (Daley-Harris, 2007)[1]. Undeniably, the potential for this access to financial services to translate into a positive impact on women's lives exists. What needs to be critically examined is the degree to which this potential has been realized and what more needs to be done to tap this potential for the economic empowerment of women.

Today, although women constitute the majority of microfinance clients in the world, this perhaps has more to do with women having higher rates of repayment than a concern with using micro-finance as means to empower women. The myth that providing women with access to micro-finance services (mostly credit) simply and automatically leads to their economic empowerment persists and breeds a complacency which has meant that the majority of the providers of micro-finance have not thought they needed to invest a sustained effort into understanding what kind of systems, processes and products are needed for women's economic empowerment. Another myth which fogs gender issues is that it is possible to alleviate poverty without understanding and addressing gender inequalities. This myth leads to a minimal interest in examining intra-household dynamics and assessing who bears the transaction cost, who utilizes the loan and who benefits from microfinance. In short, a minimal interest in assessing impact on gender relations and women's empowerment. In some cases, the inordinate focus on financial sustainability and increasing commercialization of the sector has driven organizations to focus on numbers, rapid growth and profit maximization to the exclusion or marginalization of the gender justice agenda.

At the same time, it needs to be acknowledged that micro-finance institutions, especially in South Asia, operate in highly patriarchal contexts. Deep-rooted patriarchal structures constrain economic opportunities through a complex interplay of social, religious and economic controls. Women's business limitations include limited access to markets, double burden of work, social pressure to conform to traditional roles, lack of capital and the home-based location of their economic activity. Clearly these dynamics are not created by micro-finance institutions but whether microfinance programmes will have a positive or negative impact on the majority of their women clients depends on the degree of their conscious and consistent engagement with the agenda of gender justice. Otherwise, there is the danger of replicating patriarchal structures and reinforcing women's subordination.

It also needs to be acknowledged that there are micro-finance providers who have undertaken initiatives to address some of the constraints women face. Some like BRAC, have taken a more holistic approach to women's empowerment and in addition to their core programme of micro-credit run health, education and employment programmes. Others have made efforts to develop more "empowering" products for women (Cheston and Kuhn, 2002) and offer non-financial services such as financial literacy training or business development services. There are also

[1] Daley-Harris S. 2007. Microcredit Summit Campaign Report 2007.

programmes that have increased women's ownership of land and women's property rights, political awareness and access to information for income generation (Mayoux, 2009). Yet others like ASA, Bangladesh have made changes in their original models by reducing the time women have to spend in meetings, opening a window for lending directly to men and coming up with social protection initiatives like the 'health envelope', a sum of money that is simply given to a client who suffers a life-threatening illness with minimal transaction costs.

The positive and negative impacts of micro-finance have been discussed and debated, though more by academics than practitioners. The positive impact of microfinance has been documented and at the same time there have been trenchant critiques of the way in which microfinance can have a negative impact on women (Mayoux, 1998), (Goetz and Gupta, 1996) (Pamar, 2003). At times, researchers studying the same programme have come to conflicting conclusions based on different conceptions of power (Kabeer, 1998). Given the paucity of impact assessments, conceptual and methodological differences and challenges, generalizations on the impact of micro-credit on women are neither possible, nor desirable. However, it is entirely possible to highlight some of the key issues and possible ways forward.

## II. Key Issues

**Articulation of a vision and indicators for women's empowerment is rare**

The term 'empowerment' is mostly used as a catch-all by practitioners. Given the ideological multi-dimensional and context-sensitive nature of 'empowerment' there is no standard definition of gender equity or women's empowerment even in the literature. However, currently few MFI's clearly articulate what 'empowering' women means concretely in their contexts or even their rationale for lending to women. There are no institutional processes in place for having women beneficiaries themselves define their vision of empowerment and decide the indicators that should be used to gauge the extent to which the services offered by an MFI have facilitated their empowerment or benefitted them.

