

Empowerment of Women in Rural Ethiopia: A Review of Two Microfinance Models

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Abstract

Microfinance institutions have long recognized that providing women with access to loans empowers them in a number of ways. However, different microfinance service delivery models have been tested in various socio-economic and cultural circumstances with varying results. This article highlights two major models: Group Guarantee Lending and Community Managed Loan Funds. It gives an overview of the models themselves and explores the ways in which they contribute to women's empowerment. The article uses microfinance in Ethiopia as a case study, drawing on practical observations as well as country-specific research.

Introduction

Microfinance has come to play a major role in many gender and development strategies because of its direct relationship to both poverty alleviation and to the empowerment of women. As Cheston and Kuhn have observed, “[b]y giving women access to working capital and training, microfinance helps mobilize women’s productive capacity to alleviate poverty and maximize economic output.”¹ Additionally, investing in women has proven to increase the positive impact of microfinance programs since women are more likely than men to spend their income on household and family needs.

This article will highlight two approaches to microfinance—Group Guarantee Lending Model (GGLM) and Community Managed Loan Funds (CMLF)—and show how these models contribute to the empowerment of women. Using Ethiopia as a case study, this article will highlight the positive and negative impacts these models have on women, as well as some of the key challenges of microfinance from a gendered perspective.

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This article is based on practical observations from program implementation, particularly in the Amhara region of Ethiopia and neighboring areas, and also draws from a literature review of past quantitative and qualitative studies on microfinance and gender. The article begins with a theoretical overview of gender and microfinance institutions (MFIs) followed by highlights from the GGLM model, which is the model utilized by most microfinance institutions in Ethiopia. The article then examines CMLF, showing how these funds can act as an alternative method of service delivery. Finally, after reviewing both models, the paper outlines major issues that must be taken into account by microfinance institutions regardless of which model is implemented.

Understanding Women and Microfinance

Microfinance lending is often focused on women for a number of reasons. First, there is a growing body of evidence that gender inequalities in developing societies inhibit economic growth and development. The greater the level of gender-based discrimination in a given society, the more likely the society is to experience higher levels of poverty, stagnant economic growth, and weaker governance. Additionally, those within societies where gender discrimination is the greatest tend to also have a lower standard of living.²

Women are disproportionately represented among the world's poorest people. Some advocates assert that increasing women's access to microfinance services will enable women to make a greater contribution to household income. This, in turn, will translate into improved standards of living. Moreover, because women have

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fewer resources available to them, they tend to be more vulnerable when economic challenges or unforeseen circumstances arise. By providing access to loans for income-generating activities, microfinance institutions can significantly increase a woman's resources, thereby reducing her overall vulnerability. Furthermore, it is well-documented that women are more likely than men to spend their income on household and family needs.³ Assistance to women has therefore been shown to generate a multiplier effect that improves the welfare of the whole family.

MFIs also target women for sustainability reasons: women's repayment rates are typically far higher than those of men.⁴ Lower arrears and loan loss rates have an important effect on the efficiency and sustainability of the MFI. Many

programs have also found that women tend to be more cooperative in administrative and organizational matters, such as attending group meetings regularly and respecting lending by-laws.⁵

Finally, one of the oft-articulated rationales for the targeting of women by MFIs is that microfinance can be an effective means for empowering women. If the livelihood of a woman is fully dependent on the income generated by the husband, the breakdown of the marriage would mean a disastrous consequence for the woman. Because of this, the woman is likely more eager to accommodate her husband's interests in order to save the marriage from breaking down. This weaker bargaining position of women gives an upper hand to the male counterpart in any decision-making within the household. By putting financial resources in the hands of women, MFIs can help level the playing field and thereby promote gender equality.

Theoretical Underpinnings

The unitary model and the bargaining model are the two major types of household models found in the literature on microfinance.⁶ In the neo-classical unitary model, “a household is represented as a single entity with a single preference ordering.”⁷ In other words, the preferences of all household members are aggregated into a joint utility function and the different distributions of income among family members is irrelevant.⁸ For this model to be effective, households are assumed to be headed by an altruist who transfers resources unselfishly to other household members. This model “suggests that intra-household allocation of resources depends on the total pooled income of all members rather than which members control which portion of the income.”⁹ Thus, this model fails to take into account asymmetric power relations between men, women, and children within the home, which proves to be a problematic oversight in promoting the advancement of all members of society.

