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Micro-finance: Missed Opportunities in Empowerment?

Issue editor: Irmi Hanak

Articles

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Irmi Hanak

"Working Her Way Out of Poverty": Micro-credit Programs' Undelivered Promises in Poverty Alleviation

"As long as micro-enterprise development is offered as a substitute to meaningful social development ... it will only impede progress towards finding real answers to the very real problem of poverty in the South."
(Nan Dawkins Scully, Women's micro-credit accountability network)

1. Introduction

This paper on micro-credit lending and its social impact is based on research conducted on two micro-finance institutions in Uganda, FINCA[1] and PRIDE[2]. Micro-credit programs are part of a large-scale policy effort to support small and micro-enterprise development, offering financial services in areas neglected by institutions of the formal banking sector. Providing decentralized financial services to small scale entrepreneurs can therefore be regarded a commendable undertaking in itself. FINCA and PRIDE Uganda's performance in the late nineties have been particularly successful in terms of *financial* sustainability. Increasing client outreach indicates that the target group widely accepts the loans offered. Repayment records have been exceptionally high and both organizations did realize institutional growth, e.g. by opening new branches.

Apart from pointing to the importance of closing a gap in financial service provision, micro-credit organizations – FINCA a PRIDE Uganda being no exception – raise expectations about the social impacts of their programs particularly portraying them as

- a viable anti-poverty strategy
- an instrument to change gender relations to women's advantage
- a promising scheme to create employment and income on a significant scale.

Such expectations have made major international development organizations and donors regard micro-finance institutions as effective instruments in social development work. Organizations and actors engaged in micro-finance widely rely on these core arguments in support of their work. This paper discusses evidence of the degree to which these objectives play a role in actual implementation. Its main concern is the record of achievements and failures in poverty alleviation, women's empowerment, and the creation of working opportunities with acceptable working conditions, as well as the micro-finance institutions' approach and attitude to this.

The research was part of the project "Communication and Consulting" at the Department of African Studies in Vienna and was funded by the Austrian Science Foundation[3]. Research[4] on the two micro-credit programs FINCA and PRIDE and some of the respective donor institutions, i.e. the Austrian Regional Bureau and the Department of Development Co-operation of the Austrian Federal Ministry of Foreign Affairs, was carried out in Jinja, Mbarara, Masaka and Kampala, Uganda, as well as in Vienna, Austria, in 1997. Qualitative interviews were conducted with both the clients of micro-credit programs and the staff of micro-credit organizations, i.e. credit officers or program managers, as well as the cooperation coordinators of the Austrian government's cooperation department in Vienna and Kampala. In addition to this, participant observation of clients' group meetings provided insight into communicative patterns and decision-making processes. Data in Swahili[5], English and German was recorded and transliterated.[6] Project documents such as applications for funds or reports were also assessed using methods of critical discourse analysis (cf. Fairclough 1995).

2. Micro-credit programs and neo-liberal development discourse

> *In competition for funding, and, in some cases, for global influence, large micro-finance institutions – like most large NGOs – have a vested interest in perpetuating their own myth: the glossy version of their success story.*
> (Rogaly 1996: 107)

Micro-credit institutions are dedicated to provide savings and loan facilities to clients neglected by the conventional formal banking sector either because of the smallness of the amounts provided, the perceived remoteness of the clients location, or a lack of property that could serve as collateral or loan guarantee. While there is a range of micro-finance institutions in developing countries, the model of the Grameen bank has been widely emulated by other micro-finance institutions. FINCA and PRIDE hold operating principles that in many ways conform to this model. FINCA originated in Latin America as a micro-credit organization in 1984 and opened its first office in Uganda in 1992. It has meanwhile established branches in several African countries, with a regional head office in Kampala. An office in Washington DC connects the various operational regions of FINCA, i.e. Latin America, NIS (i.e. the Newly Independent States of the former Soviet Union), and Africa. The organizational set-up is similar in every country, a structure that the Africa Regional Director described in the following way: "*I think we can compare it to Barclays (a formal bank also operating in East Africa, I.H.), there is a local structure, FINCA is registered in Uganda as company and as a NGO, but there is the international network, resources and supervision.*" (Interview FINCA staff member)

PRIDE was founded in Kenya in 1989 by a US-American former Peace Corps volunteer and businessman. PRIDE Uganda started up in 1996 and is linked to a regional head office in Nairobi, which is in turn connected to a coordinating office in Washington, DC, that facilitates fundraising activities (Interview PRIDE staff member).

„Small" amounts of money (an initial sum between U$ 50–200) are lent to micro-entrepreneurs who must form groups in order to become eligible for them. FINCA accepts only women as clients, while PRIDE is open to both women and men, reflecting 60% female clients in 1998 (PRIDE Uganda 1998: 5). Micro-finance institutions do not require land or other possessions as collateral and thereby provide the land-less and poor with access to loans. Instead, PRIDE requires its clients to organize themselves into groups of five in which the members are responsible for each others' loan repayment. The smaller groups of five then form a larger group of about fifty members who attend weekly meetings and receive instructions on conditions and procedures. Clients are also required to save a certain amount. After a phase of instructions and saving that usually lasts a few weeks, the loans are disbursed. Repayment is then due in weekly installments immediately following the disbursement of the loan. Both FINCA and PRIDE charge commercial interest rates that are supposed to contribute to the delivery cost of the loan. After successfully repaying the amount, clients may begin another cycle of borrowing and repayment. Eventually, the amount loaned may also increase, depending on the clients' success in repaying earlier loans.

Organizations differ in their strategies of outreach to their clients, some focusing entirely on urban areas, others offering mobile services in villages. For FINCA, establishing savings facilities and setting up village banks is a long-term goal of the program. Micro-credit institutions target their clients by thousands: FINCA Uganda had 18,634 clients by the end of 1999 (FINCA homepage). PRIDE's 1996 contract with the Austrian Foreign Ministry included the aim of targeting 5000 new clients (cf. Republic of Uganda and Federal Ministry of Foreign Affairs of the Republic of Austria 1996b, Annex 2: 1). PRIDE Uganda had 8,105 clients by April 1998. Contact with prospective clients is established by credit officers whose job qualifications usually include knowledge of one of their clients' first or second languages, aside from English (i.e. depending on the area and the group's preferences this might be Luganda, Nyankole, Lusoga, Swahili ...) and skills in accounting, business administration and/or social work. Higher level managers of micro-credit institutions usually have a background in banking. The largest group of employees, the credit officers, are mostly in their twenties or thirties, many stating that working for the micro-finance institution was the first job opportunity they encountered after graduation. The staff of both institutions is largely Ugandan, which is in itself an achievement, considering that much of development co-operation is characterized by the dominance of foreign "experts". The fact that, at the time of research in 1997, both of the top administrative positions in FINCA and PRIDE Uganda were held by expatriates nevertheless points to some prevalence of the above-mentioned pattern of foreign dominance and becomes significant in light of the hierarchical decision-making structures in both organizations.

FINCA and PRIDE work predominantly in the field of micro-finance; they do not offer other social services. Their underlying rationale is that the most pressing problem for micro-entrepreneurs is the lack of capital, while business skills, experience, technology and infrastructure are accorded secondary importance.

