VI EMPOWERING WOMEN THROUGH SELF-HELP MICROCREDIT PROGRAMMES[1]

Introduction

Self-help programmes combined with microcredit can transform women's lives

A significant development in recent years has been the mushrooming of community-based organizations and initiatives at the local level for women. Reports indicate that self-help programmes, often in the form of savings and credit or microcredit schemes, have succeeded in changing the lives of poor women, enhancing incomes and generating positive externalities such as increased self-esteem.[2] However, in recent years, counter-arguments have also been advanced, suggesting that there could be negative effects or that the results have not been as encouraging as previously reported. This paper addresses the challenging issue of whether self-help microcredit programmes are tools for empowering poor women. The observations made and conclusions drawn are based mainly on field missions undertaken by the author while reviewing gender-mainstreaming projects in Asia funded by the International Fund for Agricultural Development (IFAD), field visits to community development projects and documented studies (Krishnaraj and Kay 2002).

What is empowerment?

Empowerment is a process by which women take control of their lives through expansion of their choices

The concept of empowerment has been the subject of much intellectual discourse and analysis. For the purposes of this discussion, the conceptual framework expounded by United Nations is a useful starting point (United Nations 2001). Empowerment is defined as the processes by which women take control and ownership of their lives through expansion of their choices. Thus, it is the process of acquiring the ability to make strategic life choices in a context where this ability has previously been denied. The core elements of empowerment have been defined as agency (the ability to define one's goals and act upon them), awareness of gendered power structures, self-esteem and self-confidence (Kabeer 2001). Empowerment can take place at a hierarchy of different levels – individual, household, community and societal – and is facilitated by providing encouraging factors (e.g., exposure to new activities, which can build capacities) and removing inhibiting factors (e.g., lack of resources and skills).

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[2] In this paper, the term "self-help group" is used to cover any small group of women at the community level organized as a collective unit.

Social mobilization and economic security are vital to empowerment

Two vital processes have been identified as important for empowerment. The first is social mobilization and collective agency, as poor women often lack the basic capabilities and self-confidence to counter and challenge existing disparities and barriers against them. Often, change agents are needed to catalyse social mobilization consciously. Second, the process of social mobilization needs to be accompanied and complemented by economic security. As long as the disadvantaged suffer from economic deprivation and livelihood insecurity, they will not be in a position to mobilize (UNDP 2001).

With the above brief conceptual understanding of empowerment, what strategies can be used effectively to empower women? In many developing countries (especially in South Asia), one strategy which has been found to be promising is participatory institution building in the self-help groups, often coupled with savings and microcredit loans. A closer look at the impact of these schemes on the empowerment of women reveals a mixed picture, with positive aspects and some limitations.

Empowering aspects of self-help microcredit schemes

Microcredit programmes have played a valuable role in reducing vulnerability

Self-help groups intermediated by microcredit have been shown to have positive effects on women, with some of these impacts being ripple effects. They have played valuable roles in reducing the vulnerability of the poor, through asset creation, income and consumption smoothing, provision of emergency assistance, and empowering and emboldening women by giving them control over assets and increased self-esteem and knowledge (Zaman 2001). Several recent assessment studies have also generally reported positive impacts (Simanowitz and Walker 2002).

Asset creation and income increase are the most significant results of microcredit schemes

Impact assessment studies point to asset creation as one of the main indicators, measurable by empirical data. From field visits done by the author, and from various documented sources, it would appear that financial services, especially microcredit, provided to self-help groups have brought about an increase in household income. For example, the 2000 United Nations Common Country Assessment for Bangladesh felt that microcredit had lessened the severity of poverty and helped to increase total income per household by 29 per cent. A World Bank study found that a 10 per cent increase in borrowing had led to an increase in women's non-land assets by 2 per cent for loans from the Grameen Bank and 1.2 per cent for loans from the Bangladesh Rural Advancement Committee (BRAC) (World Bank 1998). In India, microcredit studies done on groups dealing with dairy farming have noted positive profit levels and short payback periods for loans (Lalitha and Nagarajan 2002).[3] Earnings generated from such undertakings have been instrumental in increasing the physical well-being of the household, often through better nutrition and sanitation. The household's asset base

[3] Also reported to the author in a field visit to Mewat, India, where dairy self-help groups have been operating.

has also been enhanced by the addition of jewellery (a portable asset), improved housing and land purchase in some cases.

