Microfinance and women’s empowerment:
Rethinking ‘best practice’

Linda Mayoux, Independent Consultant

Introduction
In the 1990s microfinance targeting women became a major focus of gender policy in many donor agencies. Literature prepared for the 1997 Microcredit Summit, donor policy documents and NGO funding proposals all present an extremely attractive vision of increasing numbers of expanding, financially self-sustainable microfinance programmes reaching large numbers of women borrowers. Through their contribution to women’s ability to earn an income, these programmes are assumed to initiate a series of ‘virtuous spirals’ of economic empowerment, increased well-being for women and their families and wider social and political empowerment. However, more recently, as the findings of research and experience have filtered through, this initial enthusiasm is being replaced by scepticism.

Here it is argued that, although the widespread complacency about the automatic benefits of microfinance for women needs to be questioned, the shortcomings of existing practice should stimulate the search for improvement and innovation, rather than provide the basis for cynical inaction. It is not microfinance per se which is the problem, but the ways in which ‘best practice’ has become dominated by concerns of financial sustainability. Innovations in some programmes point to a range of ways in which microfinance’s contribution to empowerment can be increased as part of a broader strategy for gender transformation.

Questioning ‘virtuous spirals’
Microfinance programmes have significant potential for contributing to women’s economic, social and political empowerment. Access to savings and credit can initiate or strengthen a series of interlinked and mutually reinforcing ‘virtuous spirals’ of empowerment.

Women can use savings and credit for economic activity, thus increasing incomes and assets and control over these incomes and assets.

- This economic contribution may increase their role in economic decision making in the household, leading to greater wellbeing for women and children as well as men.
- Their increased economic role may lead to change in gender roles and increased status within households and communities.

These virtuous spirals are potentially mutually reinforcing in that both improved wellbeing and change in women’s position may further increase their ability to increase incomes and so on.

This process of empowerment may be further reinforced by group formation focusing on savings and credit delivery:

- Women can access wider information and support networks for economic activity.
- Groups can support women in disputes within the household and community.
- Groups can link to wider movements for change in women’s position.
However, these changes are not an automatic consequence of savings and credit alone or of group formation. Evidence suggests that, even in financially successful microfinance programmes, actual contribution to empowerment is often limited:

- Most women remain confined to a narrow range of female low-income activities.
- Many women have limited control over income and/or what little income they earn may substitute for former male household contributions, as men retain more of their earnings for their own use.
- Women often have greater workloads combining both production and reproductive tasks.
- Women’s expenditure decisions may continue to prioritise men and male children, while daughters or daughters-in-law bear the brunt of unpaid domestic work.
- Where women actively press for change, this may increase tensions in the household and the incidence of domestic violence.
- Women remain marginalised in local and national level political processes.

This is not just a question of lack of impact, but may also be a process of disempowerment:

- Credit is also debt. Savings and loan interest or insurance payments divert resources which might otherwise go towards necessary consumption or investment.
- Putting the responsibility for savings and credit on women may absolve men of responsibility for the household.
- Where group meetings focus only on savings and credit, this uses up women’s precious work and leisure time, cutting programme costs but not necessarily benefiting women.
- Repayment pressures may increase tensions between women and/or lead to the exclusion of the most disadvantaged women who may then be further disadvantaged in markets and communities. Impacts are therefore very complex. Women themselves are not passive victims, but active participants using opportunities as best they can in the context of the many constraints of gender inequality and poverty. There may be trade-offs for individual women because of reinforcing and conflicting opportunities and constraints. At both household and community level different women may be affected in different ways.

