Potential for microfinance schemes to empower women in the Global South

Introduction

It is a commonly accepted notion that access to microfinance reduces poverty and empowers women. Microfinance has expanded rapidly in the last 10 years as a dominant poverty alleviation strategy. Referring to Microcredit Summit Campaign (2012), the number of very poor families with microcredit has grown from 8 Mill (1997) to 137.5 mills (2010). Micro-finance touches upon several aspects of poverty alleviation, and women being in majority amongst the world poor tend to benefit in many ways including financial independence, enhanced decision making, and increased political participation. Microfinance is central to the planning of policymakers, governments, and non-governmental agencies in its role to alleviate poverty and arguably potential to empower women. Microcredit summits' optimism in microfinance's potential of empowering women of the global south is shared by many but a few scholars argue that its potential impact is limited at best.

Women Empowerment in brief

Empowerment, in Sen's (1993) view, is about the choice and capacity to fulfill the capability and relates with personal characteristics and social arrangements. He emphasizes building gender-agnostic and universally applicable development attributes e.g. health and hygiene. Empowerment is about capacity and the right to make decisions (Kabeer, 2001) and the process of internal change (Mayoux, 1998). Kulkarni (2011) states that empowerment is the process that places people with no power to enable themselves with better life decisions well beyond economic improvement (Bali-Swain 2006). UNIFEM (2000) stated that women's empowerment consists of "gaining the ability to generate choices and exercise bargaining power".

Women Empowerment and Microfinance: How both came together

Women's movements started in the early 1970s, had two primary undertones, One social order re-set with gender equality as its focus area, and Two, financial inclusion and sustainability with credit (microfinance) being at the core. Women were identified as the core stakeholder in poverty alleviation efforts through both channels i.e. gender equality and financial inclusion. SEWA in India during the 1970s, Grameen Bank, and ACCION during the 1980s were primarily focused on women's rights, equality, and poverty alleviation using credit as a tool. Women empowerment obtained increased importance during the 1990s because of sustained efforts of policy groups and lobbyists. It will be useful to look at contrasting paradigms of women empowerment and Microfinance (Mayoux, 2000)

Framework to Understand women empowerment in the context of Microfinance:

Mayoux (2000) discusses a tri-lateral framework to explain gender's interaction with micro-finance. This framework provides a theoretical view to understanding stakeholder's interpretation of microfinance's impact on empowering women directly or influencing other factors which, in turn, impacts the gender aspects.

Financial Sustainability Paradigm: This is 'outside in' view mostly held by Multilateral/bilateral aid agencies e.g. CGAP, DFID, USAID, UN agencies. Development Programmes are constructed to scale up micro-finance services to large sections of poor communities using the cost-plus model to trigger a 'virtuous cycle' of capital generation by encouraging niche entrepreneurship. Women were found to be particularly suiting this campaign because of their high loan repayment rates observed in Bangladesh (Khandker et al., 1995) and in Malawi & Malaysia (Hulme 1991, Gibbons and Kasim, 1991). Also, their keenness to save money further reinforced financial self-sustainability (Aghion and Morduch, 2005). This paradigm advocates that women's economic empowerment is caused by micro-finance access and leads to increased social role and political empowerment (Hunt & Kasynathan, 2002)

Poverty alleviation paradigm: Poverty reduction focus on targeted programs on community development. Small savings, subsidies, and loans are the tools provisioned for consumption and production. The reason these paradigm advocates focusing on women is that women constitute more than 70% of the global poor and are likely to share the benefits with others especially their children leading to social well-being (Garikipati, 2008; Swain & Wallentin, 2009)

Feminist empowerment paradigm: This paradigm emanates, with a focus on gender equality and human rights, from feminist campaigns originating from the 'South' e.g. SEWA and WWF in India, FOSATU in South Africa, and assesses gender-related consequences of micro-finance services (Johnson, 1997). Hull and Bell-Scott (1982) and David (1984) analyzed gender relations of the women from third world countries and reported it to be based on social divisions and differences e.g. class, race, and ethnicity. This paradigm's major focus was to challenge discrimination and an effective framework for women's participation.

