❑ WOMEN AND MICROFINANCE: OPENING MARKETS AND MINDS

By Susy Cheston, Senior Vice President for Policy and Research, Opportunity International

The microfinance industry has been at the forefront of recognizing women as a force in international development and a market worthy of attention but can do even better if it addresses ongoing barriers to women's participation and empowerment, says Susy Cheston, senior vice president at Opportunity International, a non-profit organization that supports microenterprise development.

Cheston points to phenomenal progress, as shown by estimates that the number of very poor women with access to microloans reached 32.7 million in 2002, but argues that many women worldwide are still unserved or underserved.

She says there are tremendous opportunities for innovation in microfinance if new incentives focus on reaching new markets, such as women who are currently excluded, clients in rural areas and, above all, the very poor; delivering new products, including expanded savings services and client training to promote business, personal, and social development; and new ways of doing business, such as addressing continued obstacles to women's empowerment and including more women in the leadership of microfinance institutions.

Giving loans to women was once considered revolutionary. In just three decades, however, a series of breakthroughs has shown that women — especially poor women — are creditworthy and make excellent consumers of financial products.

Today the majority of microfinance clients worldwide are women, and this is especially true for programs targeting the very poor. Not only is microfinance good for women, but it also turns out that women are good for microfinance. Women are highly motivated savers and repay their loans at a higher rate than men. A big breakthrough for microfinance was in its ability to identify the characteristics of women's businesses and their use of financial services and then design products to fit their needs. In the classic study *Financial Services for Women,* C. Jean Weidemann lays out the basics of how to provide credit to poor women: provide small, short-term working capital loans that work for trade and service businesses; overcome mobility restrictions by going to women where they live and work; overcome legal obstacles by using "solidarity," or group, guarantees and character references rather than collateral; rely on relationships and group processes rather than paperwork so that illiterate women can participate; and provide education on how to be a good credit consumer. Recently, the industry has also given more attention to women's long-expressed need for savings services and for other financial services such as consumption, housing, and education loans.

ECONOMIC AND BUSINESS GAINS

The bottom line on microfinance is whether or not clients are working their way out of poverty. According to research by microfinance impact assessment specialist Suzy Salib-Bauer on Sinapi Aba Trust, an Opportunity International microfinance institution (MFI) in Ghana, 42 percent of mature clients (those in the program two years or more) had an improvement in their poverty level — either moving from "very poor" to "poor" or from "poor" to "non-poor" status, as measured by a standard household asset and income index. ASHI, an MFI in the Philippines that exclusively targets poor women, found that 77 percent of incoming clients were classified as "very poor"; after two years in the program, only 13 percent of mature clients were still "very poor."

Poor women are focused not only on investing in opportunities for income and growth, but also on managing risks and reducing their vulnerability by protecting against emergencies and planning for events such as marriage, childbirth, education for children, and funerals. They therefore value savings services and tend to be more careful about investing than men, with the result that their businesses do not usually grow as fast as those of men, but tend to be around for a longer time. Most of what we know about business growth is based on how women invest working-capital loans, as to date far fewer women have been able to access larger asset-based loans. In 2001 Lisa Kuhn Fraioli, a microlending product manager and gender advisor for Opportunity International, analyzed the changes women in Ghana experienced in their businesses as a result of increased working capital. She found the women had greater control over their businesses, improved relationships both with suppliers and with customers as their businesses became better supplied and more reliable, greater diversification, expansion into more profitable product lines, and increased power and prestige in the marketplace.

Even small gains can make a difference. A $50 loan allowed a single mother of eight children in El Salvador to sell rice in addition to beans — a little diversification that improved the stability of her business and her ability to feed her children. There are also plenty of exceptions to the slow, incremental growth paradigm, such as a woman in the Philippines who started out selling bundles of wood on the sidewalk and leveraged a series of working-capital loans into a full-fledged lumberyard with 10 employees and a delivery truck. When asset loans are available, women can make strategic investments. A Ghanaian woman used her asset loan to buy a freezer and after only one month was able to produce and sell 500 ice creams a day.

PERSONAL IMPACT AND FAMILY BENEFITS

Many impact studies have found that in some cases simply having cash in hand — and greater control over that cash — can lead to empowerment for women. Indeed, studies from all parts of the world have consistently found increased self-esteem to be among the most striking impacts of microfinance.