**Rethinking ‘best practice’**

There is a need for much greater clarity in the underlying vision of microfinance programmes. This clarity entails a definition of empowerment which goes much further than either women’s access to microfinance access or household-level poverty alleviation. Providing an adequate and non-discriminatory regulatory framework for microfinance needs to be seen as a human rights issue, rather than the end aim of gender policy itself. Poverty alleviation as measured by increased income is not sufficient for women’s empowerment because intra-household inequalities mean that women do not necessarily benefit from increases in household income, even where they are major contributors. On the other hand, although women’s empowerment is an essential component of poverty elimination, ‘women’ cannot be treated as an undifferentiated category. Specific strategies may be needed for the poorest and most disadvantaged women. Importantly, addressing gender inequalities in power and resources requires a holistic view, integrating productive and reproductive work and addressing practical as well as strategic needs and interests. It also requires
consideration of ways in which microfinance provision for men can be a mechanism for challenging gender inequality. Translating this empowerment vision into practical policies requires firstly mainstreaming empowerment concerns throughout all aspects of programme implementation and decision making as well as effective women-targeted initiatives. There was a clear qualitative difference, in the programmes studied by the author, between those where empowerment issues were raised as a routine part of all interactions between staff and clients, and those where staff belittled gender issues and failed to question gender stereotypes or suggest ways in which women could overcome gender-based problems. An integral part of this empowerment vision is women’s participation in programme decision making.

**Conditions of microfinance delivery**

Conditions of microfinance delivery are often seen as a technical banking issue, decided from above by programme staff and/or donor consultants. The main consideration is financial self-sustainability or, more rarely, poverty targeting. Very little deliberate and strategically designed attention has been given to empowerment questions. However, evidence indicates that women’s ability to use microfinance to increase incomes and control these incomes is also affected by details of the conditions of microfinance delivery.

Current debates have been preoccupied with setting interest rates high enough to cover the costs of service provision. However, equally as important are repayment schedules and methods of interest calculation. These have a critical impact on women’s ability both to profitably use loans and to control the loans and incomes. The repayment schedules and methods of interest calculation preferred by women vary between context and type of programme and must be based on a process of participatory consultation. For example, in Cameroon’s Gatsby Trust, women preferred fixed rates which they could calculate themselves. In the Bangladeshi NGO Community Development Centre (CODEC), by contrast, fishworker women preferred declining balance repayments because these enabled them to immediately pay back any money they earned and prevent this being diverted into other purposes by their husbands. CODEC also fixed individual repayment schedules with borrowers and rewarded or penalised performance in relation to the agreed schedule. This flexibility had a positive impact on both repayment and incomes and also encouraged borrowers to take a more strategic approach towards loan use. One of the central emphases in proposals for best practice has been changes in collateral requirements to include female-owned assets and ‘social collateral’ in the form of women’s group guarantees. However, an empowerment approach needs to go further and require any assets purchased with loans to be registered in women’s names, both as insurance against default and as a means of increasing women’s control over assets. This is the case in some programmes, including Grameen Bank. There could also be a requirement for men’s loans to be registered in joint names. This is particularly the case with larger loans for house purchase, land acquisition or other productive assets such as rickshaws.

Most discussions of loan size have asserted that women need smaller loans. Although this is true for initial access and for very poor women, there is a danger of ‘ghetto-ising’ women within small loan programmes. There is also evidence of prejudice by male staff against granting larger loans to women. Case studies collected by the author indicate that many women want access to larger loans and are capable of managing them. Such loans could be made conditional on registration of assets in women’s or joint names and evidence of women’s involvement in the loan activity, including marketing and accounting and production of business plans. These in
themselves could give women more confidence and skills in taking a strategic approach to savings and loans rather than simply drifting into debt.

Within the financial self-sustainability paradigm, there is some disagreement about the degree to which loans can or should be directed towards particular purposes. Close monitoring may not be necessary in programmes targeting existing female entrepreneurs and/or where gender norms give women control over much of their own income, as is the case in many African programmes. However, in CODEC in Bangladesh, women were opposed to donor proposals to reduce loan monitoring. They said that, unless loans were explicitly directed by the programme towards their own productive activities, the loans and incomes would be taken by men. Another way round the problem of loan diversion is also to make loans available to both men and women for particular types of consumption, for example daughters’ education, school fees in general, health care, and house improvement. This could also serve to reinforce men’s responsibility for their households.