Since total family income is prioritized in the unitary model, it would be justified for “men to work more in the market sector [where they will more likely earn higher wage than women] and for women to stay in the household (or to work in the informal sector).”¹⁰ Consequently, it is argued that, under the unitary model, parents struggling for basic survival will disproportionately provide for their male children at the expense of their female children, since males have the greatest earning potential.

After the 1990s, extensive studies based on large-scale data sets have shattered the validity of the unitary model and the image of the household altruist. In response, economists developed the bargaining model, which takes into account asymmetrical power relations within the household. In this model, the household is composed of self-interested individuals who engage in both conflict and cooperation. Each spouse's bargaining power depends on the individual's respective breakdown (or fallback) positions, which represents their next-best option if cooperation fails. A woman's vulnerability in the household depends on her relative bargaining power—“the stronger

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the breakdown position of an individual, the stronger her bargaining power and hence the better her welfare outcome.”¹¹

Following this model, we see that microfinance has the potential to improve women’s breakdown position and bargaining power within the household. Women who access loans for small enterprises have a better chance to be involved in household decision-making, thus improving their relative empowerment at least within the private sphere.

Applying Microfinance Models in Ethiopia

The field of microfinance in Ethiopia has grown rapidly over the last decade and a half. Today, nearly two million poor people have access to microcredit in Ethiopia. In the Amhara region alone, over 700,000 people now have access to microcredit, and many others are beneficiaries of savings services. The growing participation of women in these services, however, has been a gradual process. While microfinance institutions have increased their efforts to provide credit to women, in Ethiopia women constitute only 45 percent of those reached by microcredit in total (MFIs in Ethiopia typically set goals of at least a 60-70 percent proportion of loans going to women).¹²

Group Guarantee Lending Model (GGLM)

Many MFIs around the world, including in Ethiopia, utilize the Group Guarantee Lending Model developed by the Grameen Bank. Under this system, potential clients are required to organize a peer group that will commit to a mutual loan repayment guarantee. Credit is then delivered through small, affinity-based groups (usually five to seven members each) with about 10 to 15 groups meeting at one “Center.” Monthly (or more frequent) meetings are held to discuss group dynamics and collect payment and savings. Priority for credit is given to the poorest members, especially to women. In Ethiopia, the possession of one ox (or the equivalent) is used as an immediate indicator of those living above or below the local “poverty line.” Another participatory method of assessing economic status calls for representatives from the “Credit and Saving Committee” within the community to establish further rankings of those who are credit-worthy and eligible to be the first beneficiaries.

MFIs working in Ethiopia have attempted to increase the proportion of women clients. At the Amhara Credit and Saving Institution, for example, the proportion of women clients remained between 30 to 40 percent of total borrowers for nearly the first ten years of operation, far short of the targeted 50 percent. More recently, however, increased focus by Amhara on directing services towards women has resulted in the proportion of women clients climbing to approximately 60 percent.

Benefits of GGLM in Ethiopia

The GGLM model is well-matched with social structures in rural Ethiopia. This is not only because the model builds upon existing social structures of mutual support and communal life, but also because it removes the main entry barriers for the very poor,

such as lack of collateral, limited literacy, weak technical knowledge, and little prior money management experience. Grameen-style groups also serve as the main forum where members of the community can share valuable information about business, markets, technology, politics, and other areas of interest.

The key potential advantage of the group lending approach, apart from enabling poor people to access credit without material collateral, is its ability to bring poor people together. Clients who take repeated loans and attend several meetings have an opportunity to share norms and values. Out of these shared values, trust within the group is strengthened, which can potentially help to facilitate social, economic, and political change. Increased trust also lends itself to the formation of social capital as people learn to work together for a common purpose. Ultimately, the group lending experience develops bonds within the community and puts the welfare of the entire group over personal gain. It comes as no surprise that women from self-help groups in India and elsewhere have been elected to public office after their participation in Grameen-style groups, providing entry into community leadership.

