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Micro-finance: Missed Opportunities in Empowerment?

Issue editor: Irmi Hanak

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Editorial

This issue of JEP contains contributions that analyze results and consequences of micro-credit programs in development co-operation. Following the example of the Grameen Bank, micro-credit programs have gained increasing recognition among donors and implementing organizations in the late 1990ies. They are presently regarded as viable instruments of poverty alleviation, of women's participation in development and a means to create jobs and income in societies characterized by poverty and asymmetric gender relations. From divergent perspectives, the authors of this volume explain, discuss and question numerous issues pertaining to micro-finance. Implicitly many more general points around development co-operation are raised such as: the role of economic growth in the respective understanding of development, the importance accorded to social development objectives, or the asymmetry in the "aid relationship" impeding social progress.

Rigid organizational and management structures, lack of participatory decision-making and donor dependency of micro-finance institutions are issues discussed by all authors of this volume. As Rahman (1999:79) documented for the Grameen Bank, increasing popularity of micro-credit programs brought about a change in the organizational culture of the micro-finance institutions. While the priority was initially on the alleviation of poverty and support for the poor, other objectives gained importance during the 1990ies. In order to confirm to principles of profit-orientation and financial sustainability, the costs of financial services were transferred to the customers. Field-workers came under pressure to work towards an increase in client outreach and to achieve high repayment rates.

Several authors of this volume agree that micro-finance institutions preoccupied with financial sustainability do not necessarily change gender relations to women's advantage. Micro-credit programs raise expectations about their potential of supporting poor women in development efforts. In some respects, however, micro-credit programs exacerbate existing gender hierarchies. Women frequently face increasing work loads and additional tasks. Family or household relations shaped by discriminating legislation make it difficult for women to keep control over their income or borrowed cash resources.

Linda Mayoux's paper on micro-finance and women's empowerment relates to her research and work on several micro-finance institutions in two Asian and four African countries. While it is obvious that finance and financial decision-making are closely related to issues of power and dominance, Mayoux cautions that *"although micro-finance programs do have a significant potential contribution to women's empowerment, this is not an automatic consequence of women's access to savings and credit alone (Mayoux, this volume)"*. In this context, she reminds us of the significant paradigm change that replaced the objectives "women's empowerment" or "poverty alleviation" with the priority of "financial sustainability". Tensions arising from this paradigm shift are visible in current loan delivery practices. These include inflexible repayment schedules, high interest rates, bureaucratic time-consuming procedures and cuts in complementary services such as business training. As Mayoux shows, some of these practices exclude or disadvantage women instead of empowering them.

An overview over micro-finance institutions' performance in the context of Tanzania is offered by Marcellina Chijoriga. Despite growing numbers of clients of micro-finance institutions, among them a majority of women, she finds that with few exceptions, overall performance of micro-finance institutions in Tanzania is poor. Unclear mission statements, donor dependence and insufficient management and accounting practices are some of the shortcomings diagnosed for the majority of organizations. Chijoriga argues for a clear separation of commercial and anti-poverty objectives. "*Micro-finance institutions should clearly distinguish between poverty alleviation which is a development focus and profit making which is a commercial focus*" (Chijoriga, this volume). She further argues for the necessity of diligently adapting micro-finance institutions to the respective socio-economic environment, the economic needs of the clients and the cultural setting. Chijoriga also remarks that micro-finance institutions frequently ignore unequal gender relations, with the result that in some cases women's dependence on husbands or other family members is exacerbated.

Irmi Hanak discusses the role of empowerment or poverty alleviation objectives in the context of two micro-finance institutions in Uganda. Based on a research on two organizations with positive financial sustainability records, she documents their failure to be just as committed and successful in regard to their social development objectives i.e. poverty alleviation and women's empowerment. While both organizations rely on assumptions about poverty, existing gender relations, and the anticipated impact of micro-credit programs on them, they do not bother to test or assess these. The absence of concern for working and living conditions of "beneficiaries" reflects an aid relationship that does not consider accountability to beneficiaries a priority.

Pointing to the importance of financial development for economic growth, Reinhard Schmidt and Adalbert Winkler discuss the requirements of successful financial institution building. According to their analysis, three factors explain "*why there are so few successful micro- and small business institutions operating worldwide*" (Schmidt and Winkler, this volume): unrealistic expectations on the part of donors or partner institutions, lack of awareness of the importance of governance and ownership issues, as well as adverse financial regulation by the host country.

Irmi Hanak

Reference

Rahman, Aminur. 1999. Micro-credit initiatives for equitable and sustainable development: who pays? World Development 27 (1999) 1, pp. 67–82.

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Linda Mayoux

From Access to Empowerment: Widening the Debate on Gender and Sustainable Micro-Finance

1. Introduction

Micro-finance programmes targeting women became a major plank of donor poverty alleviation strategies in the 1990s and funding is set to further increase in this century under initiatives by CGAP and member donor agencies[1]. This expansion is dominated by the 'financial self-sustainability paradigm' aimed at developing programmes which will ultimately be independent of donor funds. Literature prepared for the Micro-credit Summit in Washington in February 1997, many donor statements on credit and NGO funding proposals present an extremely attractive vision of increasing numbers of expanding, financially self-sustainable micro-finance programmes reaching large numbers of women borrowers. 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. However parallel to, but to a large extent marginalised by, the current enthusiasm some researchers have questioned the degree to which micro-finance services in themselves benefit women (Everett and Savara 1991; Goetz and Sen Gupta 1996; Mayoux 1995). Some argue strongly that current models of micro-finance where the overriding concern is financial sustainability divert resources from other more effective strategies for empowerment (Ebdon 1995) and/or poverty alleviation (Rogaly 1996; Johnson and Rogaly 1996).

This paper discusses evidence of positive and negative interlinkages between women's empowerment and policies currently advocated and/or implemented to increase financial sustainability. It focuses particularly on the author's preliminary research and secondary sources on 10 programmes: Community Development Centre (CODEC) in Bangladesh, Professional Assistance for Development Action (PRADAN) in India, Zambuko Trust and Self-Help Development Fund (SHDF) in Zimbabwe, Small Enterprise Foundation (SEF) in South Africa, CARE-PULSE and CARE-PROSPECT in Zambia and Cameroon Gatsby Trust (CGT) and its partner organizations Mbonweh and CIPCRE in Cameroon. Summary details of these programmes are given in the Appendix. It also draws on secondary sources and discussions with staff from other programmes involved in a series of regional workshops facilitated by the author and staff in donor agencies[2].

It is argued that although micro-finance programmes do have a significant potential contribution to women's empowerment, this is not an automatic con-