Is Microcredit an Effective Policy Tool For Promoting Women's Empowerment?

https://www.e-ir.info/2014/01/20/is-microcredit-an-effective-policy-tool-for-promoting-womens-empowerment/

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Introduction

A hugely optimistic and wholly uncritical narrative has been constructed around Microcredit Interventions (Ghate,1997; Rankin, 2001). A long list of institutions and individuals, as diverse as the World Bank, the United Nations, Amartya Sen and Bono are depicting Microcredit as the silver bullet of developmental policy, which is able to single-headedly eradicate poverty (Sen, 1999: p.201; Isslerles, 2003; NYT, 2005; UN, 2005; Drolet, 2010). The supporters of Microcredit Interventions, however, do not only hold that Microcredit (MC) is able to eradicate income poverty, which should constitute a sufficiently optimistic target; many of them also go a step further and assert that it is also *the key policy tool* for empowering women (Guérin, 2006; Dubreuil & Mirada, 2010). In fact, empowering women by means of NGO led MC Interventions has come to be 'the well-established development orthodoxy of the 1990s' (Fernando, 1997: p.151). This enthusiasm for MC as a means to promote women's empowerment is based on the assumption of several mutually reinforcing virtuous spirals that arise when women gain access to credit (Mahmud, 2003). Access to credit is assumed to increase women's income, which is assumed to increase well-being, access to education and health, which in turn is assumed to increases women's control over their lives (Mayoux, 1999; Jitha, 2013). In other words, it is assumed that including women into the market economy will automatically translate into positive changes in their status (Drolet, 2010)

In this essay I aim to show that the link between MC and women's empowerment is not as straight forward, and clearly not as favourable, as has been assumed by some of the most influential developmental policy makers. Importantly, I do not mean to show that MC has no merit at all. I simply wish to demonstrate that it cannot, and does not, live up to its promise of 'empowering women'. My analysis will focus only on developing countries, and on the Grameen Bank in Bangladesh, which lends almost exclusively to women, in particular[1]. I therefore will not discuss the role MC could play in empowering women in High Income Countries. I will also not discuss the merits or demerits of MC, in terms of achieving other important goals such as poverty alleviation. Lastly, in this essay I will only be concerned with Microcredit rather than Microfinance. MC Institutions only provide small loans to their customers while Microfinance Institutions supply a whole range of other financial services, such as insurance or savings (Hulme, 2008)[2].

I am going to utilize two very different academic traditions in this essay, which generally pass each other by like ships in the night. I will combine the qualitative research performed by feminist academics with analytical models of MC, which were constructed by economists. My argument is structured as follows. In section two I am going to define what I mean by the illusive term "empowerment". Section three offers a brief history of MC. Section four analyses economic explanations of why and how MC Institutions function. Section five analyses the empirical evidence on MC, which is qualitative in nature and is based on several case studies of the Grameen Bank in Bangladesh. Section six is concerned particularly with MC and women's empowerment and section seven concludes the argument. In this essay I will underline some of the structural problems of MC Interventions, which have been neglected in the literature. The argument put forward here is that MC Interventions have certain disempowering effects, which cannot be remedied by better planning. This is because MC necessarily relies on group lending in order to recover loans, which is only effective if there is group surveillance, group pressure and punishment – all of which is detrimental to women's empowerment.

Women's Empowerment

Empowerment is one the most prominent buzzwords of developmental discourse since the 1990s (Bagati, 2003). Although rarely defined, empowerment has been mainstreamed into most policy concerning women (Morduch, 1999; Parpat, 2002). In this section I am going to develop a working definition of women's empowerment and I am going to show why empowerment matters for development.

It is important to note that there is not simply one definition of empowerment. Feminists have defined empowerment in multiple ways (Moser, 1989; Sen & Grown, 1987). Heyzer (1992) argues that empowerment is the process of achieving equality in the labour market, equal access to health and education as well as an equal division of labour within the household. In contrast, Elson (1990) argues that empowerment must go beyond the restrictions posed by Heyzer and must include the achievement of a 'restructuring of the social relations which constrain women' (Elson, 1990: 1). I however believe that empowerment is distinct from achieving gender-equity, which is more narrowly conceived by Heyzer and more broadly by Elson.