Microcredit can also help in meeting short-term liquidity needs and consumption smoothing

Studies in several countries point out that loans are sometimes used for consumption smoothing, not production. It has been pointed out that the poor often have short-term liquidity needs (frequently requiring lump-sum payments), which would normally be met by usurious moneylenders if other financial sources such as microcredit were not available. Sudden and debilitating shocks can force poor households into disempowering situations of distress. During the Asian economic crisis, self-help microcredit groups served as important cushions and safety nets. A high proportion of the funds made available for self-help microcredit schemes were utilized by women, enabling them to meet the subsistence needs of their families during those difficult economic times (ESCAP 2002). Many self-help programmes have also incorporated elements of savings, which can be used for purposes such as health insurance and emergency loans, thereby serving as private safety nets.

Changing gender relations within the household are intrinsic to greater empowerment

Another set of indicators, which are more intrinsic, revolves around changing gender relations within the household. In the field studies undertaken for the IFAD gender mainstreaming review, women who generated increased income through self-help schemes reported that they had gained greater respect within the household, often with perceptible attitudinal change. Men have been reported to offer little resistance towards the enhanced economic activity of women because such activities were seen as contributing to household well-being. Men and older children have also been reported to be helping with household duties and with the income-generating activity. In Bangladesh, women showed a good deal of empowerment in their capacity to articulate their needs and in their receptivity to new ideas. More impressive was the emergence of women's groups as a dynamic, articulate constituency (Krishnaraj and Kay 2002). These first-hand observations and in-depth interviews appear to validate the findings of other studies (Cheston and Kuhn 2002).

Women's decision-making power has been enhanced by their greater economic status

One important indicator of empowerment is the ability to make decisions within the household. On this issue, in the field studies conducted under the IFAD gender mainstreaming review, many women interviewed indicated that they could decide on spending their own income, although men were often consulted. In some countries, where mobility outside the home is often restricted, women have reported increased mobility, simply having to inform male heads of households instead of soliciting their permission.

In the realm of self-confidence and self-esteem, the feedback from the IFAD gender mainstreaming review has been very positive. Reports indicate that women are more able to articulate their views and were able to command attention and respect within the household, and often within the community. Increased self-confidence was especially pronounced when women had been exposed to training on women's rights and social and political issues.

Not a panacea

Microcredit schemes have not been able to lift women out of abject poverty as they cannot transform social relations and the structural causes of poverty

Self-help groups, especially linked to microcredit schemes, have not been without their critics, nor are they are a panacea for meeting challenges in economic and social development. It is widely recognized that such schemes are not universally successful. For example, some studies have shown that microcredit will not work in locations that do not have sufficient cash-based market activity, are isolated and with low population densities, or are largely self-contained with few outside ties, such as in some Pacific island countries (UNDP 1997). Some critics have pointed out that while microcredit schemes can reduce vulnerability, they have not lifted women out of abject poverty or have taken a long time to demonstrate any significant impact. On their own, microcredit schemes have limitations as they cannot transform social relations and the structural causes of poverty.

What role can these schemes play in social transformation?

Thus, a broader issue remains: What role, if any, can these schemes have in transforming society? In many societies, discrimination against women and gender inequality is the result of structural impediments and problems built into the social order, often reinforced by culture and tradition. To bring about social transformation, two important dimensions have to be considered: access, ownership and control of productive resources; and inclusion in the decision-making process.