FRAMEWORKS FOR MEASURING EMPOWERMENT

Women empowerment has various metrics of measurement depending upon where the argument is approaching from.

Kabeer (2001) propagated an empowerment framework related to providing women 'Life Choices' supported by microfinance which they didn't have earlier. Kabeer's empowerment notion conceptualizes ‘Resources’ (material resources), ‘Agency’ (legitimacy of enhanced role within the household to begin with and outside progressively), and ‘Achievements’ (confidence and self-worth) as its integral components. The component(s), alone or in combination, extend women's choices. 'Agency' helps extend empowerment with resources and achievement supporting as capability (Sen, 1985). Microfinance can play a significantly important role in building a capability base to enable agency function.

Malhotra & Schuler's (2005) framework of measuring empowerment containing ‘Indicators’ (related to women's enhanced role enabling her to take large decisions or actively participate in strategic decisions for household's well-being) and ‘Dimensions’ (Social, Cultural, Political, Economic, Legal, etc.). Indicators of women empowerment in the social dimension are women’s mobility (Also by Islam & Rottach, 2010), reducing gender bias, broader participation in household decision-making, etc. Indicators in political space are the right to enfranchisement, to be able to present political opinion and actively participate, etc. Similarly, there are other empowerment indicators for other dimensions.

Some of the most referred empowerment indicators in various researches are control over material resources (saving and income by Goetz & Gupta, 1996; Pitt et al., 2006, ownership of assets by Garikipati, 2008), Relational resources (decision making by Hashemi & Rosenberg, 2006; Kabeer, 1997) and Perceptual indicators e.g. self-esteem.

Mixed views on the impact of microfinance on women empowerment in the Global South

Correlation or causation of women empowerment with microfinance is a matter of much debate amongst researchers. Some researchers believe that microfinance plays a significant role while others tend to believe that its role is, at best, inconclusive. Microcredit summits in early 2000 inspired development literature on women’s access to microfinance products and initiated a ‘virtuous upward cycle’ of empowerment (Mayoux, 2000). Pitt and Khandker (1998), and Khandker (2005) present studies in Bangladesh that microfinance benefited the poor and potentially could increase the consumption expenditure especially if loans were taken from women. Another study, conducted in the Hubei province of China (Li et al., 2011) based household survey in 2008-9, revealed that microcredit improves household wellbeing e.g. income, expenditure, etc. Results also showed that micro-loans, participating in productive activities, improved the livelihoods more though the main beneficiary group was non-poor (Kulkarni, 2011).

On the issue of access to microfinance enhancing women’s role in intra-household decision making, Gaiha & Kulkarni present their analysis of Kabeer’s (1998, 2001) empirical research in Bangladesh. It highlights that access to credit may not necessarily improve women’s decision making authority in the household if she doesn’t have the independent productive capacity or has weak bargaining power in the family. Goetz and Sengupta have studied 275 loans in Bangladesh disbursed to women (106 BRAC; 53 Grameen Bank; 39 TMSS and the rest with RD-12) with women having full control of 18% loans and virtually no control in more than

20% cases. Another study in SCF Bangladesh shows that 68% of loans, for the repayment of which women are responsible, were used and controlled by household men (Basnet, 1995).

Critics also argue that microfinance programs pay insufficient attention to socially defined roles and gender issues weakening women's position by giving them bargaining power (Goetz & Gupta, 1996), intra-household conflicts in men forcing the women to pass the loans on to them while the latter continue with repayment accountability (Rahman 1999). Ahmed et al (2001), Hashemi & Rosenberg (2006) also argue that microfinance doesn't empower the poorest. Some others like Ebdon (1995) and Rogaly (1996) go to the extent that Microfinance might be distracting women’s attention from more effective empowerment strategies or MFI’s focus on more expansive poverty alleviation models. Focusing on women as a primary micro-finance audience without thorough preparation of support system and multi-dimensional empowerment framework might, in fact, disadvantage women by exposing them directly to household debt and social ridicule in adverse circumstances (Cheston & Kuhn, 2002; Kay, 2002; Mayoux, 2002)