There are two important points I wish to make before going more into detail with my definition of empowerment. Firstly, I believe that empowerment needs to be understood as a bottom-up process. Development agencies, therefore, can promote or support women's empowerment, but they cannot claim to "empower women" because women can only empower themselves (Oxaal & Baden, 1997: p.6). Secondly, even though I refer to 'women's empowerment' or 'women's interests' in this essay, this does not mean that I assume that women are a homogenous group with unitary concerns. We need to keep in mind that gender is always mediated by other factors, such as race, ethnicity, class, or sexual orientation (Thomas, 1988; Rhode, 1994; Goetz, 1998). Therefore, whenever I refer to 'women' one needs to remember that women's experiences and opportunities will vary considerably.

The definition of empowerment I advocate in this essay has two dimensions. The first, relates to women's ability to make choices. Empowerment constitutes an *increase* in women's ability to choose, and disempowerment refers to a decrease in this ability (Kabeer, 1999). The second dimension of empowerment relates to the idea of agency[3]. The agency component of empowerment refers to women's ability to work towards their gendered interests (Wieringa, 1994). I think it is helpful to define women's interests in terms of Molyneux's (1985) distinction between 'strategic gender interests' (SGI) and 'practical gender interests' (PGI). SGI are 'those that women …may develop by virtue of their social positioning' (p.232) and refer to women's shared interest to transform society. SGI include for example the abolition of the sexual division of labour or the achievement of political equality. PGI on the other hand respond to immediate needs and 'do not generally entail a strategic goal such as women's emancipation or gender equality' (p.233). PGI refer to the need for economic necessities such as the provision of public welfare or other measures that ensure the health and wellbeing of women and their families[4]. Importantly, these two components of empowerment refer to two distinct things. The first refers to women's ability to choose between two options (A or B). This choice is an expression of a preference and is not necessarily in women's interests. The second component refers to women's ability to define a new option (C), which may be in their interest[5]. Women's empowerment can therefore be summarized to refer to an *increase* in women's ability to make choices and work towards their interests (which can be strategic or practical in nature).

Empowerment, as I have defined it here, is very hard to measure effectively by a single or a compound indicator. I believe that this makes it unsuitable for quantitative analysis. For example, some academics have tried to measure empowerment by using women's contribution to household income, as in indicator (Pitt, Khandker, & Cartwright, 2003). I however believe that such studies are unable to measure empowerment, as defined above, in any meaningful way. In-depths interviews or ethnographic studies are much better suited for providing evidence about empowerment, which is a complex process that needs to be analysed holistically.

If we define development in terms of Sen's capabilities approach, it is easy to see why empowerment matters for development. Sen defines development in terms of 'the expansion of the capabilities of people to lead the lives they value- and have reason to value' (Sen, 1999: p.18). According to Sen, the expansion of people's capabilities depends on more than just an increase in income but also on the elimination of oppression and on the provision of basic services (like health and education). Empowerment, as I have defined it here fits very well with Sen's conception of development. Firstly, empowerment refers directly to the elimination of oppression, because choice is expanded and because women can work towards their SGI. Secondly, empowerment refers to an increase in the provision of basic services, which are in women's PGI.

A Brief History of Microcredit

This section aims to put the MC movement into historical context. The movement was spread-headed by the Grameen Bank (GB) and started to gain significant momentum in the 1980s. This was due to the dominance of neoliberal ideas in the development community at the time (Bateman & Chang, n.d.). There are several reasons why MC fits well with the neoliberal framework. Firstly, neoliberals define poverty solely in terms of income, which means that lack of credit is seen as the main reason why people are poor (Hermes & Lensink, 2007). Secondly, due to the fact that the market is seen as an egalitarian space MC constitutes a welcome policy tool because it is not regulated by the state but by market actors (Cons & Paprocki, 2010).