Access, ownership and control of productive resources

Exclusion of poor women from land rights has been highlighted as contributory to their marginalization. Some self-help groups have reportedly been able to purchase or lease land or user rights to community forests (Nepal) and fishing ponds (Bangladesh) collectively, thereby laying the foundation for enhanced food security and agricultural productivity. The Grameen Bank in Bangladesh provides housing loans to members with a track record of three loan cycles and with title deeds to the land on which the house is built. As most Grameen members are women, one of the results is that women have had title deeds transferred to them, often from their husbands, to obtain these loans. This has also reduced the incidence of divorce since women as owners of their own homes cannot be easily evicted (Yunus 1998).

Moving the products of women's self-help groups up the value-added scale is vital to sustaining progress

One promising strategy is the use of market-driven measures to enable the poor to own and operate enterprises to add value to the primary products they usually produce. An interesting example is the Anand Milk Union Limited (commonly known as Amul) in India, a dairy cooperative of village women who own cows and produce milk and milk-based products on a profit-sharing basis. Another is Grameen Telecoms, which is seeking a listing on the stock exchange and is planning to allocate shares to members such as the telephone ladies running the company in the villages. Another strategy is to use the savings of self-help groups to invest in equities. A federation of self-help groups, such as the Self-Employed Women's Association in India, can also move towards becoming a non-bank financial intermediary, lending to both members and non-members.

Inclusion in decision-making

Women's participation in decision-making outside the self-help group is still limited

Men tend to dominate political and community decisions, whether communities are matrilineal or patrilineal. Even where participatory and inclusive methods of community development are used, women are often not well represented because village heads select participants based on ascribed leadership positions, such as household head, and perceived leadership capacity. Women can also be excluded because of their preoccupation with household duties. It has been observed that even when women become members of committees, men still tend to dominate in the work.

As women are an important part of the community, building their capabilities to manage communities and community projects should be enhanced. One measure which has been taken with some success is to assign specific responsibilities to women's groups in the community. For example, in IFAD's Andhra Pradesh Tribal Development Project and North-Eastern Region Community Resource Management Project in India, women's self-help groups have been assigned specific responsibilities for managing natural resources after their proven track record in successfully managing the activities of their own groups. There have been reports of women's self-help groups serving a social audit function and, in one instance, exposing corruption in the supply of pipes and ordering replacements.[4]

Women from self-help groups have also been elected to public office, their participation in such groups serving as an incubator for community leadership. However, these instances are still incipient and not widespread and self-help groups remain largely isolated islands of activity.

Pathways to empowerment

Self-help groups have been instrumental in empowerment by enabling women to work together in collective agency. Women's networks do not usually obtain business or political favours as they command few economic resources and frequently rely on time and non-monetized labour exchange. However, self-help groups, when combined with savings and credit, have enabled women to benefit economically by monetizing their contributions and in the process have empowered them to become agents of change.

Women learn to work for a common purpose in self-help groups leading to the formation of social capital but these groups are often narrowly focused on microcredit

A related aspect is that self-help groups have facilitated the formation of social capital, where people learn to work together for a common purpose in a group or organization (Putnam 2000). The ability to associate depends on the degree to which communities share norms and values and are able to subordinate individual interests to those of larger groups. Out of these shared values comes trust, with the potential for social, economic and political change. However, these groups are often narrowly focused on microcredit, which, although useful as an entry point, can also limit and confine these groups to very small-scale activities with limited impact beyond the immediate family.

[4] Interview with IFAD project staff, Shillong, Meghalaya, India.

Social mobilization requires broader conceptualization and may need the harnessing of the collective strength of self-help groups in a federation

Instead, this process of social mobilization should be conceptualized more broadly so that the groups can perform more encompassing roles. Institutional frameworks, which bring these groups together and harness their collective strengths, are also necessary. A promising example is the federating of self-help groups, where all such groups in one village form an apex body consisting of selected representatives of each group. Women leaders in federated bodies have gained prestige and recognition, which has paved their path to elected office in local government. These federated bodies can be linked further, reaching up to the national level, presenting opportunities for women to engage in decision-making at higher levels. It is at the level of political decision-making that women can hope to have a voice in transforming society. In this regard, affirmative action, whereby women are allocated quotas in various decision-making bodies, can be an effective strategy. Examples are the reserved seats for women in the local tambon administrative organizations in Thailand and in the parliaments of Pakistan and Bangladesh.