> "*Her (the poor woman's, I.H.) biggest problem is finding no capital at all to break the vicious cycle of poverty.*" (FINCA project application 1996: 2)

The expectation this argument invokes is that the provision of capital will enable the poor to lift themselves out of poverty into a position where they can solve their other problems.

3. Background to poverty, gender and labor relations in Uganda

Similar to other parts of an increasingly interdependent world, people in Sub-Saharan Africa have in the last decades been subjected to the pressures of a degradation in its workforce. In this process, individuals are required to work for ever decreasing returns: the workforce, especially the female workforce, becomes cheaper; the workers themselves loose income and status, and they become "poorer". This process is both a result of historic developments as well as present-day socioeconomic relationships. In Uganda local "feudal" traditions, colonialism and present-day capitalist globalization have shaped a society characterized by social inequality, widespread poverty, unemployment and hierarchical gender relations (cf. Ministry of Gender and Community Development 1995).

2.1 Colonialism

Today's socio-economic adversity can be better understood through a consideration of its historic background, especially the impact European colonialism had on social relations in Eastern Africa during the first half of the 20th century. Europe's earlier "Scramble for Africa" had largely been an attempt to gain control of the African labor force (Grau 2000: 142). Depending on the socioeconomic and political circumstances, this control was established either with incentives or force.

From the point of view of the people targeted by colonialism, oppression, forced labor, and exploitation came along with prospects of employment opportunities considered attractive. As elsewhere, economic upheaval brought jobs with wages and working conditions considered worth striving for. When employment conditions were considered unsatisfactory or the benefits reduced, workers frequently engaged in protest and struggled to protect their rights and interests. Workers had bargaining power and occasionally succeeded in having their demands met. At the same time, colonial labor relations relied extensively on the use of force and exploitative practices. In order to recruit people to work

under the difficult conditions in plantations, mines and construction, colonial administrations imposed taxes and introduced forced labor. Working conditions were unsafe, wages often below the cost of living. Colonial institutions constructed racist and sexist ideologies to justify such inhuman measures, including the idea that men's wages could be kept low because their families' rural subsistence economy covered most of their daily needs. This was based on the assumption that subsistence farming by women, children or elderly people could be considered a natural state of affairs. In effect, a complex system of oppressive family, land and pass (residence) laws with a marked gender bias was forcing younger men into labor migration so they could pay taxes and meet newly arising needs, such as school fees. Women were generally forced to remain in rural areas, working in subsistence agriculture or as low-paid agricultural laborers while male relatives had control over their produce (cf. Coquery-Vidrovitch 1997: 3).

> "*While the men sold their labor power ... for a pittance, the women remained home cultivating food, some of which was sold cheaply to the capitalist sector to sustain it.*" (Rutabajuka 1996: 28)

Many supposedly "customary" family laws made women perpetual minors dependent on fathers, husbands or other male relatives (cf. Grau/Hanak/Stacher 1997: 144ff). Older men that were losing the support of the younger male labor force tightened their control on women's labor. Women were accorded usufructory rights of land by their fathers, husbands or other male relatives, but often had little control over what they produced. Colonial and patriarchal interest merged with conservative personal laws, creating a marked gender, racial and age bias.

Marjorie Mbilinyi (1989: 227), describing women's struggle for personal freedom and autonomy in Tanganyika of the 1940s, gives detailed insights into the plight of African women under colonial family legislation, more than once drawing parallels to captivity or even slavery. Colonial legislation and administration continue to affect today's labor and gender relations. As in many countries, a legacy of misogynist family, inheritance, and land law systems that were encoded in the colonial era and misleadingly termed "customary", are still causing significant social problems in Uganda. Despite the fact that the present Ugandan constitution explicitly addresses the need to eliminate gender discrimination, "*the existence of discriminatory laws, and the length of time it will take to translate the provisions of the constitution into positive practice and laws ... make it difficult to achieve the ideals provided for*" (Ministry of Gender and Community Development 1995: 130).

2.2 Economic developments in independent Uganda

Colonial administrations created a limited amount of employment opportunities in the public and private sector of the economy. The independent African state of the 60ies and 70ies raised hopes that African countries would develop according to the western market economy model, relying on Africanization policies and the promise of modernization theory. Socialist-oriented governments set their hopes of economic development on state-managed enterprises and industries. Whatever the political orientation, jobs with attractive wages and access to systems of social security generally remained limited to a small group.

From the perspective of the 1980ies and 1990ies, however, the expected boom of the formal economy of African countries left a lot to be desired for: The ratio of the workforce employed in the formal industry and service sector of the economy stagnated at around 15 to 20 per cent (Stacher 1997: 150). The GNP per capita remained at the level of the 60ies. The largest part of the workforce of Sub-Saharan Africa is still absorbed by the agricultural sector. From the seventies onward, economic activities in what has been rather imprecisely called the "informal economy" have been increasingly considered a main source of livelihood.

Ugandans experienced political turmoil and economic stagnation following the Idi Amin and Obote regimes and the ensuing civil war. A state of general lawlessness, corruption and politically motivated violence had a devastating effect on the economy. While only a few could engage in large-scale profitable business under these unstable conditions, petty black marketeering and speculation became a survival strategy for the majority. As food and other basic consumer goods became scarce, finding out about the availability of everyday commodities, queuing for them, acquiring and selling them on a micro or small scale became a time-consuming occupation that could secure some basic needs on a day-to-day basis.

Since Museveni's NRA (National Resistance Army) victory and the installation of a government in 1986, a phase of relative political stability has ensued. Economically, the country has had to deal with several structural adjustments programs from the International Monetary Fund. The NRM (National Resistance Movement) government has accordingly changed the political orientation of its economic policies from socialist to liberal. Uganda's political and economic success during the last decade is often summed up by quoting the figure of annual growth of the Gross Domestic Product, averaging 7,3% between 1990 and 1998 (IBRD 2000b: 3). Reference to the atrocities committed by prior political regimes is often made pointing to the relative peace enjoyed since then. Nevertheless, authoritarianism – the political establishment relying on a one party system –, widespread poverty exacerbated by austerity measures affecting the economically weakest section of the population, and military involvement in neighboring countries are some of the negative developments in Uganda that have persisted after 1986. The country has become a major strategic ally in US-American engagement in the Great Lakes Region (cf. Schicho 1999: 234, 236). In recent years, this political alignment has gone hand in hand with close economic relations, i.e. with Uganda becoming a major recipient of Western aid in the region. Uganda is one of the eight focus countries of Austrian bilateral development co-operation and has in the past years received the relatively largest share of Austrian aid funds.

With the public sector having become both economically non-viable and politically inopportune, privatization and private sector development have become key economic strategies during the nineties in Uganda. The change in orientation towards a neo-liberal policy has caused a change in perception of a particular social group: people working outside the formal sector who had been perceived as small scale farmers, agricultural workers, urban unemployed or urban poor are now identified and addressed as possible entrepreneurs or self-employers. Informality and unemployment are no longer part of the vocabulary describing economic conditions, being replaced by a focus on small scale individual enterprise and market opportunities.