This increased self-confidence goes hand in hand with improved status at home. Ghanaian women clients of Sinapi Aba Trust (SAT) found that their financial contributions helped them earn greater respect from their husbands and children, negotiate with their husbands for help with housework (especially doing laundry), avoid family quarrels over money, and gain increased respect from extended family and in-laws. Women have even been able to stop domestic violence. Working Women's Forum (WWF), a union/cooperative of poor women in India, found 41 percent of its members who had experienced domestic violence were able to stop it due to personal empowerment and 29 percent were able to stop it through group action. Women have also increased their participation in decision-making. One example comes from the Women's Empowerment Project (WEP), a program in Nepal incorporating savings, credit, and literacy. WEP showed 68 percent of women had greater power over family planning, arranging their children's marriages, buying and selling property, and sending their daughters to school.

Empowerment effects have been especially well documented in "credit plus" and group-based programs that combine credit with other activities such as education, leadership development, community problem-solving, and business development.

The benefits don't end with individual empowerment. Providing financial services to women brings about a "multiplier effect" because, simply stated, women spend more of their income on their families, leading to better housing, nutrition, health care, and children's education, especially for girl children. Sylvia Chant, a professor at the London School of Economics, carried out studies in Latin America, which are echoed by studies in Africa and Asia, that show that men typically contribute 50 to 68 percent of their salaries to the collective household fund, whereas women "tend to keep nothing back for themselves."

COMMUNITY PARTICIPATION

While most research focuses on business, personal, and household impact, there is also evidence of changes in how women perceive themselves and how others perceive them within their communities. These changes in perceptions have led to increased participation by women in community leadership and, in some cases, political positions.

Freedom from Hunger, a "credit with education" network, found that its clients in Ghana were much more likely to give business advice after entering the program and that its clients in Bolivia were significantly more likely to have been candidates for public office or to have been members of the community's sindicato, or labor union, than non-clients. WWF in India found that over 89 percent of its members had taken up civic action for pressing problems in their neighborhoods. At AGAPE, Opportunity's MFI partner in Colombia, Las Américas Trust Bank organized, negotiated, and raised funds to bring electricity to their barrio.

AN UNFINISHED PICTURE

Not surprisingly, however, traditional microfinance by itself cannot lead to women's full economic, social, and political empowerment. In fact, in many cases microfinance works not because it has changed the prevailing laws or culture but because it has worked around them. While some husbands help with housework or the business, in most cases women clients have not been able, or even tried, to challenge the existing status quo and are often taking on responsibilities that lead to a heavier workload and greater exhaustion — although for most the increased income and independence make this trade-off worthwhile.

In some cases, as women's income goes up, men's contribution to the household goes down. Some women are pressured to pass their loans to their husbands or another male relative, increasing their burden but not always their benefits. Some MFIs report increases in domestic violence once women become microfinance clients. However, researchers Syed Hashemi and Sidney Schuler, who have studied the impact of credit on women in Bangladesh for over 10 years, found a lower incidence of violence against women who were members of credit organizations than among the general population. Despite the increased prestige individual women experience in the community, there has not usually been change at the macro level leading to increased power and opportunities for women in general in the marketplace and within society.

The very microfinance industry that has served women so phenomenally well nevertheless runs up against the same cultural barriers found throughout society. Grameen Bank in Bangladesh, a groundbreaker in reaching women clients, for many years has maintained between 5 and 10 percent female loan officers. Grameen is not alone. Many MFIs accept rather than creatively challenge cultural reasons (in their various guises of concerns for safety, comfort, capacity, education, etc.) that exclude women from serving as loan officers. One typical example from Zimbabwe is the stigma against women driving motorbikes, which is a requirement for many loan officers. While many men have served as treasured loan officers to women clients, anecdotal evidence suggests that a woman loan officer can bring added benefits to the job by serving as a role model and "sister." The industry in general has not made a priority of ensuring that women are involved in MFI leadership, either on boards or in senior management. In many MFIs, 85 percent or more of clients are women yet fewer than 25 percent of the leaders are women.

