CSD NGO Women's Caucus Position Paper for CSD-8, 2000

FROM ACCESS TO EMPOWERMENT: GENDER ISSUES IN MICRO-FINANCE

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1. INTRODUCTION

Micro-finance programmes targeting women have become a major plank of donor poverty alleviation strategies in the 1990s and funding is set to further increase into the next century under initiatives by CGAP and member donor agencies[2]. This expansion is dominated by the 'financial self-sustainability paradigm'. The most detailed articulation of this paradigm is given in Rhyne and Otero 1994, and echoed in publications by USAID, DFID, World Bank, UNDP and increasingly by other members of CGAP. This paradigm is also the dominant inspiration behind the Micro-credit Summit Campaign inaugurated in 1997. The ultimate aim is programmes which are profitable and fully self-supporting in competition with other private sector banking institutions and able to raise funds from international financial markets rather than relying on funds from development agencies.

Consonant with the concern for financial sustainability, accumulating evidence of women's higher repayment rates has led many programmes to target women. This evidence has been used by gender lobbies within the major aid agencies to justify arguments for female targetting and an emphasis on facilitating women's access to micro-finance programmes. Increasing women's access to micro-finance is 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. The underlying assumption is that these mutually reinforcing spirals of empowerment can occur following women's access to micro-finance without explicit support for women to increase their incomes, to defend their interests within the household or for wider social and political changes in gender or class relations. Attempts to mobilise women around feminist concerns are frequently explicitly dismissed as both unnecessary and 'maternalistic'.

2. VIRTUOUS SPIRALS OR VICIOUS CONSTRAINTS? CONCERNS ABOUT GENDER IMPACT

The concept of empowerment itself is highly contentious (Mayoux 1998; Kabeer 1999). Nevertheless, even gender literature of donor agencies imposing the financial sustainability approach itself anticipates that programmes will:

- significantly increase incomes from women's own activities
- enable women to control (have a choice over use of) income from loans and activities generated by loans
- enable women to negotiate improvements in their well-being within the household
- give women access to support networks which enable them to protect their individual and collective interests at the local and macro-levels

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[1] Copies of the papers detailing research on which this article is based can be obtained from the author: L.Mayoux@dial.pipex.com

[2] Consultative Group to Assist the Poorest is a major international collaborative initiative arising from the 1993 International Conference on Actions to Reduce Global Hunger and was formally constituted in 1995. The 9 founding members are Canada, France, the Netherlands, the United States, the African Development Bank, the Asian Development Bank, the International Fund for Agricultural Development, the United Nations Development Programme\United Nations Capital Development Fund and the World Bank later followed by Australia, Finland, Norway, Sweden, the United Kingdom and Inter-American Development Bank. Approximately US $200 million (including existing budget commitments) was pledged to Micro-Finance programmes for the poorest groups in low income countries, particularly women (World Bank, 1996). Actual amounts disbursed by individual CGAP members is however considerably higher.

Existing evidence of the impact on gender relations of micro-finance programmes is limited, and few studies investigate the impact of different programme strategies in any detail. Independent academic research has been done only on a few programmes in Bangladesh and India, and conclusions differ among these even for the same programmes (see overview Mayoux 1998). Most other documented studies are short 'gender-impact assessments' commissioned by Northern NGOs and donors. Nevertheless, despite its patchy nature, the existing evidence points to the need to question all the assumptions of beneficial impact.

Some women do undoubtedly benefit substantially from some programmes, increasing their incomes and using this to raise their bargaining power in the household and their status in the community. It is impossible to say for how many women, or in which contexts, this is occurring; but success stories are found in programmes following all three approaches. Women in dynamic market contexts may increase their incomes without substantial support services. Women who are already less disadvantaged may use micro-finance to further their own interests in their families and communities, and often to improve the welfare of their families. Some programmes with an explicit gender strategy-particularly in India, but also in Sudan-had played a significant role as an entry point for mobilizing women around wider gender issues, and challenging domestic violence, alcoholism, and dowry.

In most programmes, however, there were serious limitations to the degree to which women benefited:

- in some cases, significant numbers of women did not control loan use;
- most women were involved in low-paid traditionally female activities, and increases in income were small;
- women's responsibility for expenditure on household consumption and for unpaid domestic work limited the resources and time they could invest in economic activity;
- micro-finance programmes were sometimes increasing domestic tension as men withdrew their own incomes once women were eaming; or women struggled to retain control of their eamings. This had in some cases led to divorce, abandonment, and domestic violence
- group repayment pressures were sometimes increasing tensions between women;
- many (though by no means all) women's main concern was to increase their incomes and welfare of their families rather than wider social and political activity.