2.3 Informality and unemployment

The concept of an informal sector of the economy is closely linked to the absence of formal sector employment. Both terms are rather problematic – the so-called "informal sector" is frequently regulated by those operating in it; and "unemployed" or "underemployed" people are often unpaid or underpaid workers. The disappearance of these concepts from the political discourse blurs essential social concerns with respect to working and living conditions, such as job security, guaranteed minimal wages, maximum working hours, social insurance, and safety at the workplace, to name some of the more important concerns. The term "informal sector", as mentioned above, is certainly problematic and imprecise: *"the concepts and definitions of atypical work are chaotic with different aspects and practices often collapsed into catchall categories"* (Valodia 2000: 2). It is important to point out the large variety of working conditions denoted by the term "informal sector". Two major distinctive perspectives emerge: The informal sector is characterized by a lack of regulations protecting workers' interest: There are no minimum wages, social security or workplace security regulations, and no restrictions on working hours. The informal sector also operates outside the control of political administration, its entrepreneurs showing little concern for license, registration and tax requirements. Entrepreneurs or workers considered to be part of the informal sector could have very little or a lot in common. Consider the case of a plumber formally employed at a company, earning a satisfactory wage including social insurance, working "informally" on his neighbor's flat over the weekend. Then compare it with a street vendor selling self-prepared meals in public places, without paying license fees or taxes. There might not be much difference from an administrative perspective, which sees the tax collector losing revenue in each case, but what a difference for the worker in terms of social and job security!

Considering the Ugandan example, the interdependency of the formal and the informal sector means that low wages in the formal sector of the economy are sustainable only as long as workers rely on unpaid or underpaid services provided either by themselves or others. Thus, a worker employed in the formal industrial sector would take her lunch from a mobile street kitchen, her clothes or her children's school uniform might be produced by an informally operating tailor or purchased from a self-employed second-hand clothes trader, and she will travel on a bicycle repaired and maintained at an informal workshop.

The fact that a waged worker frequently depends on another person's unpaid labor for household work and the upbringing of children, and that this work is usually not accounted for in economic calculations as long as it has no monetary market value, has been a main concern for feminist economists criticizing orthodox monetary theory. Parallels have been drawn between the "invisibility" of housework, childcare, subsistence economy, and underpaid work in the informal sector: By not recognizing un- or underpaid work as economically relevant, its exploitative nature is disguised. Bennholdt-Thomsen, Mies and Werlhof in this context coined the term "housewife-ization" (Hausfrauisierung) of workers in Third World countries. They include agricultural subsistence production in their analysis, noting that women's subsistence production is often ignored or taken for granted by economists assessing economic performance. In developing a "subsistence perspective", they note that the capitalist economy *"defines everything it wishes to exploit at a low or no cost as nature or natural resource. This includes women's house work as well as the labor of small-scale farmers in the third world, as well as nature's productivity"* (Bennholdt-Thomsen/Mies/Werlhof 1983: IX).

Similarly, the geographer McGee critically reflects on ideological constructs that disguise labor exploitation as development efforts. Based on his research on street vendors in various regions in Asia during the late 70ies, he observes that support for small-scale trade in the "informal sector" was deemed an anti-poverty measure, although the policies implemented facilitated the exploitation of an underpaid workforce and rather benefited large formal sector enterprises:

> *"Also I was increasingly skeptical of the dualistic models I was using. They held out hope that encouragement of economic activity in the informal sector would lead to a betterment of conditions for the poor, when it was becoming increasingly obvious that it was beneficial to the 'modern capitalist sector' to allow the persistence of the 'informal sector' because of the advantages of savings on public welfare, cheap labor and so on."* (McGee 1995: 201)

However, as McGee also adds, negative research results did not have much impact on concrete development policy implementation. On the contrary, multilateral development agencies continued to raise expectations about the development potential of the informal sector. The IBRD (International Bank for Reconstruction and Development, "World Bank") estimated in 1995 that the urban informal sector could provide 45–50% of the job opportunities of towns and cities in Sub-Saharan Africa (cf. World Bank 1995, quoted from Stacher 1997: 151). This is a positive recognition of the work and effort of numerous women and men making a living under adverse conditions which has resulted in favorable policy changes. Nevertheless, critics have pointed out that these expectations have been instrumentalized in the context of macro politics of structural adjustment

programs that have significantly worsened the living conditions of the urban poor, and that micro-credit programs have helped in efforts to "discipline the poor" (Chijoriga, this volume) according to the logic of a free market economy.

With major development agencies holding positive attitudes to micro-enterprise, the distinction between the formal and informal sector has shifted to focus on the regulatory criteria of formalizing entrepreneurial activities, such as, for example, paying license fees. Formalization and support for the private sector do in this case mean more revenue for some public authorities, while the micro-entrepreneurs or her/his employee status is usually not considered a possible target of formalization, e.g. in the form of minimum wage or social security benefits, etc. On the contrary, there are strong tendencies to deregulate formal sector employment relations by privatizing parts of the public service or parastatals, by out-contracting, by creating attractive conditions to international companies, and by compromising workers rights. It is thus important to point out the fluctuating boundaries and the inter-relatedness of the formal and informal economy, as well as the opportunistic use of the concepts in development discourse.

4. FINCA and PRIDE's approach to poverty, working conditions and gender imbalances Uganda

3.1 An anti-poverty strategy?

Conceptualizing poverty as well as understanding its causes and implications touches on a core issue of development studies or social sciences in general. Poverty, or rather its alleviation, is a central objective in development work. Interventions to alleviate poverty or its causes thus address highly contested territories. Neither development policy nor practice can be divorced from strategic institutional interests voiced in respective definitions or approaches. The issue of poverty easily lends itself to populist promises and actionism, and the field of micro-finance has not been an exception to this. Consider the following statement from a preparatory document for the 1997 Micro-credit Summit: "*... there is an immediate need to for a global strategy to extend micro-credit to the poorest, wherever they are found*" (Micro-credit Summit 1996).

To get an idea of the wide range of possible approaches, it is helpful to begin with a consideration of the different concepts or definitions of poverty used by various actors in development work. Discussing the various concepts of poverty, it is important to be aware that they probably contain more information about an institution's ideological orientation than about the socioeconomic situation of those termed poor.

Definitions of poverty are often reductionist, such as the below 1$ per day poverty line, of which the IBRD cautions *"there is no certainty that an international poverty line measures the same degree of need or deprivation across countries"* (IBRD 2000b: 4). Neither is there a certainty that those above one or two U$ per day can actually be considered free from poverty, as such figures easily suggest. In Uganda 36,7% of the population are below the $ 1 per day poverty line, while 77,2% are below $ 2 per day (IBRD 2000a: 3)[7]. Another perspective is offered by data on the annual per capita income:

> "*Uganda is classified as one of the poorest countries in the world with a GDP per capita income of $ 159. Uganda's poverty line is drawn at $ 100 per capita per year which constitutes 55% of all Ugandans.*" (Ministry of Gender and Community Development 1995: 99)

More elaborate explanations, however, often rely on additional concepts that are again open to a wide spectrum of meanings or interpretations. "*A combination of low income and unsatisfied basic needs*" (Garson 1997: 4) raises the need to clarify when an income ceases to be low and what needs are considered basic. Empowerment is a qualitative concept frequently cited within the context of poverty alleviation and micro-finance: again it is open to debate who will be empowered, whether this will entail loss of power for others or how this will change social relations on a micro or macro level. The debate on qualitative versus quantitative methodology in development research is in some respects a political decision: do we believe that poverty can be sufficiently captured by figures that offer overviews and generalized conclusions over global contexts, or do we prefer more complex, qualitative approaches that require a differentiated analysis of intersections between social class, gender, age, and ethnicity, and a complex search for solutions (cf. Kabuchu, Kapiri, Kwagala and Wasswa 2000)?