Cheston and Kuhn observe that, “[w]ith some support, groups of economically empowered women can take steps to address the cultural and legal barriers that limit their social and political empowerment.”¹³ This could equal real change in a society in which male privilege is so embedded in the culture that subjugation of women is routinely accepted by both sexes. Empowerment can challenge processes of socialization that cause women to internalize the norms of discrimination against them.

However, helping poor women access loans is only one of the many steps toward empowerment. Even more important than accessing loans is the accumulation of earnings by women in the household and saving it in their own name. MFIs encourage voluntary savings as a self-insurance mechanism to guard households and individuals from a variety of risks and shocks such as drought or market instability. A woman’s individual savings plays the critical role in securing her well-being by enhancing her bargaining power. If she can keep savings under her control (usually anonymously), she is better able to act in her best interest in the case of an abusive husband or an economic downturn. Moreover, such savings, however small, provide women with some minimal resources to provide for themselves and their children without being entirely dependent on their husbands. Numerous studies have identified that many women feel humiliated when forced to supplicate to men; in contexts of scarcity they may be forced to plead for every penny to meet their basic food needs.¹⁴ Putting money in the hands of women plays a critical role in ensuring a household’s food security. Indeed, given the precarious and risky nature of peasant production in Ethiopia, women’s role in procuring food for the household and the community is crucial.¹⁵

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Challenges of GGLM in Ethiopia

Understanding Context

Helping poor women use their loans to run a microenterprise is as challenging as attracting them into microfinance programs to begin with. Often GGLM programs are implicitly or explicitly based on the assumption that rural women are familiar with non-farm income-generating activities and have sufficient time and labor to expend on these activities. One of the most important issues relevant for gender-focused policy interventions is the question of how rural women manage to actively engage in off-farm activities on top of their demanding roles in agricultural production and the domestic sphere. In Ethiopia, most domestic tasks are labor-intensive and time-consuming. The burden of women in Ethiopia is worsened by the fact that labor-saving technology is largely unknown even by the standards of developing countries. Access to clean water, grain mills, roads, or energy-saving devices is extremely limited. For example, it is estimated that, on average, rural women in Ethiopia travel half a day to fetch water for household consumption.

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Some Ethiopian authors take this argument further, arguing that the burden on women is related to certain cultural factors. Dejene,¹⁶ for example, noted that rural Ethiopian women face a significantly higher domestic labor burden (especially in food processing and cooking) than their counterparts in sub-Saharan Africa. Dejene assumes that this is partly due to the sophisticated and labor intensive nature of Ethiopian highland culinary culture. For example, the preparation of *injera* (Ethiopian flatbread) out of *teff* (the preferred food grain in the Ethiopian Northern highlands), as well as the preparation of homemade spices (e.g., *berbere*, or red pepper), are all labor, time, and fuel intensive processes.

GGLM programs that do not fully consider the contextual circumstances of Ethiopian women may actually cause them to go further into debt. Studies conducted in many countries suggest that the largest source of stress for low-income women may be loan repayments. There are many reported cases of suicide among female microfinance loan recipients in India and other countries.¹⁷ Pilot tests are needed to increase understanding of how to create programs specifically for women, with loan terms and conditions (type of products, processes, delivery mechanisms, etc.) convenient to women's needs. Detailed information needs to be collected about the various risks that women face in their daily struggle for survival, their coping mechanisms, and ways to mitigate new potential risks.

Barriers to Access

One benefit of GGLM is that it brings the service closer to where the clients reside. This is a significant positive change considering that distance is one of the highest transaction costs in loan service delivery. Women benefit greatly from this shift of approach in banking service. Much effort is currently being made by microcredit services to reduce distance-related barriers. For example, offices are now open within poor neighborhoods and finance officers can personally visit households. However, distance is not just physical space between service provider and potential clients. Geography, psychology, ethnicity, culture, and social class also create distance between borrowers and lenders. Given the high level of illiteracy among clients (especially women), maximum effort must be made to simplify procedures, avoid cumbersome appraisal processes and other written applications that conventional banks require.