USAID was one of the first organizations to push MC as the new 'best practice' for poverty alleviation (Otero & Rhyne, 1994*).* The World Bank followed in the early 1980s and began to provide significant support and advice to MC programs. They also established the Consultative Group to Assist the Poor; an institution dedicated to the promotion of MC by high profile campaigns such as the Micro Credit Summit Campaign (MSCS, 1999). Since the 2000s, MC has also received an unprecedented amount of attention from high-profile individuals – like movie stars, musicians, and royalty – which convinced the general public that MC was a new and 'cool' way to do good (Bateman & Chang, n.d.). Similarly, rich philanthropists – like Bill Gates or Pierre Omidyar (the founder of e-bay) – have boosted the movement with their financial support. The UN entered the stage in 2005, with its 'International Year of Microcredit'. A key moment of the MC movement came in 2006, when Dr. Muhammad Yunus and the Grameen Bank were awarded the Nobel Peace Prize, not the Economics Prize. Since then, private investors have also jumped on the MC bandwagon and have become convinced that MC is first and foremost a profitable investment. This led to large inflows of private investment into the MC sector (Bateman & Chang, n.d.; Sengupta & Aubuchon, 2008).

Microcredit: The Poor are Bankable

MC institutions generally report repayment rates, which are far above those for comparable loans made by conventional lending intuitions in the United States (Hossain, 1988; Morduch, 1999*;* Gomez and Santor, 2003*).* The GB, for example, reports repayment rates of 98% (Cons & Paprocki, 2010). These high repayment rates should come as a surprise. Why would borrowers in the developing world – where infrastructure is bad, literacy is wide-spread and the economic climate is unfavourable – be so much more successful at repaying their loans than their counterparts in High Income Countries? This section aims to explain the high recovery rates of MC institutions. Non-economists generally describe Micro Credit as the lending of small loans (Rankin, 2001). I will however show that there is in fact much more to MC than simply lending small amounts. MC institutions do not operate like traditional banks and make use of group, rather than individual contracts. In this section I am going to show how group lending works, and why it leads to very high repayment rates.

The Benefits of Group Lending

Traditional bank lending involves a direct relationship between the bank and the individual borrower. This creates not only administrative costs to the bank, but also several transaction costs. The bank needs to ensure that loans are being put to productive use, so that borrowers will be able to repay. It also needs to determine and enforce sanctions in case borrowers default. The smaller the size of the loan, the more likely it is that these transaction costs will outweigh the bank's profit. This is the main reason why traditional banks do not lend to the poor: loans are too small, and since the poor have little collateral, sanctions are hard to enforce.

For this reason, MC institutions make use of joint liability lending (JLL), which occurs when 'individuals without collateral… get together and form groups with the aim of obtaining loans from a lender.' (Armediariz & Morduch, 2010: p.103). Unlike traditional banking, group lending establishes a relationship between the bank and a group of borrowers. One of the crucial aspects of JLL is that loans are issued to group members in cycles. This means that in case one of the group members fails to repay their part of the group loan, credit is suspended for all other members of the group (Hermes & Lensink, 2007). What JLL essentially aims to do is to transfer transaction costs from the bank to the community of borrowers, thereby reducing major costs faced by the lender (Armediariz & Morduch, 2010). There are several ways in which group lending reduces or eliminates the transaction costs traditional lending institutions would face.

Firstly, JLL reduces the bank's cost of screening and monitoring. Due to the fact that credit is issued in cycles, JLL creates a very strong incentive for group members to monitor the activities of their co-borrowers. Since individual loans are contingent on the performance of other members, they have an incentive to ensure that the loan is being put to productive use. Hermes and Lensik (2007) find evidence to support this assumption. They find that performance of group lending is significantly improved when group members have information about the weekly sales of co-borrowers. JLL therefore transfers the cost of monitoring the borrowers' performance from the bank to the community of borrowers (Sengupta & Aubuchon, 2008).

Secondly, group lending circumvents moral hazard problems. Due to the fact that group members are affected by the actions of their co-borrowers, they will punish members that do not put in enough effort and burden the group with excessive risk (Laffont & Rey, 2003). JLL therefore gives group members an incentive to enforce loan repayment (Stiglitz, 1990). A bank cannot really apply financial sanctions to poor borrowers because they own very little collateral in the first place (Ghatak & Guinnane, 1999). Group members, who often live and work closely together, are however able to apply non-financial sanctions to their fellow borrowers. In case a borrower is likely to default, the village community will be able to pressure them into repaying by threatening them with social exclusion or by seizing some of their non-liquid assets by violent means[6]. This community pressure also creates a very strong disincentive for any borrower to default. Therefore, JLL eliminates the bank's cost of enforcing repayment and decreases default risk (Hermes & Lensink, 2007).