It is important to note here that the concept of poverty used by international monetary institutions as well as micro-credit organizations is one that makes it possible to describe the poors' problems as isolated from the global economic system. Discussing a more complex concept of unequal social relations would necessarily imply questioning the role of the international financial institutions such as the IBRD („World Bank") and IMF (International Monetary Fund) in rendering or keeping a majority of Ugandans "poor" through the policies of structural adjustment and debt repayment.

Instead, the World Bank and other international development agencies prefer to portray poverty as a locally and individually created, and therefore locally and individually solvable, problem. The central objective of micro-credit institution, namely raising the household income in monetary terms, is perfectly in line with such an approach. Relegating the responsibility for poverty to the individual, micro-credit programs have come to at least partly replace poverty alleviation policies that rely on providing social services such as health or education programs to communities. Micro-credit programs are also perceived as a buffer for workers and employees laid off from public or parastatal work places. Those who lose employment as a consequence of structural adjustment programs are often expected to create their own job next.

The president of the World Bank, James Wolfensohn, summed up these widely voiced expectations in the following statement in preparation of the 1997 Micro-credit Summit:

> "*micro-credit programs have brought the vibrancy of the market economy to the poorest villages and people of the world. This business approach to the alleviation of poverty has allowed millions of individuals to work their way out of poverty with dignity.*" (quoted from Micro-Credit Summit 1996)

The notion of working one's way out raises the issue of work and working conditions (working hours, level of income or wages, safety and security), an area little dealt with in relevant project documents. We will return to this point – or rather significant omission – later. Another aspect worth noting here is the use of "dignity" in this context. Does Wolfensohn suggest that micro-credit facilitates a transition to a life of dignity devoid of poverty, or rather that being poor and dignified is compatible thanks to the working of micro-credit intervention?

3.1.1 Micro-finance institution's discursive constructions of the poor

Social development discourses of the 1990ies place human development at the center of all efforts. The poor as beneficiaries or target groups of the micro-credit programs routinely appear in project documents and reports. In practice, FINCA or PRIDE do not assess the material state of their clients in terms of dollars they have to spend per day, but assume that only poor women or men will be interested in the low sums offered by micro-credit programs, despite evidence that some richer clients participate in initial stages only to become eligible for higher sums.

More detailed information on individual beneficiaries and their social status and living conditions features in reports about individual clients' experience with micro-credit, which is usually constructed around a "before" and "after" effect, with "development" triggered by a micro-credit loan as a decisive event in between. "Before" is characterized by material want, the inability to fulfill one's basic needs or those of one's household and family, a lack of self-confidence and self-respect, a lack of social relations or the ability to speak in the public, and, as far as women are concerned, a dependence on men. "After" is usually depicted as a positive state of improved material conditions, but more importantly also of changes in the individual personality that suggest personal empowerment. Narratives depicting micro-credit as the turning point for a fulfilled life are highly reminiscent of religious motifs of salvation; such narratives are routinely a part of project reports and the success images created in PR documents (see FINCA and PRIDE internet homepages, for example). Negative aspects – such as the fact that repayment is sometimes given precedence over other household requirements such as children's school fees (Interview PRIDE staff member), do not figure in such narratives. Neither do situations in which women are unable to pay back the rates plus high interest and are torn between cash demands of male household members and credit repayment requirements. The burden of debt may also lead to an increase in domestic violence, as documented by Rahman (1999: 72) for cases in Bangladesh. As with other development work, negative aspects find no space in freely accessible communications.

At a practical level, it is currently considered that not all those termed poor can be viewed as potentially successful micro-entrepreneurs. A selective perception has been developed. Terms such as "the able poor", "the entrepreneurial poor", "the productive poor" or "the strongest poor" emerge to denote the intended target group (Interviews with PRIDE staff member and a consultant of the Austrian Federal Ministry of Foreign affairs). Only a few actors, such as the proponents of the 1997 Micro-credit Summit mention the category "*poorest of the poor*" (Micro-credit Summit 1996) as a primary target group of micro-credit interventions. Such an approach has been criticized by an Austrian consultant as unrealistic:

> "*After the Micro-credit Summit everything was streamlined into the direction of poverty alleviation, too many expectations were raised. In my opinion, the actual target group are the 'strong' among the poor women.*" (Interview with a consultant of the Austrian Federal Ministry of Foreign Affairs)

To summarize: In the development-relevant communication of micro-finance institutions the poor are depicted as a group not dependent on welfare services but able to lift itself out of poverty through its own initiative. The external causes of poverty and the possibility of social policy measures are rarely considered. In inter-institutional communications several kinds of "poor" are categorized, reflecting the exclusion of the group which is worst-off.

3.1.2 Traders as the major target group

FINCA and PRIDE Uganda require repayment within a period of three to four months. This precludes most agricultural activities that require credit ranges of up to one year, and results in most clients engaging in trade in foodstuffs or second-hand textiles imported from Europe. In a context where more than half of the population makes a living in agriculture (Ministry of Gender and Community Development. 1995: 23), such a strategic outlook poses a remarkable restriction.

The conditionality of the loans provided – a four-months' cycle of disbursement and repayment, as well as considerably high interest rates favor investment into small-scale trading activities. The short time span makes it impossible to use the loan for agricultural activities. Thus, there is a bias against many productive activities.

> "*For trading activities, money can be borrowed at a high cost because it can be used quickly to generate profits and repaid in a timely fashion. Activities of this type, however, generally have little lasting economic impact.*" (Garson 1997: 6)

About 80 per cent of FINCA Ugandan clients engage in trade (e.g. second hand clothes, groceries, agricultural products), 10 per cent in manufacturing and 10 per cent in agriculture (mainly keeping dairy cows or laying chickens that enable the clients to continuously repay credit rates) (Interview FINCA staff member). PRIDE credits officers equally confirm that their clients generally engage in trade

(Interview with PRIDE staff member). While the bias against agriculture is recognized as a problem by the staff of micro-credit organizations, their reaction is not necessarily to advocate change in policy or its implementation, but rather to have more of the same as stated in a PRIDE business plan (1998).

> "*Most of the people tend to shy away from the urban centers as they prefer to stay and live deeper in the rural villages tending to their main economic activities of cattle rearing and agriculture. Consequently any poverty alleviation schemes that cannot fund and finance cattle rearing and agriculture need more time to succeed.*" (PRIDE Uganda 1998: 1/3)

Small-scale trading activities are preferred by micro-entrepreneurs because of the low initial capital requirements involved. Labor input is frequently not accorded monetary value in the "entrepreneur's" calculations. Mahmood Mamdani gives an example of the calculations of a women living in a village along the Entebbe-Kampala road, who brews beer and processes cow heads.