**Double-speak on women's empowerment**

In the sector, there is a double speak on women's empowerment. On the one hand, microfinance is projected as a means for women's economic empowerment. This is specially the case when securing funding from donors, projecting images and achievements. On the other hand, a vigorous debate among practitioners on what constitutes women's empowerment, to what extent microfinance institutions are gender-responsive and how microfinance is impacting women's lives is missing. A telling indicator of the invisibility of gender issues is the marginalization of this debate in regional and global micro-credit summits.

**Financial processes and products are not sufficiently tailored to women's needs**

Reflection on the kind of activities and enterprises that women engage in, suggest that the loan products offered by micro-finance institutions may not always be appropriate for them. The loan amount, duration, repayment plan, etc., do not always reflect the activities for which women are likely to borrow. Most loan amounts are inadequate for the activities for which women need to borrow. Most models of microfinance require repayment to start within one month of the loan being issued although the enterprise is unlikely to yield immediate returns. This means that repayment takes place from other sources of income. Women may lack the resources or the networks which would enable them to start repaying installments on the loan virtually as soon as they have taken it. In addition, the rates of return on women's businesses are typically lower than those on men's businesses. This tilts the balance in favour of investment in men's businesses. As loan size increases and interest rates are lowered, there is evidence to suggest that women's access decreases (Frank, 2008).

**Reinforcing women's subordination: men as guarantors and givers of permission**

In the South Asian context, a careful examination of the loan application process of some MFIs (unpublished research) reveals that there are ways in which these can reinforce women's subordination. Some highly reputed MFIs in Bangladesh, Pakistan and India make the signature of a close male relative, preferably the husband, mandatory on women's loan application form. This requirement rarely surfaces in any description provided by MFIs of their loan application process.

In research on one MFI in Pakistan, it became clear that although at the head office level the signature of the male relative is perceived to be a way of increasing men's accountability for repayment, at the field level, it is understood and messaged to women as 'obtaining your huband's ( or other male relatives) permission'. In what is known as the "male meeting" husbands, fathers and brothers are informed that their female relative has asked for a loan and are asked if they have been informed and if they approve of the size of the loan. It is their word on the size of the loan which is taken as final. Although in a group loan process, the social collateral is provided by the group, there is a strong perception in the field, even though the male signatory is known as the nominee and not a guarantor, that the male relative is the real guarantor. Yet, the practice is in contradiction with the perception: tracing the loan recovery process reveals that approaching the male relative is avoided as much as possible and pressure is brought to bear on the group, the group leader and the woman in whose name the loan has been given. Thus there does not appear to be any rationale for requiring women to obtain men's signatures in the first place.

**Women may exercise little control over loans but bear the burden of transaction costs**

Evidence from the MIS of some well-established MFIs in South Asia and some research studies suggests that a large percentage of the loans given to women are passed on to male relatives. Thus the number of women borrowers does not necessarily reflect the number of women who exercise any meaningful control over the loan in terms of decision to take the loan, its use, repayment etc. Some studies show that even the decision to take the loan may not be made by women. For example, a recent study (Khan & Khan 2008) conducted in the rural areas of Pakistan showed that only 40 per cent of women interviewed had taken the loan on their own initiative and 89 per cent needed their husband's permission. In Pakistan, an impact study of an MFI showed that the percentage of loans utilized by women for their own businesses may was 20 per cent (Zaidi, 2005). The rest of the loans were passed on. However, it is women who bear the transaction costs: these include attending meetings, pressure to take a loan from their families, negotiating the return of the loan within the family and pressure to return the loan from the organization. The very fact that women take loans that they do not use themselves raises concerns. Why do organizations continue to route loans through women even when this becomes evident? Do the benefits that accrue to women from taking the loan compensate for transaction costs? How motivated are organizations in reducing transaction costs of women clients? These are questions that may yield different answers for different MFIs and different regions.

**The trend towards commercialization can lead to mission drift and reduce women's access**

A study (Frank, 2008) of 27 microfinance groups (in Latin America, Asia, the Middle East and North Africa) that transformed from not-for-profit organizations to regulated financial institutions shows that the number of active borrowers increased by 30% a year on average, compared with 15% for institutions that remained NGOs. However, there was a steep drop-off in the percentage of female clients in the years following transformation. Over five years, the percentage of clients who were women moved from an average of 88% to 60%.