Mayoux (1999) provided contextual analysis about the impact of microfinance on women empowerment. She stated that it can empower some women, including very poor women as well, in specific contexts; might have marginal or no economic and social impact for some, and might disempower a few others. Mayoux's statement sounds comprehensive and represents most of the research outcomes with different variables at play in microfinance and women empowerment space but it lacks in providing a framework in enhancing microfinance's role towards women empowerment potential

Presenting the women empowerment researches (case studies)

This section presents two sub-sections. Sub-section ‘A’ highlights microfinance-led women empowerment case studies wherein the positive correlation is reported. Sub-section ‘B’ reports microfinance-led women empowerment case studies wherein the positive correlation is not found or results are inconclusive.

Sub Section A

Microfinance is seen as an effective way of empowering women and access to finance leading to an enhanced level of independence in women's ability and capacity leading to empowerment and reduced vulnerability (Wrigley-Asante, 2011). Micro-financing helped women in political and legal awareness and enhanced the composite empowerment index (Kabeer, 2001). Hashemi et al. reported microfinance schemes having a positive impact on eight dimensions of women empowerment with credit having conditional causality with improved economic status and purchasing power of women.

Hashemi et al. (1996) analyzed the relationship between microfinance programs and women empowerment in Bangladesh. The sample size was 1225 married women under the age of fifty years with qualifying criteria that they should be members in Grameen Bank, BRAC, non-members in Grameen served villages, etc. The research methodology was an observation-based and in-depth interview over three years to examine eight indicators which denote empowerment e.g. mobility, economic security, ability to make small and large purchases, participation in the household decision, political awareness and participation, etc. each of the programs e.g. Grameen Bank, BRAC, etc. commonly showed the significant positive impact of microfinance on four indicators of empowerment namely, economic security, ability to make small and large purchases, political and legal awareness. Pitt and Khandekar's work (1998) in Bangladesh led to the finding that enhanced women participation in credit-led development programs evidenced in average household consumption expenditure by 18% ($0.22 for every $1.22 borrowed by women) compared to 10% for the menfolk. While this research indicates the role of finance in providing women in Bangladesh a bigger decision making role in household consumption areas, it also leads to an important criticism that women use capital provided by microfinance for immediate consumptive use which ensures the well-being of the family but it compromises the household's repayment and the possibility of building a dependable revenue flow in the medium term.

Mknelly and Dunford's research in Ghana and Bolivia (1998, 1999 respectively) Ghana evidenced an increase of $36 as monthly non-farm income compared to $17 for equal investments in a controlled research set. An increase in income encouraged women's participation outside agriculture and gave them self-confidence and legitimacy through economic participation. Ghana had higher active social and community roles for participating roles whereas Bolivia witnessed increased political autonomy for women. Mushumbusi Paul Kato & Jan Kratzer's (2012-13) analysis of Microfinance's role in women empowerment in Tanzania brought relevant details. The research covers more than 450 women from three regions of Tanzania which include both MFI-participating and non-participating women using quantitative and qualitative methods for demographic and empowerment indicator-based comparison. Researchers put five hypotheses to test in control groups which covered Microfinance leading to women's enhanced income level, increased decision making, larger asset ownership, self-respect, and self-efficacy. On women's control on savings & income hypothesis, MFI members showed significantly more control than non-MFI women. On the decision-making hypothesis, respondent MFI-member women showed statistically significantly better chances of participating or solely making decisions compared to non-member MFI. On the 3rd hypothesis of ownership of property & assets, the majority of MIF woman members' households owned bigger ownership than non-member MIF women households. These feedbacks are illustrative of MFI-participating women against the non-MFI women for whom the findings were statistically and significantly different. Assuming that sample selection was randomized and qualitative analysis was complemented by the quantitative view, findings of property & asset ownership dimension are in sync with the first hypothesis outcome (ownership to savings and income) and indirectly corroborates the 2nd hypothesis (decision making).