> "*The cooking and sale of one head takes three days. The head is bought at Shs 900 and the pieces fetch a total of Shs 1200. She makes a 'profit' of Shs 300 in three days, discounting the labor involved in gathering firewood or cooking, or the cost of a match-stick or a pot. Typical of a middle or poor peasant, in her financial calculations, she never puts her own labor or her own implements into account as she considers them free.*" (Mamdani 1996: 332)[8]

Self-exploitation of this kind is a typical feature of the poorer section of micro-entrepreneurs, for whom trade is more a survival strategy than a "business".

3.1.3 Competition between traders is intensified through micro-credit programs

Some of the poorer traders we interviewed started with the sale of small amounts of one or two commodities (e.g. onions, garlic, ginger), often within a highly competitive market. Again, the problem of intense competition is not limited to the Ugandan context. The push for the clients to engage actually results in excessive competition between the micro-entrepreneurs.

> "*If too many micro-entrepreneurs who are making the same products are receiving loans, competition is created to bring prices down, thus negating any benefit from the loan.*" (Buechler 1995: 15)
>
> "*There may be intense competition between women entrepreneurs ...*" (Mayoux 1995: 27)

Some of both FINCA and PRIDE clients definitely encountered the problem of competition and low profits, some of them stating that their income was hardly enough to buy their daily food (e.g. Interviews with vegetable sellers at Owino Market, Kampala, 22/7/97). Fieldworkers from both PRIDE and FINCA stated that in some areas their institutions were in competition with other micro-finance institutions, and that some clients took advantage of this situation by borrowing from various institutions simultaneously (Interview with PRIDE staff member).

Our interviews revealed that credit-officers of micro-finance institutions in Uganda are not particularly concerned with the socioeconomic context of their clients' enterprises. It is the clients who have to worry whether they will actually obtain a worth-while return for their labor input. Micro-finance institutions are concerned about whether their loans will actually be paid back; while the cost of repayment remains the problem of the micro-entrepreneurs. Micro-entrepreneurs might employ one or two workers; their working conditions and wages are also not subject to any regulations. Most micro-entrepreneurs have neither the economic option to employ others at worthwhile conditions, nor are they in a position to realize a profit from the use of cheap labor. While jobs are created, it usually requires self-exploitation and the exploitation of others, meaning long working hours, low and irregular pay, lack of social security, unsafe working conditions, and in some cases an increase in the use of child labor.

3.1.4 "Screening": processes of group formation and exclusion

It is particularly striking that, in their interviews and project documents, micro-finance institutions often construct disparate discursive realities of poverty and the poor, depending on the respective interactive partner. Thus, donors are assured that micro-finance institutions "target" and subsequently benefit the poor. At the same time, prospective beneficiaries or clients are informed that, in order to be eligible for a loan, they first of all have to prove that they are already engaged in a profitable business venture. Thus, the program set up actually requires the targeted "poor" clients to take on an additional risk by standing surety for others whose reliability is uncertain. Resistance to this and other requirements, such as the time-consuming attendance of meetings and instructions, usually takes the shape of an unwillingness to participate in any type of group undertakings, which is explained away by the staff of micro-finance institutions as the regional cultural specificity of potential clients.

> "*We have experienced serious problems with group formation especially with our branches in Mbarara and Kabale. Potential PRIDE clients in these locations do not feel comfortable forming and working in groups. The local cultures tend to support more individualistic personal roles. Consequently, PRIDE staff will have to commit significantly more time and effort, especially after the opening of the new branch to encourage people to come and work together in groups.*" (PRIDE Uganda 1998: 1/1)

In other regions, the surety requirement results in people choosing their group members very carefully. As new members apply for a loan, their possessions, financial situation, marital status and educational background is critically assessed by the other group members. Their business and home is visited by other group members who inform themselves about the prospective member. Household goods, even those belonging to other family members, might play a role: the sisters sewing machine actually assures other group members that if the new applicant fails to pay back, there are some possessions that can be claimed by the group to recover the loaned amount.

This obviously excludes those without this kind of material resources, and a sense of small-scale mortgage logic is informally re-introduced into the system. In a FINCA client group meeting near Jinja, group members discussed the applications of two potential new members. While one's application was accepted by the group, the other was rejected with the argument that there were no personal belongings that could serve as a guarantee in case: "*her condition is not good, there is nothing in the home*" (hali yake siyo nzuri – nyumbani hakuna kitu) (Meeting of FINCA client group). Such "screening mechanisms" are left to the clients themselves, thus sparing the micro-finance institution bureaucratic tasks. This however leads to the exclusion of people who would be most in need. This is a general problem with micro-credit programs that is not limited to FINCA or PRIDE.

> "*X will not have Y in her group unless she believes she has sufficient potential for regular repayments and much to lose from the social ostracism associated with default. This might well lead to the exclusion of the poorest.*" (Rogaly 1996: 105)

Inter-group dynamics therefore play a role in excluding poorer potential micro-entrepreneurs from participating. Nevertheless, flexibility is practiced by micro-finance institutions towards the better-off segment of the target group. This can be illustrated by the fact that civil servants are among those eligible for loans. The consideration in that case was not whether they could be considered poor, the argument was rather "*their businesses are poor*" (Interview with PRIDE staff member). Muwanika Kiwemba (1998: 33) in her study on FINCA Jinja found that the majority of clients in the Jinja district had a secondary education or more and were between 35 and 45 years old. Her study confirms that younger and poorer women had difficulties participating in the program.

Neither FINCA or PRIDE bother to follow-up on their clients' social development by systematically referring to indicators that would actually give information on the success of "poverty alleviation", such as the level of household budget resources available for food, health, education, etc. Micro-credit programs view their own financial sustainability as the most important indicator, thus considering any program a success as long as clients repay their loans (as in any case of lending with interest, the organizations receive more money from the "poor" than they initially provided them with.) Our interviews suggest that at least some of the poorer of FINCA's or PRIDE's clients are in a situation where they repay loans while still being unable to fulfil most basic needs such as providing their children with adequate food or sending them to primary school (Interviews with micro-entrepreneurs at Owino market, Kampala).

The attribute "poverty-alleviating" remains based on assumptions that are not put to test. The ability of the Ugandan rural and urban poor to participate is not a decisive criterion for micro-finance institutions. While it is also beyond the scope of this research to gain more detailed insight into poor Ugandans' experiences excluded from micro-credit programs, criticism voiced by those "benefiting" from micro-credit interventions raises severe doubts as to the promised poverty-alleviating qualities.

Simple models, institutional linear solutions, and conformity to neo-liberal models might smoothen the "aid relationship", providing donors and implementing agencies with presentable, successful projects. Micro-credit institutions are not concerned with offering multiple solutions to the multi-dimensional problems of the people subjected to the various classifications of "poor".

> *"The present all-out push to fund micro-enterprise credit risks a return to a 'blueprint' approach (the promotion of a uniform model) to anti-poverty action."* (Rogaly 1996: 101)

In some cases, as the PRIDE business plan (1998) remarks, *"... a situation of too many poverty alleviation projects or programs chasing too few clients"* (PRIDE Uganda 1998: 1/3) arises. Fully integrated into a global aid system, micro-credit institutions are not inclined to address issues of global inequality or the development agencies' involvement in structures of global asymmetry.