For many women, including very poor women, savings facilities are as important as loans in increasing amounts of income and assets under their control. However, women may already have effective ways of saving, including revolving savings and credit associations and ‘trouble funds’ in Africa which provide a safety net for very poor women. Where the main concern is programme financial sustainability, NGO savings programmes and low-interest and unsuitable saving schemes may divert women’s scarce resources from investment and/or consumption, decreasing profits and harming their nutrition and health.

Complementary services
The multidimensional and all-pervasive nature of gender inequality means that there is an infinite array of needed and potentially useful services. However, financial sustainability requirements have led many programmes to drastically cut complementary services. Some, including business training and gender awareness, are both expensive and have minimal impact. This does not mean that complementary services are not needed but that they need to be improved. What is required is a careful analysis of needs and priorities and then consideration of a range of possible ways in which they can be met. Some services could be supported partly through cross-subsidy from charging for other services, like business services for better-off men and women. Other service needs could be met through a combination of building on group structures, integrating and mainstreaming service provision with microfinance activities and interorganisational collaboration, as discussed below.

Rethinking group structures and functions
There needs to be a change of emphasis from viewing groups simply as a repayment mechanism to looking at ways of ‘building on social capital’ (Mayoux 1999). This can be done by helping groups to develop their own empowerment strategies and linking them with women’s movements and other organisations. There is an important role for groups as a forum for information exchange and mutual learning. This includes, for example, successful women entrepreneurs within programmes sharing their experiences with others (that is, skills exchange). Both Small Enterprise Foundation in South Africa and CARE-PROSPECT in Zambia are developing ways of using PLA methods to facilitate information exchange. Interviews by the author found that many women would be prepared to help train other women and groups would be prepared to pay for such training. This would require programmes to play a facilitating role by, for instance, collecting information on training needs and training skills as part of programme
registration, and creating a computer register. In some cultures, savings and credit groups provide one of the few socially acceptable forums for women to come together to discuss gender issues and organise for change. However, they may need support, particularly in the form of information, organisational and leadership skills, and also in the actual strategies they decide to employ. Male support also needs to be encouraged through development of new role models and developing male networks for change. Some mixed-sex programmes, like CODEC in Bangladesh and Cercle international pour la promotion de la CREation (CIPCRE) in Cameroon, have been very effective in organising men alongside women to address issues of domestic violence and abandonment of women. Microfinance programmes also provide a potentially large and organised grassroots base for developing advocacy and lobbying strategies around gender issues.

**Organisational gender mainstreaming**

Donor agency statements of commitment to gender mainstreaming have so far failed to be reflected in microfinance guidelines. Equal opportunity policies need to be an integral part of institutional strengthening. Evidence indicates a clear linkage between levels of female staff and women’s access to microfinance. However, equal employment of female staff is not in itself sufficient to ensure empowerment outcomes for programmes. Women staff, like men, frequently lack expertise in gender analysis and may not have sufficient knowledge or experience of the situation of very poor women. There is, therefore, a need for gender training for both male and female staff. This training needs to identify priorities for gender policy at client level and how women’s participation can be increased at all levels. It also needs to identify necessary changes in organisational culture, recruitment criteria and procedures to ensure equal opportunity becomes a reality at work. This would also enable female and male staff to overcome the many gender challenges they face in their lives outside work. Structures for implementation of gender policy need to go beyond appointment of a junior member of staff to the position of gender officer and/or allocating a small percentage of time from different staff to gender issues. There need to be clear lines of responsibility, adequate resources and formal forums for exchange of information and ideas. These in turn require clear guidelines and concrete incentives for implementation of empowerment policies if both female and male staff are to feel confident about spending scarce time and resources on these issues. There is also a need to rethink current orthodoxy on the separation of microfinance from other interventions. Providing that repayment incentives are built into credit delivery, integrating the role of credit officer and development worker improves staff–client understanding and decreases time spent chasing bad debts. On-going mentoring and counselling by staff both for enterprise and gender at savings and credit meetings is often more effective than one-off ‘expert’ training and decreases transport and other costs for both programmes and clients. A number of programmes researched by the author were successfully integrating credit and savings delivery with human development and training activities. Creating incentives requires integration of empowerment indicators into programme monitoring and evaluation to assess the impacts of programmes on the lives of participants, and also to assess the potential contribution of programmes to empowerment. Small Enterprise Foundation has been looking at cost-effective ways of integrating poverty indicators (Mayoux and Simanowitz 2001). These methodologies could also be further developed to include empowerment indicators (Mayoux 1998b).
Interorganisational linkages