**Insufficient interest in impact of micro-finance on benefits to women and women's empowerment**

There is still insufficient interest in investigating the impact of micro-finance on gender relations and women's empowerment and consequently there are relatively few studies on the subject. Most studies are limited to the impact of micro-credit with little research on savings and other services. Independent research has mostly been restricted to programs in India and Bangladesh. There is also a tendency for qualitative studies to show a much greater impact than can be corroborated through quantitative studies, with the exception of impact on women's self-esteem. The most popular methodology used by MFIs to show a positive impact on gender equity has been the case study method. Virtually every MFI has a stack of case studies which focus on success stories. Most show how women's lives have been transformed with the provision of a loan they have invested in their own businesses. The issue that these women represent the minority and not the majority is not addressed. Indeed, the dramatic impact on increase in income and well-being has not been corroborated by the quantitative surveys that have been conducted (Hussein & Hussain, 2002).

The International literature2 suggests that impacts on social and gender relations are complex and seldom is short-term quantitative data sufficient to demonstrate impact. Assessment of women's empowerment requires a combination of qualitative and quantitative approaches, participatory methodologies and utilization of institutional information systems for longitudinal studies as opposed to 'snapshot' studies.

**Paucity of sex-disaggregated statistics reflects and contributes to the invisibility of gender issues**

Statistics on loan portfolio, savings, loan size etc are not consistently sex-disaggregated and statistics on loan utilization are infrequently collected at the level of service providers. A case in

[2] Norman MacIsaac (1997)

point is the Micro-Finance Information Exchange Market (MIX), a portal which was created to enable MFIs to compare their financial and outreach performance with that of their peers. It provides data on 1,361 MFIs but the only indicator that is sex-disaggregated is percentage of women borrowers. A similar pattern is observed in surveys that are undertaken by Apex organizations and MFIs to assess their impact. This lack of sex-disaggregated statistics is symptomatic of the current invisibility of gender issues and the low priority given to gender issues.

**Need for integration of gender indicators in social performance management & consumer protection**

Only recently has there been an attempt to include gender indicators (see Box 1) in social performance management (Sinha, unpublished). Consumer protection guidelines, though they offer women some protection have been critiqued as not examining issues which may be particular to women (Mayoux, 2009).

## III Conclusions

The way forward has to do with a conscious and active engagement with the gender justice agenda. It has to do with determining the questions all the stakeholders must consistently ask themselves if micro-finance is to live up to its potential of acting as a fulcrum to facilitate the removal of barriers to women's agency and to expand the freedoms women enjoy.

For this to happen the issue of microfinance and women's empowerment has to be given a higher profile. There need to be summits, conferences and workshops on this issue alone – micro-credit summits need to bring it to the table and have the gurus of micro-finance discuss and debate it. There need to be awards not just for outreach but for interventions which have increased women's agency. In these debates, the case for social justice needs to be made as does the business case for gender diversity.

In the literature, what needs to be done by stakeholders at different levels has been well articulated (Mayoux, 2009) (Cheston, 2002). As Mayoux points out "The ways in which gender equality and women's empowerment can be most effectively promoted differs between financial service providers depending on the type of financial institution, context and capacities3. Nevertheless, there are steps which financial institutions of ALL types can take: from banks, through MFIs to NGOs with savings and credit as part of an integrated development programme. Moreover, although some of these strategies will require 'a different way of doing business', and some shift in priorities for resource and funding allocation, they are likely to increase rather than undermine sustainability.'

[3] See for example the gender checklist on genfinance http://www.genfinance.info/Documents/Gender%20Checklist.pdf , the Women Advancing Microfinance gender audit given at the end of Cheston 2006.

The draft gender justice protocol developed as part of the Women's Empowerment Mainstreaming and Networking (WEMAN) process spear-headed by Oxfam Novib encapsulates much of what needs to be done :

**GENDER JUSTICE FRAMEWORK PROTOCOL FOR FINANCIAL SERVICES**

• organisational mandates, vision and objectives of all financial service providers have explicit commitment to gender equality of opportunity and women's empowerment.

• organisational gender policies support this commitment, developed through a participatory process with staff and clients, integrated into all staff training and including gender equitable recruitment, employment and promotion.