Lastly, group lending mitigates problems of adverse selection. A traditional lender does not have enough information to distinguish risky from safe borrowers. They therefore have to charge high interest rates in order to compensate for the possibility of having a risk borrower (Armendáriz De Aghion & Morduch, 2005). This creates inefficiency because safe borrowers are deterred from applying for loans. JLL is able to mitigate this adverse selection problem because individuals decide on their group partners, about which they have much more information than a bank (De Aghion & Gollier, 2000; Laffont, 2000). This kind of "assertive matching" ensures that safe borrowers are not deterred from lending. In JLL safe borrowers do not have to shoulder the risk of risky borrowers, because they only form groups with other safe borrowers. This means that safe groups (who pay loans back after each cycle) will receive lower interests rates and risky borrowers (who default more frequently) will either be pushed out of the market or will receive higher interest rates. Hence, under JLL, the risk that used to be carried by the bank is transferred onto risky borrowers.

What Does Group Lending Rely On?

Now I will briefly consider the factors on which JLL relies on. Firstly, groups need to be of an appropriate size in order to function. This is because some activities that are necessary for group lending (monitoring and enforcement) have a public good character. This means that large groups, will be burdened by free-rider problem in which members will wait for others to bear the costs of monitoring and enforcement (Ghatak & Guinnane, 1999).

Secondly, even though group members need to have sufficient social ties in order to be aware of the activities of other members, these social ties cannot be strong enough as to deter monitoring and punishment (Sharma and Zeller, 1996). It has been shows that in case group members are, for whatever reason, unwilling to punish other members (because they are relatives for example) repayment rates plummet (Mondal and Tune, 1994).

Thirdly, the incentive for group members to punish and monitor is much stronger when there is no alternative source of credit. Similarly the threat of default is much less severe if a borrower and easily find another lender (Ghatak &

Guinnane, 1999). This suggests that competition between MC institutions or an increase in borrower's mobility can undermine JLL, because it relies on credit being either very expensive or unavailable from alternative sources.

The Grameen Bank

The GB operates along the lines of what has been described above. The GB issues loans in cycles. In case the first two members of the group repay their loan in time, another member will receive her loan in 4 to 6 weeks (Armediariz & Morduch, 2010). The GB also rewards repayment by lowering interests rates and increasing the size of the loan after successful repayment rounds (ibid.). The bank stipulates that groups must consist of 5 members, all of which have to be from the same village (Armendáriz De Aghion & Morduch, 2005). This facilitates monitoring, because members live close together and have sufficient knowledge of each other's activities. It is also conducive to enforcement because the village community as a whole can apply social sanctions to defaulters[7]. Similarly, this promotes assertive matching because group members – who know each other, can effectively assess the competencies of their co-borrowers.

In light of the previous discussion of JLL we begin to see why it makes economic sense for Grameen to focus on women as customers[8]. Firstly, men have more access to formal as well as informal credit (from traders and moneylenders) than women do (Armendáriz De Aghion & Morduch, 2005). Secondly, women are much less mobile than men. They are often constrained to the home, which makes it much easier to find them in case repayment troubles arise and gives them little room to escape pressures (ibid.). Lastly, due to repressive social structures, women have also been found to be more reactive to verbal hostilities than men, which makes them more receptive to some enforcement practices (Rahman, 2001).

Let us now summarize what has been said about group lending. JLL is able to reduce or eliminate some of the major costs faced by traditional lending institutions, by transferring these costs to borrowers. Group lending provides a strong incentive for borrowers to monitor loans and enforce repayment. Group lending also reduces the overall riskiness of lending, due to assertive matching. What is important for my argument here is that JLL *relies on* monitoring and enforcement. In case group members are not aware of the activities of other members, because they live to far away for example, JLL encounters severe repayment problems (Hermes & Lensink, 2007). JLL also relies on the fact that group members are willing to punish defaulters. In case group members are not willing to enforce repayment, JLL is not sustainable (Sharma and Zeller, 1996).