3.2 Employment creation and working conditions

The changing attitudes towards the informal sector – from unwanted illegalized status necessitated by poverty (cf. Parnreiter 1997: 202) to panacea for employment and income generation – have changed the language of relevant policy and social science documents. In the Ugandan preparatory document for the Beijing 1995 Women's Conference as compiled by the Ministry of Gender and Community Development, the problem of unemployment is portrayed as concerning only 1% of the female and male labor force in Uganda, who are labeled as "completely" (sic!) unemployed.

> *"According to the Uganda National Integrated Household Survey, 26% of women population is outside the labor force due to either being too young, old or disabled while 21% are students, 29% are involved in household enterprises or duties. Only 23% of total women are either self-employed, employers of employees, while less than 1% of the women are completely unemployed.*
>
> *On the other hand 27% of the male population is outside the labor force due to either being too young, old or disabled while 27% are students, 10%% are involved in household enterprises or duties, 35% of the total men are either self employed, employers or employees, while less than 1% of the men are completely unemployed."* (Ministry of Gender and Community Development. 1995: 23 ff)

In these figures, the authors avoid some of the pitfalls of more traditional terminology, such as automatically labeling people without income "not working" (e.g. "housewife"). The relatively higher numbers of women engaged in household enterprises or "duties" – here we are undoubtedly back to the concept of the housewife – provide an idea of gender differences in independent access to cash income. The low figure of what is in a cumbersome manner termed as "completely unemployed" raises important questions. Which of the other four categories do accommodate those 36,7% of the Ugandan population, who, as mentioned above, have less than $ 1 per day to spend? In other words, not being "completely unemployed" tells little about the employment conditions and income. We can only speculate on how all the Ugandans beyond the various poverty lines are accounted for in such employment statistics.

The USAID 1995 "Survey of micro and small-scale enterprises in Uganda" estimated that there are 846 570 micro and small-scale enterprises in Uganda employing about 2 575 177 people. Micro-finance institutions readily include prospective employees of micro-entrepreneurs into the group of intended beneficiaries, however, they are silent about these workers' social situation.

> *"PRIDE Uganda's financial services will be targeted towards micro-enterprises (enterprises with 1–10 employees). The majority of these micro clients are expected to have between 1–2 employees. About 60% of those are expected to operate trade businesses, 30% manufacturing businesses, and the remaining 10% service businesses. Female clients can be expected to make up 50% or more of PRIDE's clientele. Currently female entrepreneurs constitute over 60% of the PRIDE Uganda clientele. ... 20% of micro-enterprises are expected to employ 3–5 workers."* (PRIDE Uganda 1998: 5)

For many micro-entrepreneurs, their own or their family members' labor is the only input they can dispose of, which is thus extensively made use of even at lowest returns. *"Small-scale units are often only viable ... through super-exploitation of labor"* (Mayoux 1995: 18). Far from yielding any long-term sustainable livelihood (which would include savings or insurance for sickness, old age, etc.), some of small-scale enterprises are undertaken for a lack of alternatives, even if they hardly provide the daily food for those engaging in them. This readiness to engage in any income-generating activity even under conditions of self-exploitation, has made increasing numbers of micro-entrepreneurs engage in fierce competition over limited market opportunities. Street hawking, formerly regarded as a sign of poverty and lack of more promising opportunities, has been re-interpreted as an expression of an entrepreneurial spirit in a neo-liberal context.

> *"A woman selling oranges on the streets ... are examples of how millions and millions survive, creating work and income for themselves and their families where there are no jobs."* (Micro-credit Summit 1996 3.1)

While selling fruits from a street kiosk might be a perfectly profitable undertaking yielding satisfying income for any (micro-)entrepreneur and her possible employees, the problem is that under present conditions in Uganda, hawking fruits in public places is not rewarding for the majority of women engaging in it. Micro-finance institutions including FINCA and PRIDE are not very much concerned about jobs, workers or working conditions. This becomes clear even in the language used, with terms such as "enterprise" or "economic activity" replacing the notion of "work" and "labor". Working conditions, working hours, employment conditions, safety and social security are not an issue, at least not as long as their state is problematic (positive achievements are of course more readily documented). Linda Mayoux cautions about the sustainability of such selective perceptions:

> *"there are likely to be serious limitations on strategies which treat entrepreneurship in isolation from other measures to improve the situation of laborers. This is particularly the case if the aim of micro-enterprise development is in wider poverty alleviation. Much of the literature on the informal sector has highlighted the extent of differentiation and exploitation within the small-scale sector. Workers unprotected by labor legislation often work in appalling conditions for very low rates of pay. Significantly for women, many 'self-employed' men are dependant on family workers, mainly women and children working very long hours under very poor conditions with little control over income. ... Even from the point of view of the entrepreneurs ... the interest of laborers cannot be ignored."* (Mayoux 1995: 19)

Moreover, Mayoux also cautions against false expectations of the relationship between women entrepreneurs and women workers. Female solidarity can not be taken for granted in a context where entrepreneurs calculate only minimal returns for their own, possibly even less for others' labor input. On the contrary, both female and male employers might count on female labor being cheaper than male labor: *"women's entrepreneurship strategies are likely to be as reliant on the low wages of female labour as male entrepreneur strategies"* (Mayoux 1995: 27). While women entrepreneurs might be more likely to employ other women, they do not necessarily offer worthwhile conditions: *"... what little evidence exists indicates that although female entrepreneurs are more likely to employ women, they may pay lower wages to employees than men."* (Mayoux 1995: 51)

Many FINCA and PRIDE clients interviewed have employed others to work for them in their businesses. Some stated that they paid their employees a fixed amount for their work. Others, especially those who relied on family labor, said that there were no agreements about regular payments, mentioning provisions in kind instead, such as food, clothes, and a place to sleep. One client, who was a full-time employee at a bank, mentioned that her sister took care of her grocery kiosk while she paid school fees for two of the sister's children instead of receiving wages (Interview with PRIDE client). All clients interviewed stated that they had no agreements with their workers on maximum working hours, but required flexibility from their workers according to business needs. Any consideration of insurance, job safety, or benefits was conspicuously absent. Since our study was restricted to FINCA and PRIDE clients (i.e. entrepreneurs), we did not interview any employees independently of their employers. While this is a shortcoming of our own research, it reflects the perspective and priorities of the micro-credit organizations themselves. The social situation of the micro-entrepreneur is of secondary importance, and that of her employees is of even less

relevance. An important insight from our interviews is that where poverty-alleviation is an objective, a critical look at the social situation of all poor people concerned becomes indispensable.

3.3 A positive impact on gender relations?

The focus on women is an important principle that has done a lot to enhance the progressive image of micro-credit programs within the social development sector. This positive attitude for women's involvement into development goes hand in hand with supportive Ugandan government policies towards achieving gender equality. Women clients of micro-credit programs generally value the acceptance they receive as business partners and many are enthusiastic about their prospective independent enterprises. As women often cannot provide collateral for conventional loans or lack the knowledge to access such loans, they are considered a major beneficiary group of micro-credit programs.