Worse, some MFIs essentially ignore women as a market. Many women-owned businesses are still regarded by loan officers as income-generating activities rather than serious businesses with growth potential. When MFIs do not intentionally take women into account in marketing their financial products, women often understand themselves to be excluded. A Trust Bank program in Colombia showed this phenomenon clearly when, after having served exclusively women, it was opened for the first time to both women and men — and 13 of the 14 potential clients who showed up at the introductory meeting were men. Further, lending programs designed for women are often so committed to tried-and-true, one-size-fits-all methodologies that they don't respond to deeper information about their clients' assets and needs, with the result that many women are inadvertently excluded from participation or are unable to make the progress they are capable of.

Even basic knowledge about the nature of women's businesses and the best ways to provide financial services to support them is sometimes ignored or lost in the face of new contexts and new pressures. The U.S. Agency for International Development (USAID) commendably commissioned a gender assessment of its programs in Serbia and Montenegro that expressed concern that the "basics" of providing financial services to women are being disregarded, in part due to the emphasis on SME (small and medium enterprise) lending. In another example, many individual lending products worldwide still require collateral even for women who have proven themselves creditworthy through increasingly larger group loans — this despite widespread knowledge that women have less access to collateral and personal guarantees than men — essentially preventing them from "graduating" to more sophisticated financial products.

THE NEXT WAVE OF BREAKTHROUGHS

All of this suggests directions for further innovations that could be as significant as the breakthroughs in reaching poor women over the last three decades. The industry has had incentives that have led to tremendous advances in the financial sustainability of MFIs, the ability to reach large numbers of clients, the ability to grow very quickly, and the development of new financing sources. Yet there is tremendous untapped potential that will require stronger incentives for understanding the program elements that lead to increased client impact — holistic approaches such as the ones just described that have brought increased empowerment benefits for women; outreach to women for advanced financial services, including enabling women to graduate into higher level loan products; meeting women's needs for safe and accessible savings services; focusing on the importance not only of increasing income but also of building up assets and social capital; reaching clients in rural areas; using microfinance groups as a vehicle to address the HIV/AIDS crisis; including women in the leadership of microfinance institutions, and, above all, providing financial services to the extremely poor.

This last point of targeting the very poor cannot be over-emphasized when talking about women and microfinance. A client-centered agenda for the industry includes understanding whom is being excluded from our services and testing known limits to see if these women and men, too, can be profitably reached. The industry has developed a dogma — despite some evidence to the contrary — that suggests that microfinance best serves urban or near-urban clients among the moderately poor and vulnerable non-poor. This may be what microfinance experts know best for now — but only 20 years ago few of us dreamed it would be possible for MFIs to be able to cover the cost of borrowed funds.

One has only to look at microfinance in Egypt to understand that the difficulties can be addressed. According to a USAID report in fiscal year (FY) 2000, six Egyptian microfinance institutions reported a total of 72,634 clients, with an average loan size of $506. Only 17 percent of these clients were women. In FY 2002, these same institutions reported 115,345 clients (a growth of 59 percent) with an average loan size of $372 and 54 percent of these clients were women. The secret? The USAID mission strongly encouraged its long-time grantees to add a new group-lending product specifically designed for women, which now accounts for virtually all of their growth — a classic example of what can happen when women are taken seriously as a market. In the case of PSHM, Opportunity's MFI partner in Albania, outreach to women increased from 22 percent to 44 percent in just six months as a result of a new individual lending product targeted to women that features smaller loan sizes, flexible guarantee requirements, and new marketing techniques. These examples of striking progress in a short time suggest that long-standing barriers to women's participation can yet be toppled.

My own experience suggests that most players in the industry — practitioners, donors, academics, policy-makers — would welcome the opportunity to reach more women and ensure the greatest possible impact for them and their families. But it simply is not as high a priority as are so many other pressing issues. Practitioners are strapped by the survival realities of the day while donors are shy of leading the agenda on behalf of women or appearing cross-culturally heavy-handed.

It has been said that the first step toward change is realizing it is possible. Over the past several decades, we've seen that it is possible to reach women, including very poor women, and to bring about economic, social, spiritual, and political transformation for the client, her family, and her community. Providing financial services to women has turned out to be an excellent idea — and the best may be yet to come. ❑

(This article draws heavily on research and writing originally done in collaboration with Lisa Kuhn Fraioli. For a more extensive review of the impact of microfinance on women, see "Empowering Women through Microfinance" by Susy Cheston and Lisa Kuhn Fraioli, published in *Pathways Out of Poverty: Innovations in Microfinance for the Poorest Families* by Kumarian Press in 2002.)

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