Microcredit Interventions in Bangladesh

In this section I am going to analyse the empirical evidence on the effect of MC Interventions by the GB on women's empowerment. The studies I consider are qualitative in nature, because I believe that empowerment cannot be meaningfully measured by quantitative approaches[9]. Concerns about the empowering or disempowering effects of MC Interventions are particularly pressing in the current climate, where MC NGOs are expanding rapidly. Between 2001 and 2006, the total disbursement of MC Institutions in Bangladesh increased by 166%, to around 16 billion USD (Cons & Paprocki, 2010). There are now over 600 NGOs that are solely concerned with providing MC in Bangladesh (Cons & Paprocki, 2010). The GB is one of the most prominent MC institutions in Bangladesh[10]. In 2012 it included about 6.7 million active borrowers (MIX Market, 2012) and covered more than 80 thousand villages (GB, 2013).

The poor living in rural areas in Bangladesh have very little access to institutional credit. Neither the government nor traditional moneylenders are willing to lend to them, due to their lack of collateral. At the moment, more than two-thirds of credit in rural areas is being provided by NGOs (Karim, 2008). These NGOs offer small loans (generally under 100 USD) for an interest rate of around 30 per cent, which increases to around 50-60 per cent once additional costs are included (ibid.)[11].

Before I begin my discussion of the empirical evidence on MC and women's empowerment, I would like to alert the reader to the fact that there are indeed studies that find a positive link between the two processes. However, such results should be interpreted with much caution. All of the studies that find such a favourable link use quantitative research methods and identify the complex and multi-faced process of empowerment with only very few variables. Hashemi et al. (1996) for example find a positive relationship between empowerment and MC in Bangladesh. They however measure empowerment in terms of women's contribution to household income, which I do not believe to be a suitable measure. Khandker (1998) finds that the children of women who take part in MC Programs are better nourished and have better educational attainment. We should however also be very critical about the explanatory power of her findings. It is extremely difficult to isolate the effect of 'taking part in a MC program' from other drivers that effect children's education and health. Furthermore, Khandker's study is unable to control for all the unobserved characteristics of families that take part in MC Programs.

Monitoring and Enforcement

In the previous section I have shown that the sustainability of MC Interventions relies on monitoring and enforcement of loan-repayment by group members. Let us now consider how these two processes, affect women's empowerment in practice. I would like to underline that MC borrowers experience particularly strong pressure to repay loans in Bangladesh. On the one hand, this pressure comes from NGOs because organizations like Grameen are pressured to maintain high recovery rates (Karim, 2008). This is mainly due to the fact that the international donor community, as well as private investors, evaluate the success of MC Interventions in terms of financial sustainability (Rahman, 1999). On the other hand, women face amplified pressure from group members themselves. This is because, due to the prevalence of MC NGOs in rural Bangladesh, women are often enrolled in several MC Programs at once and therefore face the pressure of several groups at the same time (Cons & Paprocki, 2010; Karim, 2008). This strong pressure from both sides created a climate in which repayment ought to be achieved at any cost (Cons & Paprocki, 2010).

The monitoring and surveillance of women's activities has a long history in rural Bangladesh. The practice of *Purdha*, which refers to the seclusion and protection of women's modesty and morality still plays an important role today (Hashemi, Schuler, & Riley, 1996). Therefore, the monitoring of women that is required by MC Institutions already has potent conservatives networks to build on. In practice, the monitoring of women's economic activity to ensure loan repayment is simply combined with surveillance of women's sexuality and decency (Karim, 2008)[12]. Hence, monitoring women's economic activities has become just another aspect of women's lives that is surveilled by the community.