Gender relations

The instrumental role of women in obtaining loans adds to their status even though loan proceeds enter the household income pool

The perception that microcredit is an empowering tool for women has in recent years come under close and in some instances negative scrutiny. Critics have charged that microcredit accessed by women has often been appropriated or "hijacked" by other household members, leaving women burdened with the responsibility of repayment and the sanctions of default (Goetz and Sen Gupta 1996). However, it can be argued that communities in many developing countries are collectivities with credit entering the overall household income pool and loans entered into for the good of the household even when the loan is in the woman's name. It has also been contended that even if other members of the household use the funds, the instrumental role of the woman in having preferential access to and obtaining the loan strengthens her bargaining position within the household.

Collective agency may be the best protection for women combating oppression

It has been reported that the formation of self-help groups and the involvement of women in income-generating activities has brought about increased violence against women in the household. While this may be true in some cases, there are also reports that violence has diminished as men come to realize and appreciate the importance and value of the economic contributions to the household. Two aspects pertaining to gender relations are worthy of note. The first could be postulated as increased respect for women, as pointed out earlier. The second is the utilization of the self-help groups as coalitions to protect, and seek redress for, women subjected to gender-based violence. In communities where women are subordinated and traditionally subjugated, the effectiveness of building collective agency to counter oppression should not be underestimated.

However, these challenges to the assumed and to a large extent accepted positive role of microcredit for women merit further review. Underestimation of the importance and impact of such criticism could threaten the viability and credibility of microcredit among its current community of supporters.

Reconciling pro-poor policy with sustainability

The very poor risk exclusion from self-help microcredit groups unless specific measures are taken to ensure their participation

While microcredit schemes have reduced the vulnerability of women, it has often been pointed out that these schemes do not reduce poverty. One important shortcoming is that as microcredit is made available to groups, based on collective collateral, the process of group formation often precludes the very poor, who are perceived as being poor credit risks (Krishnaraj and Kay 2002 and FAO 2002). The self-selection process will therefore be based on "positive assortative matching", where group members exercise risk aversion by excluding those who may not be able to fulfil repayment requirements, leading to the economic rationing of credit. As self-help microcredit schemes are often lauded as one of the most effective mechanisms to reach the poor, measures must be taken to ensure that the poor are not excluded. These measures could include more careful targeting to include the poor and vulnerable[5] and incentives to mix groups to ensure that the poor are not excluded.[6] Literacy and numeracy training, where the need for such training exists, has proven to be essential for the very poor to benefit from microcredit schemes. Similarly, training in legal literacy, rights and gender awareness are important complements to microcredit for the empowerment of women.

To make the transition out of poverty, auxiliary services will be needed in addition to microcredit

Auxiliary services that have reportedly been effective in enhancing and complementing microcredit are business development services, business planning, marketing, accounting and technology. These services take on increasing importance as funds for microcredit become more easily available and the issue of utilization becomes important. For example, cases abound of villages producing the same products, resulting in problems of marketing. The proliferation of funds in some countries has also led to market saturation, with borrowers taking out multiple loans, refinancing loans and even defaulting on loans as the associated sanction of being unable to take out a fresh loan loses its effect because of the availability of loans from other sources.