It is likely that these negative impacts will be further reinforced by some of the commonly agreed principles of financial sustainability best practice currently being imposed by donors, in particular:

- high interest rates and service charges to cover costs of delivery
- rapid programme growth to benefit from economies of scale;
- reducing staff and staff costs through narrow focus on micro-finance;
- reducing complementary services
- use of ‘voluntary’ contributions of clients and groups to identify eligible borrowers, ensure repayment and decrease costs of service delivery
- failure to incorporate empowerment indicators in Management Information Systems

3. FROM ACCESS TO EMPOWERMENT: SOME WAYS FORWARD FOR GENDER POLICY

These limitations point to the widespread need for more explicit measures to address gender subordination both at the enterprise and household levels. Innovative strategies in some programmes, including some of those attempting to be more financially self-sustainable, do point to cost-effective ways of addressing empowerment issues. Elements of a gender policy would include:

- ***conditions of micro-finance delivery to support empowerment***
- ***cost-effective complementary services***
- ***institutional mainstreaming of gender policy***

Conditions of micro-finance delivery affect women’s ability to use micro-finance to increase incomes and control these incomes. Current debates have been pre-occupied with the issue of interest rates, the necessity to cover costs of service delivery and access questions. The current complacency about the levels of interest which may be charged is misplaced, particularly in programmes accessing development funds claiming to maximise contribution to poverty alleviation and empowerment. Very little attention has been given to empowerment questions or ways in which both empowerment and sustainability aims may be accommodated. Failure to take into account impact on incomes also has potentially adverse implications for both repayment and outreach, and hence also for financial sustainability. There are a number of ways in which women's empowerment could be increased:

- repayment schedules and interest rates to maximise impact on incomes
- registration of assets used as collateral or purchased with loans in women's names or in joint names
- incorporating clear strategies for women's graduation to larger loans
- 'multiple choice' options based on participatory consultation including loans for new activities, health, education, housing etc
- range of savings facilities which include higher interest deposits with more restricted access

Financial sustainability requirements of cutting costs to a minimum has led many programmes to seriously cut complementary services. In the past some support services in some programmes, including business training and gender awareness, have been both expensive and had minimal impact. However this does not mean that complementary services are not needed or would not make a substantial contribution to both all aspects of empowerment and repayment rates if they were better designed. Possible ways forward include:

- initiating and supporting collective mutual learning on economic issues (eg skills, marketing, business development), other service provision (eg literacy, childcare) and social/political empowerment (eg legal rights) by clients/members
- linking with and supporting other organizations working for change in gender relations
- cross-subsidy from charging better-off clients for some services and/or charging all clients for some services once they have reached a certain level of income

Alongside these strategies for women clients/members there is also a need to mainstream gender and empowerment concerns throughout all the activities of a programme. There is a clear qualitative difference in programmes where staff are gender aware and empowerment issues are raised as a routine part of all interactions between staff and clients, and those where staff belittle gender issues and fail to question gender stereotypes or suggest ways in which women could overcome gender-based problems. Mainstreaming gender is not necessarily resolved by women-only programmes, and these do not necessarily challenge gender inequality. Importantly, there are definite benefits to mixed-sex programmes where male staff are also working on gender issues with men and women are able to take their concerns before a male organization. Mainstreaming gender will however require a fundamental review at all levels:

- review of norms and regulations from a gender perspective
- integrating gender equitable policies into services for men
- empowerment indicators as integral part of MIS
- fully integrating gender and empowerment issues into all client/member and staff training, conditions of staff recruitment and staff incentives

4. ISSUES FOR DONORS

Increasing impact will require changes not only at programme and NGO levels as indicated above, but crucially in donor policy. Donors need to include empowerment concerns in all funding guidelines, monitoring and evaluation and programme support

This in turn will require an approach to gender mainstreaming within donor agencies themselves which goes beyond rhetorical statements of intent in organizational mandates and equal opportunities policies for staff. Finally micro-finance itself can only make a marginal contribution to women's empowerment and poverty alleviation without explicit support for women's grassroots movements explicitly addressing gender inequality and mainstreaming the concerns of poor women in all macro-level economic and social policy.

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