Even where gender issues have been fully mainstreamed into microfinance and other services, there will still be a need for special training and support. This is particularly the case for women’s rights training for women (and also men), legal and other support for women with particularly difficult household situations, special training and/or marketing support for women to enable them to enter new or ‘male’ economic activities. All these services do not need to be provided by the programme itself, but, where cooperation with other programmes cannot be relied upon to fill these needs, they should be incorporated into the programme in question.

Interorganisational collaboration is one way of reducing the costs of developing new strategies and services. The development of training courses and/or research could be done by pooling the resources of several programmes. Programmes could also link with other specialist providers. This could take the form of advertising the availability of other services, referring clients, or programme/ group/ individual payment for particular services. It could at a minimum entail drawing up a list of such organisations and agreeing to keep their publicity material at loan disbursal points, or making a list of possible speakers available to groups. This would both increase the contribution of microfinance at minimum cost and give service providers ready access to a sizeable and organised constituency of poor women, which would in turn also contribute to their sustainability.

Some who have been influential in organisations promoting the financial self-sustainability approach advocate macro-level changes in the civil code and property laws to give equal inheritance rights, enable married women to hold property and access financial services in their own names (Berger 1995; for USAID’s experience, see Downing 1990). These are only some of the barriers which women face at the macro level and which limit their ability to effectively use microfinance services. However, gender issues have been completely absent from advocacy activities of most microfinance NGOs. It is crucial that microfinance programme staff think through the range of support needed by women for empowerment and to link strategically with other forces for change, including women’s own networks, women’s movements and advocacy organisations and gender lobbies within donor agencies. This is being done effectively by the Self Employed Women’s Association and other NGOs in India, although there are many challenges and much more remains to be done.

The need for a new participatory approach

Women need a diversity of provision, both in view of their own individual needs for different types of savings, loans, insurance, pensions and so on, and in view of differences in needs between women. There is a range of microfinance models into which elements of this empowerment strategy could be implemented, from mainstream banks and financial service providers through large poverty-targeting banks to smaller microfinance programmes providing savings and credit to members of women’s movements and labour organisations. An empowerment approach does, however, involve a significant change in attitude and work practices and the challenging of vested interests. Flexibility to women’s needs and deciding the best ways of combining empowerment and sustainability objectives can only be achieved on the basis of extensive consultation with women, research on their needs, strategies and constraints, and a process of negotiation between women and development agencies. It therefore inevitably requires a more comprehensive framework for women’s participation at all levels, rather than imposition of particular models depending on the particular donor
fashion extant at the time. Finally, despite the potential contribution of microfinance programmes to women’s empowerment, realising this contribution is dependent on, rather than a substitute for, adequate welfare provision and feminist mobilisation. What is particularly worrying about the current situation is that financially sustainable minimalist microfinance is being promoted as the key strategy for poverty alleviation and empowerment in response to ever-decreasing official development assistance budgets. Unless microfinance is conceived as part of a broader strategy for transformation of gender inequality, it risks becoming yet one more means of shifting the costs and responsibilities for development onto very poor women.

Note
This article summarises research done under a research fellowship for the Open University, Milton Keynes and a series of consultancies including DFID, UNIFEM and ILO. This is discussed in more detail in Mayoux (1998a, 1998b, 1999, 2000, 2001). Full references to the evidence can be found there.

References