Not depending on men for everyday household expenses is one aspect frequently mentioned. Many women report that money designated for their business or loan repayment is not interfered with by their husbands or other household members. Offering women the possibility of keeping their money separately, i.e. keeping their own savings, is one rather valued aspect in women's efforts to change gender relations to their advantage. However, women micro-credit clients are also aware of the limitations of changes in gender relations triggered by micro-credit programs as they continue to operate in a space restricted by gender discriminatory family, inheritance, property and land laws. As mentioned above, structural adjustment and economic austerity programs have affected women more negatively than men.

„Doing gender" or working for a positive impact on gender relations has become one of the prerequisites of social development projects in the nineties. As in other contexts of development cooperation, the "good intentions" of donors have translated into policy papers and conditionality imposed on weaker project partners (i.e. recipients), while having little impact on global relations of inequality. Project applications to major donors meanwhile require a statement on gender impacts of proposed projects, which might have changed the rhetoric of project applications but not necessarily project practice. *"Studies of the ... gender dimensions of projects may prove more significant in justifying projects ..."* (Williams 1995: 174), without these projects necessarily working against gender discrimination. As Crewe and Harrison (1998: 56) observe, the production of checklists, information, and policy papers prevails over actual implementation.

Integrating women into development on a larger scale became part of development agendas from the late seventies onwards. Although welcomed with enthusiasm by international development agencies and NGOs, feminist critics would soon point out that forcing women into existing structures did not necessarily constitute a positive change for them. In the early 80ies, Bennholdt-Thomsen, Mies, and Werlhof (1983: 13) argued that women had always been involved in development, and that the issue was whether they actually could benefit from this involvement. Bennholdt Thomsen, Mies and Werlhof interpreted the politics of "integrating" women into development as a *"massive policy effort to gain control over these people and their labor force on a global scale"* (Bennholdt-Thomsen/Mies/Werlhof 1983: 13). Almost two decades later – the terminology has meanwhile changed to incorporate *gender relations* and *women's empowerment* – this fundamental concern has not lost its relevance. Policy formulations and practice still pretend that the mere presence or involvement of women already constitutes an achievement in itself. Feminist development scholars who actually undertake social analysis that accounts for the complex intersection of gender, race, social class and imperialism (cf. Kabeer 1994, Imam/Mama/Sow 1997) are not taken into account by development practitioners. Micro-credit programs are no exception to this pattern. Micro-finance institutions base their work on gender stereotypes and are rarely inclined to question global relations of inequality.

3.3.1 Women = family

Micro-credit project documents endeavor to point to the "gender" relevance of their programs. Reminding the communicative partner that the target group is mainly composed of women is a major strategy in this context. FINCA relies on an 100% female clientele and does not hide this fact in its project documents, e.g.:

> *"The project has targeted the poor woman ..."* (Republic of Uganda and Federal Ministry of Foreign Affairs of the Republic of Austria 1996a Annex 1: 1)

PRIDE, addressing a mixed clientele, points to the factual majority of female clients in its program

> *"Female clients can be expected to make up 50% or more of PRIDE's clientele ... currently female entrepreneurs constitute over 60% of the PRIDE Uganda clientele. ..."* (PRIDE Uganda 1998: 5)

Next in the argument comes a reference to women's alleged gender-specific qualities. This is partly done by putting women in relation to others by addressing or depicting them as family or community members and redefining culturally shaped expectations or constraints as attributes of biologic sex.

> *"The project has targeted the poor woman because she is the natural catalyst of change in the family."* (Republic of Uganda and Federal Ministry of Foreign Affairs of the Republic of Austria 1996 Annex 1: 1)
>
> *"The Micro-credit Summit seeks to ensure that 100 million of the world's poorest families, especially the women of those families are receiving credit for self-employment by the year 2005."* (Micro-credit Summit 1996)

The equation women – nature – family is frequently repeated in project documents on micro-credit programs and in individual progress reports that tend to

take women's altruism that enables others benefit from their achievements for granted. While the reality of this claim has been quoted more often than empirically tested, there is no reason to assume that this is necessarily so in any given context. In a precarious economic situation it might actually be impossible for both women and men to behave altruistically towards any dependent family member. A micro-entrepreneur under pressure to repay a loan might personally prefer not to pay back but instead spend the money on a child's school fees; under social pressure, both women and men often fulfil their duty towards the micro-finance institution and their fellow clients first (Interview PRIDE staff member). Studies point to micro-credits programs' potential of having a stabilizing effect on household consumption and thereby also harmonizing inter-personal relations between household members, i.e. *"women's loans playing an important role in easing household financial crises and preserving family stability"* (Mayoux 1995: 40). Other research findings, however, document reverse trends, giving evidence of an increase in male "domestic" violence against women as a reaction to loan repayment demands (Rahman 1999: 72).

The "natural catalyst" metaphor refers to another misogynist aspect of some micro-credit organization's ideology: women are not only expected to work for others but they are also expected to work more. This additional labor output is expected to come about effortlessly and naturally: a catalyst changes others without being affected itself.

3.3.2 Empowerment – raised expectations

Providing training and education gives the target group a possibility of acquiring practical knowledge or empowering them to reflect their own situation. Training sessions of FINCA and PRIDE, however, are subject to institutional requirements: they mostly serve the purpose of informing the clients about their duties towards the organization and towards other clients, thus functioning more in a disciplinatory way (cf. Chijoriga, this volume) than facilitating open discussion or critical reflection. Typical of such training sessions is a classroom environment and atmosphere, with clients sitting on benches facing a credit officer or group leaders near a blackboard. Credit officers cling to a pre-set agenda, issue directives addressed to the clients, rebuke them for chatting or late-coming, and pose exam questions requiring "right answers" defined by the organizations' representatives. This set-up hardly leaves space for the clients to discuss their own situation, let alone to question the institutional structures or processes they encounter. At the time of our research, neither PRIDE not FINCA offered business or other training as part of their lending programs.

The fact that women have better repayment rates than men is frequently mentioned to enhance their status as a primary target group. It might, however, be a simple indicator that women are more easily put under social pressure to repay because of their weaker social standing.

Little data is actually available on what clients do with their loans, and whether they actually benefit from loan use. There is evidence that some of the clients do not engage in any enterprise. Of those who actually engage in an income generating activity, little is known as to how the loan enters the household or enterprise budget, or where the repayment rate leaves it. There is even less research questioning the impact of loans on gender relations within households.

> "*We know very little about the relative numbers of women within most programs who benefit or fail to benefit, who these women are, or the contextual or organizational factors influencing this.*" (Mayoux 1997: 1)
>
> "*Gaps in the data result from the virtual absence of detailed impact studies.*" (Buechler 1995: 1)

Evidence from our interviews suggests that while the better-off women actually increase and improve their undertakings, others complain about the low returns they receive for their efforts and the repayment pressures they experience. The better-off an entrepreneur is, the more she is able to profit from a loan. Reflecting unequal gender relations thus takes us back to the poverty and employment issues: the poorer a micro-entrepreneur is, the less likely she will be able to use a loan to significantly improve her social situation, and the more she is likely to exploit her own labor.