Diversity within Groups

Attracting poor women to microfinance requires careful design of financial products and approaches. It is also important to stress that neither women nor men (nor poorer women and poor men) are a homogenous group, and should not be treated as such by microfinance programs. Women targeted for microfinance programs may be widowed, single, newly married, pregnant, young girls, living with HIV, unemployed, employed, rural, urban, etc. Under the GGLM, the dynamics of joint liability mean that groups screen and self-select their own members to form relatively homogeneous groups; i.e. the members typically share very similar probability of defaulting on a loan. It is assumed that social solidarity and mutual support will ensure that successful members cover for the defaulters. This increases the likelihood that the poorer and more vulnerable members of a community will be excluded, since a partially-formed peer group looking for more reliable members with whom to share risk is more likely to reject candidates its members consider most risky, namely the very poor.

Joint Enterprises

Many scholars argue that merely providing women access to financial resources will have little empowering effect because many women surrender those resources to their male counterparts. For example, while about 60 percent of microfinance clients in Amhara region are women, surveys indicate that only about 40 percent of women who receive microfinance actually use it on their own businesses. Another 55 percent use the credit in joint enterprises with their husbands.¹⁸

Closer examination of such “joint management” is essential, since women may have little actual involvement in the enterprise management. Indeed, many women who “jointly” manage enterprises remain unaware of financial management issues such as the breakdown of cost structure and returns of the enterprise. Understanding this dynamic is crucial when assessing the level of empowerment attained by women recipients of microcredit. Scholars have found that “the most important factors influencing the likelihood of empowerment are whether women provide labor to loan-assisted enterprises, sell their own products, or keep their own accounts.”¹⁹ Many

women have never owned assets in their name, and have therefore been marginalized in household decision-making processes. In this context, increasing women's participation in joint decision-making through microfinance may constitute a major advance over their previous lack of assets and power. Nevertheless, if women are unable to access and manage their own resources without the participation of their husbands, these advances will be cursory.

Insufficient Gender Awareness in Microfinance Staff

The sensitivity of microfinance personnel is very important for making service delivery effective. The staff members who implement GGLM microfinance programs in Ethiopia remain largely unaware of gender issues. Thus, providing services and channeling resources to more women continues to be problematic. Gender sensitization training is highly recommended for all staff and leadership in order to emphasize the importance of gender inequality issues. Additionally, gender training can help staff gain the skills to recognize the gendered impacts of microfinance programs.

Many women clients confirm that they can relate more easily to female loan officers. Yet only about 20 percent of field-level microfinance staff in Ethiopia are female.²⁰ The low percentage of female loan officers also limits an important secondary impact of the program wherein women clients view female loan officers as positive role models for their daughters.

Cultural Attitudes

A detailed World Bank survey of various regions in Ethiopia found that 85 percent of women believe that a husband is justified in beating his wife for at least one of the following reasons: burning food (85 percent agree), arguing with him (61 percent), going out without telling him (56 percent), neglecting the children (65 percent), and refusing sexual relations (51 percent).²¹ Even among the more highly educated, 57 percent support the practice of domestic violence. There is no apparent difference in attitude across the region, with some exception in Harar, Addis Ababa, and Dire Dawa.²² This cultural perception is a significant hindrance to efforts by micro-lending institutions to empower women. The Ethiopian microfinance movement has a long way to go to change this deeply-rooted problem.

Moreover, while empowerment is expected to occur at four levels—individual, enterprise, household, and community—the study pointed out that there might be conflicts among these objectives, particularly in poor and remote areas. A focus group discussion conducted with women in Muslim communities (e.g Oromia zone and others) revealed some noteworthy contradictions. The women clients confirmed that they were benefiting from microfinance services in terms of being able to ensure food security for their children, themselves, and their families. These women also reported improvements in their relationships with their husbands and receiving an increased level of respect. Despite these improvements, involvement in microfinance or banking services is still considered *haram* (a forbidden activity) in these regions. Local religious leaders advise that those who are participating in these services should be isolated from

the “true believers.” This means that women who choose to participate in microfinance services cannot join the traditional social ceremonies. Further, no one is allowed to come into their homes and participate in their own ceremonies, called *sedeka*, including burial ceremonies. This example demonstrates how empowerment at the household, enterprise, and individual level does not easily translate into empowerment at the community level. Although the social capital of these women seem to be lower than it was before the microfinance program, these areas still have the highest proportion of women’s participation, often over 80 percent.