• removal of all forms of gender discrimination in access to all forms of financial services as an integral part of product and service development, including technological innovation.

• financial services contribute to women's empowerment through effective design of products, non-financial services including financial literacy, and client participation.

• gender indicators are an integral part of social performance management and market research.

• consumer protection and regulatory policies integrate gender equality of opportunity and empowerment.

• gender advocacy in areas like women's property rights and combating gender-based violence essential to removing gender discrimination and empowerment are an integral part of the advocacy strategy.

• the specific needs and interests of very poor and vulnerable women are included in all the above

## REFERENCES


*Cheston, Susy and Lisa Kuhn (2002.) Empowering Women through Microfinance. Women's Opportunity Fund and its funding partners: Elizabeth Foster and Michael Walsh, Gems of Hope USA, and the Morrow Charitable Trust. UNIFEM.*

*Frank, Christina (2008). WWB Focus Note: Stemming the Tide of Mission Drift: Microfinance Transformations and the Double Bottom Line. New York: Women's World Banking*

*Goetz, A., and R. Sen Gupta (1996). Who Takes the Credit? Gender, Power and Control Over Loan Use in Rural Credit Programmes in Bangladesh. World Development 24:1:45-63.*

*Harper, A. (1995). Providing women in Baltistan with Access to Loans - Potential and Problems. Pakistan: AKRSP.*

*Hussein, M. and Hussain, S. (2003). The Impact of Microfinance on Poverty and Gender Equity : Approaches and Evidence from Pakistan. Pakistan: Pakistan Microfinance Network.*

*Johnson, Susan (1997). Gender and Micro-finance: guidelines for best practice. UK: Action Aid-UK.*

*Johnson, Susan. and Thalia Kidder (1999). Globalisation and gender - dilemmas for micro-finance organisations. Small Enterprise Development 10:3:4-15.*

*Kabeer, N. (1998). 'Money Can't Buy Me Love'? Re-evaluating Gender, Credit and Empowerment in Rural Bangladesh. IDS Discussion Paper 363.*

*Kabeer, N. (1999). The conditions and consequences of choice: Reflections on the measurement of women's empowerment. UNRISD.*

*Khan, Shaheen Rafi and Shahrukh Rafi Khan (2008). Women's Access to and Control Over Microcredit in Rural Support Programme Areas, Department for International Development & Rural Support Programme Network*

*Khandker, Shahidur R. (1998). Fighting Poverty with Micro-Credit: Experience in Bangladesh. Oxford University Press.*

*Mayoux, Linda (1998). Women's Empowerment and Micro-finance programmes: Approaches, Evidence and Ways Forward. The Open University Working Paper No 41.*

*Mayoux, Linda (2001). Tackling the Down Side: Social Capital, Women's Empowerment and Microfinance in Cameroon. Development and Change 32:3:435-64.*

Mayoux, Linda. (2009a) A Gender Justice Protocol for Financial Services: Framework, Issues and Ways Forward. The Hague, Oxfam Novib.

*Parmar, A. (2003). Microcredit, Empowerment, and Agency: Re-evaluating the Discourse. Canadian Journal of Development Studies 24:3.*

*Pitt, Mark. M., S. R. Khandker and Cartwright, J. (2006). Empowering Women with Micro Finance: Evidence from Bangladesh. Economic Development and Cultural Change. 54:4:791-831.*

*Sharif, N. R. (2004). Microcredit Programs and Women's Decision Making Status: Further Evidence from Bangladesh. Canadian Journal of Development Studies 25:3:465-480.*

*Zaman, H. (2004). The Scaling Up of Microfinance in Bangladesh: Determinants, Impact, Lessons. Washington D. C.: World Bank Policy Research Working Paper 3398.*

*Zaidi Akbar S. 2007. Impact Assessment of Kashf.*

*Zaidi Akbar S. Haroon Jamal, Sarah Javeed and Sarah Zaka. 2007. Social Impact Assessment of Microfinance Programmes. Study Commissioned by and Submitted to the European Union-Pakistan Financial Services Sector Reform Programme, Islamabad.*