Similarly, the practice of shaming of men through 'their' women (mothers, wives, daughters) – which is one of the key mechanisms for loan enforcement, plays an important role in rural Bangladesh. Women are the 'traditional custodians of family honour' and 'one's ability to maintain honour structures one's social acceptability' (Karim, 2008: p.10). In fact, the honour of 'their' women is the 'moral resource through which [rural men] see themselves as morally superior to rich and urban people' (Karim, 2008: p.10). In case a woman is publicly shamed, the entire family is dishonoured. Shaming can take many forms in rural society. It goes from:

"*rude language to regulation of women's sexuality to disciplining of poor people through accusations of sexual infidelities resulting in public floggings, pouring pitch over bodies, tonsuring women's hair, hanging a garland of shoes around one's neck, to isolating one's family in the village, to publicly spitting on the person every time s/he walks by, to making adults hold their ears as a sign of their guilt in a public forum."* (Karim, 2008: p.10)

Karim (2008) also reports that the practice of *ghar bhango* (house breaking), which equally has a long history in rural Bangladesh, has been revived to recover loans. House breaking results in homelessness for a family, which is the ultimate symbol of shame and dishonour. All of these practices are 'committed with the full knowledge of NGO officers' (p.19), even though they do not participate in these acts of aggression. In some cases, officers do participate on the margins. Officers have been reported to call the police in case women fail to repay, which can have devastating effects on women's social position. If a woman is taken into police custody, she becomes a criminal and loses all her virtue, which is a significant reason for divorce (ibid.).

This high pressure to repay has also been demonstrated to reduce family's standard of living, as loan repayment is being prioritised over other needs, such as schooling or nutrition for children. A number of borrowers reported that they were forced to take their children (girls in particular) out of school in order to ensure repayment. Similarly, many noted that children needed to go hungry at repayment time (Cons & Paprocki, 2010)[13]. Lastly, several studies have noted that repayment pressure also results in an increase in physical as well as verbal abuse in the household (Johnson, 2005; Bates et a., 2006; Ahmed, 2008).

Let us briefly summarize what has been said so far. Firstly, the monitoring of group members, which is necessary for the functioning of MC institutions, encourages and reinforces the surveillance of women's activities. Secondly, the enforcement of MC loans systematically instrumentalized women's honour and shame and is detrimental to family wellbeing.

Structures of Subordination

I would now like to briefly point to three important outcomes of the availability of credit in rural society. These outcomes illustrate what happens when credit becomes available to women, in a society where no significant change in patriarchal social structures and practices has taken place beforehand.

Firstly, and most importantly, several of the studies on MC Interventions have found that even though women are the one's that officially take out MC loans, they do not control them in practice. Some studies have found that more than 95% of MC borrowers take out proxy loans, which end up being used and controlled by male household members (Bagati, 2003; Goetz & Gupta, 1996). To illustrate this point, Karim (2008) reported that many men laughed when they were asked whether the money (from the loan) belonged to them or their wives. They remarked that 'since their wives belong to them, the money rightfully belongs to them' (p.15). Women themselves also do not feel like they are in control of loans. Many women describe loans as things they are compelled to take, due to pressure of other family members (Cons & Paprocki, 2010).

Secondly, MC Interventions have doubled women's workload. Women are expected to fulfil all their previous responsibilities on top of new responsibilities related to loan repayment because no change in the general division of labour has taken place (Goetz & Gupta, 1996). This doubling or tripling of women's workload puts a severe strain on them that should not be underestimated. Women have less time to spend on their own or with their children, they sleep less and are more likely to fall ill more frequently (ibid.).

Lastly, even though the access to credit was expected to lead to a social transformation and more specifically, to a move away from practices like dowry, the opposite has been the case. MC has in fact lead to a reinforcement of dowry practices in rural areas (Cons & Paprocki, 2010). Very poor families used to be able to say that they were unable to afford dowry and make a symbolic donation instead. In the current climate however, parents are encouraged to take out (several) loans in order to pay for dowry. The access of credit has also strongly inflated dowry prices. This makes having a daughter even more costly and encourages practices like sex-selective abortions (Abrejo et al., 2009; Cons & Paprocki, 2010).

What I wish to illustrate with these examples is that MC is no silver bullet. Women in the developing world do not only experience a cash flow problem but are caught in complex systems of subordination and inequality. Even though credit has become available to women in many rural areas, they are not the ones who primarily benefit from it. Even though women carry the lion's share of the costs of taking out MC loans and have seen their workload double, they are not able to decide how the money is used. Similarly, credit does not simply eliminate conservative social practices, which are detrimental to women, but can at times even reinforce them.