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Community Managed Loan Funds: An Alternative Approach?

The alternative to the top-down GGLM model (where groups have to be approved by MFI officers and loan terms and conditions are determined by the MFI) is to use existing local social networks as a platform for the delivery of financial services, particularly to very poor women. Top-down organizing as undertaken by GGLM dispersal can sometimes be inconsistent with existing networks that the poor have already maintained for long periods of time. A danger in the GGLM approach is that communities are often rushed into forming groups with people they have little connection with. In some regions of Ethiopia, MFIs bring together groups with both “native” people and “new settlers” that recently arrived under government settlement programs. Under such circumstances, negative repercussions of the model can be high. Some authors²³ argue that this methodology might also crowd-out traditional mutual support networks, particularly in times of repayment problems. They also contend that in the majority of poor communities, financial matters of even the closest friends and neighbors remains unknown—making peer group formation even more difficult. This is most true among women who are not only removed from financial decisions but are generally preoccupied by their day-to-day household chores.

This means that the vast majority of participants in GGLMs are unfamiliar with financial issues when they first join the program. When these group members are then confronted with such dramatically new ways of relating to one another—such as monitoring group members’ loans, investments, returns, risks, and so on—they tend to react very aggressively and may turn to acts of intimidation, threats, and even violence in order to repress information about their financial affairs.

The four main microfinance models are banks, MFIs, Savings and Credit Cooperatives (SACCOs), and Rotating and Accumulating Savings and Credit Associations (ROSCAs and ASCAs).²⁴ The latter two represent instances of Community Managed Loan Funds (CMLF). CMLFs are subject to greater levels of decentralization, which provides clients with a greater role in organizational decision-making. Johnson, et al. have argued that “decentralized models have inherent advantages in reaching remoter

and poorer people, although they face significant challenges in terms of their long-term effectiveness and sustainability.²⁵

CMLF Strengths

According to Dessalegn Rahmato,²⁶ the most important and autonomous resource that rural women in Ethiopia possess is what he calls Women's Mutual Support Networks (MSNs). At the primary level, MSNs are reciprocal work-sharing or labor exchange arrangements. MSNs are stronger in some communities than others and take many forms. For instance, some are religiously-oriented, others secular. MSNs are often informal, small to medium in size, and based on the equality of contributions. In this system, a group of women agree to help each other with daily tasks, especially during periods of increased work demands such as life-cycle celebrations or mass food processing. Their informal setup and fragile appearance is deceptive because these networks tend to survive over a long period, unless the members are for some reason separated, as in the case of resettlement or migration.

In addition to these work-sharing benefits, MSNs also act as a forum for boosting morale and raising consciousness about important community issues. They can also be used as a means of pooling resources and acquiring low-level credit opportunities. MSNs are generally the only self-initiated, voluntary institutions accessible to rural women in Ethiopia.²⁷ This makes Community Managed Loan Fund based on MSN initiatives an effective and potentially more sustainable alternative to the Grameen Model.

CMLFs, as a user-owned and managed model, offer additional features that appeal to poor clients.

A strength of CMLFs is the low cost of raising funds, since they are collected from members within a group formed around a common bond or purpose. Second, the interest on these funds is usually in the form of a dividend that is calculated as a residual rather than a committed cost at the outset. Third, when CMLFs start, they usually do so in low-cost offices with low overhead and staff who volunteer or are paid low salaries (especially compared to bank/GGLM loan staff). In the case of default on a loan, the costs of recovery can be kept low because of guarantees based on a member's own shares and

guarantees from other members.

CMLFs, as a user-owned and managed model, offer additional features that appeal to poor clients. The fund's survival depends on the degree to which it responds to members' needs for financial services. An important feature is its high degree of client ownership and participation. Users have direct influence on the financial services the funds provided, including the interest rate, and are able to renegotiate the repayment schedule when faced with genuine financial difficulties.²⁸ This flexibility and supportiveness means that members are less hesitant to take loans from CMLFs than GGLMs. Additionally, unlike GGLM systems, when a member defaults on a loan

other members are not forced to make repayments on the defaulter's behalf.