Complementary non-financial services can enable microcredit to play a greater role in reducing poverty and vulnerability

Microcredit practitioners have often maintained that their first and highest priority is financial sustainability. Non-financial services were seen as adding costs and detracting from the main aims of microcredit. However, experience from several countries has shown that microcredit can play a greater role in poverty and vulnerability reduction when it is complemented by non-financial services. Among the ancillary services, one of the most useful would be health-related. These "microcredit plus" schemes can take the form of microinsurance, especially for health care, which would be most useful for mitigating risks in poor households that can be devastated by illness. In some countries, attempts to link microcredit with HIV/AIDS programmes

[5] Measures for targeting the poor have been devised by organizations such as the Consultative Group to Assist the Poorest, the Foundation for International Community Assistance and Credit and Savings for the Hardcore Poor.

[6] For example, the Luliang Prefecture Women's Federation in Shanxi Province, China, provides subsidized loans on the condition that the borrower provide training and supervision to two very poor neighbours.

have met with a certain amount of success (UNDP 1999). The pension fund of the recently revamped operations of the Grameen Bank (Grameen Bank II) is reportedly popular with borrowers (Yunus 2002). The challenge is to maintain financial viability while providing complementary non-financial services to meet poverty reduction and development goals. This requires pro-poor policies and poverty-focused schemes.

The success of microcredit schemes needs to be measured more broadly

The yardstick for measuring the performance of these schemes should not be based on economic variables, such as loan repayment rates, alone. While financial viability is important for sustainability, indicators should also include the contribution to meeting basic needs for household subsistence, reducing vulnerability to risks and enhancing social capital and empowering women.

Conclusion

A case study of a self-help group from Narathiwat, Thailand

This paper will conclude with a case study from Narathiwat, a predominantly Muslim province in southern Thailand, which provides some useful insights into the potential of community-based self-help groups run by women.[7] The Department of Skills Development of the Ministry of Labour and Social Welfare has reported that following attendance at skills development courses run by the Department, several self-help groups were formed to manufacture products such as batik and embroidered articles. Start-up funding for equipment and materials was also made available. These groups have made good progress and now have markets for their products in tourist resorts and in Malaysia. The Internet has also been successfully used for commercial transactions.

Several government departments provided coordinated support

With the success of the groups, further technical assistance has been provided through other government departments such as the Department of Industrial Promotion (for basic business skills training and trade promotion activities such as exhibitions) and the Ministry of Health (for occupational health such as proper lighting). The Department of Skills Development is arranging for courses to improve members' skills further to increase value addition for the groups' products. The coordinated role of different government departments in nurturing (but not directing) the entreprenuerial ability of these groups is noteworthy.

The project has fostered participation by all members of the family

At the household level, family members have been mobilized to help in packaging and transport, and the younger members (including young men) help in designing goods. The status of these women within their households is reported to have been enhanced. At the community level, some members of the women's groups are reportedly engaged in local community management structures and issues. With the decentralization of development funds, such as the Village Fund scheme, women from these groups, having demonstrated their ability to engage in business activities, are able to find their place in fund

[7] Based on the report of a mission to Narathiwat, Thailand, by Lim Teck Ghee, Regional Adviser on Poverty Alleviation and Social Integration, ESCAP, in August 2002.

management positions. Village elders, traditionally men, are reported to have welcomed the participation and involvement of these women.[8]

This example demonstrates the multiple aspects of self-help groups developing in a phased process, starting with economic enhancement, leading to empowerment at the individual level, and then moving on to collective action at the community level. It also shows that various government bodies can play supportive roles. However, these initiatives will not be able to bring about social transformation in the aggregate unless issues of control and ownership of the production process, linkages with a broader market and greater decision-making at the political level are tackled. Initiatives at the community level can be a useful tool to empower women, forging gender equality from the grass-roots to the national level. However, these initiatives have to incorporate strategies and measures that empower the poor, especially poor women, and enable them to participate in the development and transformation of society if poverty is to be truly alleviated.

With suitable support, self-help groups can move on to collective action at the community level but more remains to be done for sustained poverty alleviation

[8] Interview with officials of the Department of Skills Development, Ministry of Labour and Social Welfare, Thailand.

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