Microcredit and Empowerment

In light of the evidence from Bangladesh, let us now consider whether MC Interventions are an effective tool to promote women's empowerment[14]. I hold that empowerment refers to an *increase* in women's ability to make choices and work towards their gendered interests (which can be strategic or practical in nature). I believe that this ability can increase in two different ways. Firstly, it increases when women have more resources, such as income, education or improved health. Secondly, it can increase when a positive change in the social context occurs, which gives women more social freedoms because they are considered to be more responsible, trustworthy or valuable. I will firstly consider the effects of MC Interventions on women's empowerment that have to do with the institutional design of such programs (section 6.1). I then move on to consider the effects of such programs that arise due to the social context (section 6.2).

Institutional Design and Empowerment

Firstly, MC requires and encourages the monitoring of women's activities. The above evidence suggests that the effect of surveillance of women's activities by other group members or male stakeholders should be seen as disempowering. The reduction or elimination of women's privacy through surveillance and reporting, limits their ability to make choices as well as bring about social change. Secondly, in order for MC Interventions to function, group members must be willing to enforce loan repayment. The evidence from Bangladesh suggests that enforcement is highly detrimental to empowerment. Firstly, the immense repayment pressure that women face strongly constrains their ability to make choices between existing options (whether to send their female children to school, what to consume and so on). Secondly, this imperative to repay also limits the time, space and resources women have to spend on working towards their strategic gender interests. Lastly, women's honour and shame is constantly instrumentalized to enforce repayment, which creates new forms of socio-economic dominance that NGOs and families exercise over women (Mahmud, 2003).

Social Structures and Empowerment

I now consider the empowering or disempowering effects of MC that arise due to the existing social context. These effects are not directly related to the institutional design of MC Interventions. The evidence from Bangladesh suggests that the empowering potential of giving women access to credit is severely limited, if not eliminated by existing social inequalities. The fact that women are not the ultimate users of the loans they take out is crucial here because it means that their productive resources do not increase by taking out a loan. The above evidence suggests that the overall effect of MC, without social change, should be considered disempowering. This is because women have to bear very high costs to repay MC loans and because their workload increases significantly. All of this leaves them with *fewer* resources to work towards their interests and gives them less space and time to make choices. The examples provided above also seem to suggest that MC Interventions on their own are not able to change the social context that constrains them.

To summarize, I argue that MC Interventions have strongly disempowering effects. Some are due to the institutional design of MC Interventions; others arise due to existing social inequalities. I would like to make three important points about my argument. Firstly, I do not believe that my finding that MC is disempowering is strongly related to my definition of empowerment. I doubt that any meaningful definition of the term would lead to the conclusion that the disempowering effects of MC, which are noted above, should not be considered as such. Secondly, I argue that some of the disempowering effects of MC *cannot* be remedied by better project design or even by a change in social structures. This is because MC *relies* on monitoring and enforcement of group members (see section 4). Of course monitoring and enforcement does not take place in a vacuum. The exact form these practices take will eventually be determined by pre-existing social structures. However, regardless of the exact forms these practices take, I believe that monitoring and enforcement *as such* should be seen as disempowering. This is particularly true of enforcement, because the sustainability of MC institutions rely on a climate where enforcement needs to be achieved *at all costs.* Thirdly, the potential of MC to promote empowerment is eliminated by existing social inequalities. This means that MC could empower women in an improved social setting (where the 'total level' of empowerment is somewhat higher). MC is however unable to bring about this change, which puts the empowering potential of MC Interventions in the developing world into doubt.

Conclusion

In this essay I have shed some critical light on the effectiveness of MC Interventions in terms of promoting women's empowerment. I have shown that MC institutions make use of JLL, which relies on monitoring and enforcement. Group members need to monitor the activities of their co-borrowers, they must be willing to punish members who are likely to default and enforce repayment. I have also shown how monitoring and enforcement turn out in practice, by considering several case studies of the GB in Bangladesh. In light of the empirical evidence presented above, I have argued that MC is not an effective policy tool for women's empowerment and that it should in fact be seen as disempowering. I hope to have shown that the financial sustainability of MC Interventions (which demands monitoring and enforcement) is not compatible with promoting women's empowerment.