CMLF Weaknesses

Some efforts to build upon existing community organizations in Ethiopia have already failed. Take for example the Women's Development Initiative Project (WDIP), which ran from 2001 to 2005. The project aimed to empower women who were identified as having potential to run a business but lacked the means. These women were encouraged to draft their own business initiatives, and were subsequently organized into groups of about 10 to 20 individuals for training. Upon completing their training, each group was given a grant of up to \$4,000 to start a business. Some of the groups engaged in group-based business activities while others worked on the individual level. Since 2001, about 11,000 women have participated in the program, with initiatives in every regions of the country. However, none of the enterprises under this project have been substantially profitable. The initiatives lacked serious organizational strength, exhibited poor recordkeeping, inadequate follow-up on loan collection, and weak financial management. Ultimately, these initiatives could not be sustained without the additional sponsorship from the World Bank.²⁹

Externally-funded CMLFs typically suffer from high rates of default. According to CGAP, the main reason for default related to "members' perceptions about what Richard Montgomery (1995) describes as "hot" and "cold" money."³⁰ Money loaned through local savings groups is termed "hot" because it comes from neighbors and is based on local systems of trust. Defaulting on these loans is not a viable option. However, when the loans are funded by external donors or banks, it is termed "cold" money and treated differently. Repayment is taken less seriously because failure to repay the loan results in no consequences for the other members. As stated above, other members of the CMLF are not required to repay the loans on the defaulter's behalf. Additionally, "these core incentive problems are exacerbated when systems and controls are weak."³¹ Though the highly flexible and member-managed structure of CMLFs has great appeal, it can seemingly lead to sustainability problems.

Attaining Empowerment through Microfinance

Regardless of which model is used, there are common themes in intervention programs in countries like Ethiopia. Below are some key issues that should be considered whenever attempts are made to initiate, implement, analyze, or evaluate programs aimed at empowering women through microfinance.

Measuring Empowerment

One of the key questions in thinking about women's involvement in and empowerment through microfinance is how well existing methods can measure empowerment. Empowerment is difficult to define, identify, and measure. Measurement methodology should be participatory, since no one can better define how empowered subjects feel than the subject themselves. The most cited example of the use of a participatory

methodology for measuring women's empowerment is Jodha's work with households in Rajasthan. She discovered that although women became financially poorer, they regarded themselves to have an improved quality of life.³² Microfinance loans play a part in allowing women the opportunity to make what Kabeer has described as a "proper economic contribution to the household."³³ However, increased income may come at the cost of depletion of other valued resources such as time, health, and general well-being. Sylvia Chant shows that "the market value of women's work may not be particularly important to women themselves compared with other aspects of their employment which, given social and cultural contexts, may hold stronger personal value."³⁴

Overcoming Social Norms

The status of both men and women within communities is culturally and religiously constructed, giving men a higher social standing than women. The empowerment of women may therefore require social education for both men and women. Given the multiplicity of problems that women face at the community level—ranging from poverty, illiteracy, religious patriarchy, and socio-political exclusion—this kind of social education will be a long process. It is unrealistic to expect that exposure to income-earning activities in a single generation will wipe out centuries of cultural conditioning. It is absolutely critical to understand this when interpreting the studies that claim that access to credit has positive impacts on women's empowerment. Such results need to be tempered by an understanding that it is too ambitious to expect centuries of social and cultural oppression and male domination to be overcome by a few years of participation in microfinance.

Understanding Women's Vulnerability

As elaborated previously, the family is often the primary social capital for women; therefore, strengthening it becomes of central interest for women. In many patriarchal societies, women face greater vulnerability outside of a family structure, particularly when unmarried. Yet, women who have access to credit can improve their bargaining position and reduce dependence on the family (or male head of the household). This may help to facilitate a shift in power dynamics within the family. Women most often utilize their loans not to leave their husbands (whom they continue to rely on for social protection), but rather to achieve a form of "divorce within marriage." Because of this, MFIs support to women should consider supplementing their trainings with workshops dedicated to handling the changing relationship with their husbands. Indeed, some MFIs have begun to include this topic in their regular training curriculum, and it should be a continuing trend in program planning.³⁵

Providing Additional Services

The key challenge to supporting the development of a country like Ethiopia is the fact that the population is scattered across the whole country with weak and nonexistent infrastructure. This makes service delivery very costly. MFIs, particularly those

employing group-based methodology, have managed to bring poor people together on a regular basis for months and sometimes years to repay loans and deposit savings. These meetings are also opportunities to provide education and other services in a cost-effective manner. To facilitate empowerment, women's improved access to credit should be accompanied by a number of additional measures, such as informal education, skill trainings, and social and political awareness-raising to challenge patriarchal social structures.