3.3.3 Female solidarity can not be taken for granted

Many women micro-entrepreneurs report that they rely on (mostly female) domestic workers to be able to attend to their businesses. Employment relationships with domestic workers are of a similar "informal" nature as those with other employees, i.e. with low or no guaranteed monetary income (a place to sleep and food instead), flexible working hours, no job security and therefore little protection against all kinds of possible harassment (Interviews with PRIDE clients). Child-care facilities for micro-entrepreneurs or their employees are not on the agenda of micro-enterprise organizations, although child-minding duties are a frequently mentioned obstacle for women who engage in income-generating work. According to Mayoux, female entrepreneurs face constraints because of a lack of welfare provisions, such as child-care and basic domestic infrastructure, which results from the lack of adequate labor legislation and labor rights, as well as a lack of resources and power (Mayoux 1995: 56). In this context, it is important to note that not only the concrete implementation of policies facilitating women's participation in the labor market, but also an overall critical perspective on unequal gender relations is lacking in micro-credit programs. "*feminist issues such as the sexual division of labor, the oppression of women in the family the nature of women's sexuality etc. have not been taken up*" (Mayoux 1995: 40).

5. Conclusion

As stated in the introduction, micro-finance institutions provide important services for clients neglected by the formal banking sector. With respect to their performance, the "financial sustainability paradigm" (cf. Mayoux, this volume) has come to dominate discourses about performance and the success of micro-finance programs. Both FINCA and PRIDE Uganda exhibit highly positive records in terms of financial sustainability, as also conformed by the growing number of clients and increased repayment rates.

Severe shortcomings, however, become apparent with regard to the realization of social development objectives. Interviews with beneficiaries and fieldworkers of micro-finance institutions reveal that micro-credit programs fall short of the expectations they raise on poverty alleviation, the improvement of gender relations, and job creation. Poor working and living conditions, disturbing social pressures on clients, and the enhancement of unequal gender relations are experienced by many clients of micro-credit institutions that hold positive records of economic sustainability.

It is thus suggested that micro-credit in its present form should no longer be considered for its alleged poverty-alleviating qualities, but rather as a subsidy in support of an alternative small-scale banking sector. As long as social development funds are directed to micro-finance institutions, qualitative and quantitative indicators of social progress achieved through micro-credit lending should be required. A core issue in this respect is the working conditions of micro-entrepreneurs and their employees. It is not enough to know that loans have been repaid; micro-credit institutions should also account for the social and economic impact their programs have on their clients.

Abstract

Kleinkreditprogramme bieten ihren Kunden Kredit, ohne Land oder Besitz als Sicherheit zu verlangen; sie widmen sich damit einer Zielgruppe, die vom formalen Banksektor vernachlässigt wird. Internationale Entwicklungsagenturen und Geber betrachten sie als wirksames Instrument für die Entwicklungsarbeit, besonders im Bereich der Armutsbekämpfung, zum „Empowerment" von Frauen und zur Schaffung von Arbeitsplätzen.

Anhand einer Forschung zu zwei Organisationen in Uganda stellt dieser Beitrag fest, dass Kleinkreitprogrammen den Erwartungen, die sie im Hinblick auf soziale Entwicklung schaffen, nicht gerecht werden. Unter den diskutierten problematischen Aspekten von Kleinkreditprogrammen findet sich der Ausschluss der Ärmsten, wachsende Arbeitsbelastungen für Frauen, sowie schlechte Lebens- und Arbeitsbedingungen vieler Kleinunternehmer/innen bzw. deren Mitarbeiter/innen.

Micro-credit programs offer credit without demanding land or property as collateral, thus targeting clients neglected by the formal banking sector. Major international development organizations and donors presently regard them as an effective instrument in development work, particularly in poverty alleviation, women's empowerment and employment creation.

Based on research carried out on two Ugandan organizations, this paper argues that the social impact of micro-credit programs lags behind the expectations raised. Problematic aspects discussed include increasing work loads for women, exclusion of the poorest, and the unsatisfactory working and living conditions of many micro-entrepreneurs and their workers.

Notes

1 FINCA Uganda (Foundation for International Community Assistance Uganda).
2 PRIDE Uganda (Promotion of Rural Initiatives and Development Enterprises Africa Uganda).
3 Austrian Science Foundation, Fonds zur Förderung der wissenschaftlichen Forschung – FWF.
4 We are grateful to the Uganda Commission for Science and Technology, the Austrian Science Foundation, FINCA Uganda, PRIDE Uganda, the Austrian Regional Bureau (ARB) in Kampala and the Department of Development Co-operation in the Austrian Federal Ministry for Foreign Affairs for permission and assistance during the research.
5 All translations of interview and literature quotations from Swahili and German to English by the author.
6 For an overview on research findings see Ivanceanu 2000.
7 This indicator is widely used by the IBRD. Population below $ 1 a day and $ 2 a day are the percentages of the population living on less than $ 1,08 and $ 2,15 at 1993 international prices, equivalent to $ 1 and $ 2 in 1985 prices, adjusted for purchasing power parity using rates from the Penn world tables. Figures are based on national household surveys (cf. IBRDa 2000: 4).
8 Mamdani does not comment on the exchange rate of the Ugandan Shilling at the time of his research. At the time of publication of his study in 1996, 300 Ugandan Shillings were equivalent to about 3 Austrian Shillings or about 0,3 U$.

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Building Financial Institutions in Developing Countries

1. Introduction

For many years, development policy has paid little attention to the importance of the financial sector in economic and social development and to the importance of creating economically sound and stable financial institutions as a means of improving the economic and social situation of large parts of the economically active population in developing countries. Older approaches to development co-operation tended to consider institution building a mere by-product of some other, seemingly more important, objectives. Almost inevitably, the relative neglect of the institution building aspect has led to economic and developmental failures.

This situation has changed in recent years. Now there are at least some attempts underway at „serious“ institution building, i.e. projects whose primary and overriding aim is to create a new, financially viable institution or to transform an existing institution into one which is able and willing to provide its services to a „disadvantaged“ target population on a permanent basis and at moderate costs. Nevertheless, both the potential and the problems of institution building are still vastly underestimated by those who make the relevant decisions, i.e. the decisions to design and to fund institution building projects.

Our paper is structured around the discussion of three questions:

1. Why are financial sector development and financial institution building indeed important? This question includes two aspects: The impact of financial sector development on overall economic development and growth, and the importance of financial services – as an outgrowth of financial sector development – to those who get access to them, i.e. the distribution of welfare gains. While we will analyse the former aspect in more detail in the next section, which draws on econometric studies inspired by a combination of the new theory of endogenous economic growth and on the theory of financial intermediation, we will not discuss the distributional aspect in this paper. However, one important facet of the issue of distribution should be taken up briefly here. Finance implies empowerment, and therefore is relevant for the relationship between men and women. This is the reason why in several microfinance projects the institutions are expected to „target“ their loans specifically to women. We believe that any demand for credit or other financial services based on the *free* decision of the customers is regarded by *him or her* to be beneficial, as otherwise he or she would not demand this service. This also has implications for the question of targeting women in the context