There are two conclusions I would like the reader to take away from this essay. Firstly, some of the disempowering effects of MC that arise due to monitoring and enforcement cannot be remedied. Repayment of MC loans relies on a climate in which loan repayment is the only imperative and in which group members are willing to monitor and punish their co-borrowers. My second conclusion is far less controversial. I believe to have demonstrated that access to credit as such does not automatically empower women. MC could possibly have a certain empowering potential in a different social setting, where inequalities are less acute, but it is not able to bring about this change.

Unfortunately, there are several things I did not have the space to discuss. Firstly, I only considered the empowering effects of MC in one country in the developing world. Considering a broader range of evidence, from other developing countries as well as high income countries would surely substantiate my argument. Secondly, I also did not pay much attention to other supposed virtues of MC, such as its potential to alleviate (income) poverty. This leaves open the possibility that MC has other virtues that could outweigh the losses that women make in terms of empowerment. Lastly, even though I have argued that MC is not a means to achieve empowerment, I have left it open to question what kind of programs would be effective at doing so.

In light of the empirical evidence, I find it deeply frustrating that MC Interventions are promoted under the empowerment banner. MC Interventions drain away the already scare resources of programs that focus on women's empowerment and might actually change the social realities of women in the developing world.

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[1] Around 97% of the GB's lenders are rural women who do not have the collateral to apply for a conventional loan (GB, 2013c.).

[2] My reason for this focus is the fact that NGOs that focus solely on MC are much more numerous and are growing much faster than Microfinance Institutions. This is because there has been growing pressure on MC institutions to make programs economically sustainable, which has lead them to adopt a minimalist approach, that focuses on credit rather than on other services (Mahmud, 2003). The Grameen Bank also provides other financial services, but in this essay I am only going to consider Grameen's role as a lender.

[3] Agency has to do with the ability to define a goal and to consequently act upon it (Wieringa, 1994).

[4] Molyneux 'interest paradigm' has been criticized on several grounds (Benton, 1982; Callinicos, 1987; Hindess, 1982; Scott, 1988). Wieringa (1994 &1995) for example opposes the distinction because it privileges one form of demand making over another. I however believe that Molyneux's distinction does not privilege SGI over PGI but simply points to the fact that PGI have transformatory potential, while SGI generally do not (Martinez, 1995).

[5] This definition of empowerment takes sides in the philosophical debate between proponents of negative liberty (which holds that interests and preferences are assumed the same) and those of positive liberty (which assumes that there is a distinction between the two) (see Berlin, 1969; Taylor, 2006).

[6] One possible problem with group enforcement is that punishments might be too harsh- which, in the dispassionate language of economics would create a dead-weight loss (Rai & Sjörstrom, 2001).

[7] Notably, the GB does not have any institutional regulation, which stipulates limits to enforcement, such as a basic

do-no-harm clause (Cons & Paprocki, 2010).

[8] Grameen did not start out with such a strong focus on women. They originally lent to large numbers of men and kept groups segregated by sex. Grameen started focusing on women after they encountered serious repayment problems in male groups (Hossain, 198; Karim, 2008).

[9] This is because no suitable quantitative measure for empowerment has been developed and because the kind of data that would be needed (individual rather than household level data) does not exist.

[10] BRAC (Bangladesh Rural Advancement Committee) is another big MC supplier in the country.

[11] Even though these interest rates might seem high, they about half of the rate offered by traditional moneylenders (Armendáriz De Aghion & Morduch, 2005).

[12] Karim's research if focused on a group of villages in the Northwest of the country.

[13] Cons and Paprocki conducted their research in a village in the North of Bangladesh, which they call Arampur.

[14] I do not want the reader to think that I am drawing overly general conclusions from the evidence presented above. I am well aware that I only provide a case study of Bangladesh and that presenting a broader range of evidence would substantiate my argument. Due to constraints of space I am however unable to present such evidence in this essay. I have judged it to be more fruitful to discuss one MC institution, in one country in depth, rather than present more anecdotal evidence from a range of countries and institutions.

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Date written: October 2013