Ensuring Sustainability

Financial sustainability is regarded as a means of increasing outreach. Sustainability today is outreach to the poor tomorrow. A key finding of many studies is that, with very few exceptions, microfinance programs that have pursued financial sustainability have achieved far greater outreach to poor people, including women, than programs that have provided subsidized credit and relied on continuing donor support to make up the resulting losses.

Concluding Remarks

Empowerment is a difficult concept. It cannot be imparted upon others; instead it must come from individuals themselves. Nevertheless, endeavors to support a person's own efforts at empowerment should be encouraged. Microfinance offers one means of doing this. However, it is important for microfinance programs to be well-designed in order to best meet the real needs of the poor women they aim to serve. The most appropriate delivery model depends on the specific context. However, if properly supported, CMLFs have the greatest potential to reach women in the poorest and most isolated areas. At the same time, empowerment cannot be expected to materialize simply through the delivery of microenterprise services like microfinance; these challenges must to be tackled through the coordinated efforts of all stakeholders involved in rural development. Patriarchal structures at the community and household levels reflect centuries-old patterns that cannot be shifted by a few years of microenterprise intervention. It is therefore important to undertake sustained efforts that aim to reach women now and many years into the future.

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Endnotes

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- 24 While banks and MFIs are relatively familiar types of institutions, it is important to briefly explain how ROSCAs, ASCAs and SACCOs operate. ROSCAs are the simplest form of financial intermediation: a number of people form a group and contribute an agreed amount on a regular basis. The fund is usually given to one person who takes all of the money, until everyone in the group has received the money in turn. The system has a very high degree of flexibility, with the participants determining the amount to be saved, the number of people, the frequency of contributions, the number of people receiving the pay-out, and how funds can be used. ASCAs build on this basic model by introducing a central fund into which the contributions are deposited. Instead of the fund being automatically distributed to each member in turn, members can take loans at an agreed interest rate. The nature of guarantees and collateral required will also be agreed. SACCOs are essentially a formalized version of an ASCA, which allows for legal registration and hence greater scale of operations. The essential organizational principle of a SACCO is one member, one vote rather than one share, one vote as in a company so that all members have an equal role in governance (see Johnson et al.).
- 25 Susan Johnson, Markku Malkamaki, and Kuria Wanjau. "Tackling the 'frontiers' of microfinance in Kenya: the role for decentralized services." *Decentralised Financial Services, Kenya* (2005), 5.
- 26 See in International Fund for Agricultural Development.
- 27 Ibid.
- 28 Johnson, et. al., 7.
- 29 Getaneh Gobezie. "Gender, Poverty and Micro-enterprise Services in Ethiopia: Why only Few Women are Joining?" Paper presented at National Fair - Women's Empowerment in the New Millennium 2006. (Addis Ababa, April 2006).
- 30 Jessica Murray and Richard Rosenberg. "Community-Managed Loan Funds: Which Ones Work?" Consultative Group to Assist the Poor (CGAP) FocusNote No. 36 (May 2006), 6.
- 31 Ibid.
- 32 See in Robert Chambers. *Challenging the Professions: Frontiers for Rural Development* (Practical Action, 1993).
- 33 Kabeer, "'Can buy me love?'," 32.
- 34 Sylvia Chant. *New Contributions to the analysis of poverty: methodological and conceptual challenges to understanding poverty from a gender perspective*. United Nations Women and Development Unit. (Santiago, Chile, August 2003), 27.
- 35 It is interesting to note that some organizations, like Women World Banking are exploring pro-poor, pro-women micro-insurance products such as maternity health coverage, coverage for spouse and children as beneficiaries, and divorce and 'abandonment' insurance (See Global Asset Project. "Global Savings, Assets and Financial Inclusion: Lessons, Challenges and Directions." Report from a Global Symposium, June 27-29, 2007, Singapore (2007).)