TSPI (Philippines) reported that microfinance program participation enhanced women's role as household fund manager from 33% (pre-program - participation) to 51% (Cheston and Kuhn, 2002). MkNelly and Watetip's research in Thailand (1993) showed that microfinance schemes significantly enhance women's empowerment in the form of self-confidence and the skill to collaborate. Kabeer (2005) stated, with regards to her researches in Bangladesh, that 'it becomes apparent that while access to financial services can and does make vital contributions to the economic productivity and social well-being of poor women and their households, it does "automatically" empower women. Mahmud (2003) provided a view that women's participation in microfinance programs has a significant impact in women's enhanced role in intra-household activities. Women's access to women's choice enlarging resources could be limited though and depend upon socio-cultural factors.

Sub Section B

Banerjee et. al (2012) analyzed the use of microloans in Hyderabad (Andhra Pradesh, India) in a three-year study based comparative study of 104 MFI participants (SPANDAN's disbursal of microfinance loans) and non-participants. It was astonishing to note that only 38% of households borrowed from an MFI in a category with a high-propensity to use microfinance. Researchers present 24% as the minimum rate of project return to pay the loan off which most borrowers find very high especially with the short-term nature of loans as one of the reasons. It could also be caused by people's preference to borrow from family or other informal channels because of its flexibility despite the embarrassment of taking loans from relatives (Collins, Morduch, Rutherford, and Ruthven 2009). Relevant research observations include MFI providing an option of expanding the existing business or enter into new business especially by women, no increase in monthly consumption (an indicator of household wellbeing) in the short and long term, and business profit not increasing for a large section of the respondent (except in upper tail which relates with non-poor borrowers). Researchers argue that the growth in respondent’s income is not attributed to MFI participation but part of the general growth phenomenon. It appears that microfinance does not make any significant impact on women’s empowerment in the short run. In the long run, while school fee expenditure seems to have gone up, health expenses have declined to fetch the data inconclusive.

Crepon et. al (2012), conducted the research in 164 villages in Morocco, classifying them in two categories for random selection of samples in a controlled trial to study the impact of access to microfinance. This study demonstrated that the marginal productivity of capital employed by women entrepreneurs (who consist of a majority of microfinance-led initiatives) is lower than their male counterparts, having a direct impact on the bargaining power of women. Average take up of microfinance ranged between 13%-17% and distribution of profit for outcomes was hugely skewed with 25% of total respondents, with microcredit loans, having negative profit. Large dispersion explains the reason for low uptake as potential beneficiaries might have found microfinance interest rates prohibitive. Another finding was about no net impact of microfinance access on consumption despite the increase in self-employment income. Women being a larger part of the studied sample, low micro-credit take up and no visible change in consumption reflect negatively on the generally-believed notion that women, as direct and major recipients of microfinance, get benefitted and thereby empowered in many ways.

Augsber et. al (2012) researched the impact of microfinance on new business, ownership, and consumption in Bosnia and Herzegovina through randomized controlled trials. Outcomes of the research showed that micro-finance raised the business activity but didn't have any positive impact on income and profit. One of the potential reasons of this might be the study time being inadequate (14 months) to realize the full business results. While this study was not specifically focused on women's empowerment but indirect deductions can be made about micro-finance being a dominant factor in empowering the beneficiaries (most of them being women) inconclusive.

Conclusion

Micro-finance has significant potential for women empowerment but it is neither adequate to cause empowerment nor able to sustain it on a standalone basis. Women empowerment has to be part of the core construct of the planning process and development policies with microfinance as one of the key enablers. While value linkage is arguably seen between microfinance and empowerment, cost-optimal ways e.g. group development are lacking to combine the two for comprehensive and long-lasting development outcomes (Mayoux, 2000). Also, there is a separate incidence of microfinance within the 'Poor' and 'Very Poor' sections and thereby it impacts on empowering women is dissimilar within respective sections. While appreciating the role of microfinance, it is a prerequisite to assess the matters related to women's rights and choices to understand the usage and impact (or the lack of it) of financial resources on empowerment.

As Kulkarni (2011) states, the effectiveness of micro-finance outcomes is dependent upon governing institutions and frameworks but its potential depends upon socio-cultural factors e.g. social practices, education, health, etc. it is important to understand the role of and expectations from women's perspective.

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