

# SMALL MODULATION, BIG REVOLUTION: WOMEN AND MICROFINANCE

Sonia Bajaj

Research Scholar, University of Rajasthan, Jaipur

## Abstract

*"Are women a better prospect for banking?" A big question whether empowerment of women is good for MFIs has cropped up in the minds of many academicians and policy makers. This paper intends to indicate both the rewards of the MFIs and the challenges faced by them while empowering women. As there are various negative impacts of lending credit to women, institutions can feel tempted to change their client base. In this context, they introduce innovative strategies for avoiding the undesired consequences by focusing on gender issues also. This includes paying attention to various determinants – economic, organizational, political, and cultural, to name a few.*

*Microfinance is one of the significant tools in alleviating poverty. It provides various financial services to poor people who are most credit constrained due to their financial exclusion by commercial banks and other sources. Since women are the worst sufferers of the current economic system, provision of financial assistance to them is necessary to empower them economically. Experience has shown that microfinance results in increased self-reliance, self-confidence and social status, and thus plays an appreciable role in elevating the status of women and in increasing their role in social life. As women are an intrinsic part of society, their empowerment, i.e., involvement in decision-making as well as economic activities, is vital to the welfare of society. This study looks at microfinance as one of the significant tools in women's empowerment.*

## Introduction

Growth of any economy is only possible if poverty is eliminated from every section of society. An essential element of the strategy for poverty alleviation should be equality in opportunity. Women constitute the major part of the poorest population and they are deprived of access to credit and other financial services (Mayoux "Not Only Reaching"). According to the State of the Microcredit Summit Campaign 2001 Report, 14.2 million of the world's poorest women have no access to financial services (Cheston). For reducing poverty it is essential that women be given access to financial services and human rights should be promoted. Most of the countries have signed an international agreement to this effect. The issue of women's access to credit was given particular emphasis at the First International Women's Conference in Mexico in 1975, leading to the setting up of the Women's World Banking Network. In the wake of the second International Women's Conference in Nairobi in 1985, there was a mushrooming of government and NGO-sponsored income-generation programs for women, many of which included savings and credit. A number of international workshops at the end of the 1980s attempted to bring together the experience of government and NGO programs (Mayoux "Not Only Reaching").

Women have been targeted for many reasons:

- Women have proven to be more efficient in saving and even in timely repayment of loans.
- As poverty reduction is the goal of a Microcredit Summit Campaign, women are specifically targeted because they are more poor than men.
- To achieve gender equality and empowerment (Mayoux and Hartl).

Latest statistics show that 1.2 billion people are living on less than a dollar a day. Women are often responsible for the upbringing of the world's children and the poverty of the women generally results in the physical underdevelopment of their children. Experience shows that women are a good credit risk, and that they invest their income in ways that promote the wellbeing of their families. At the same time, women themselves benefit from the higher social status they achieve within the home when they are able to earn (Mayoux "Not Only Reaching").

### **Virtuous Spirals: Empowerment Potential of Microfinance**

Microfinance has proved to be a great boon to women, since they are now able to have access to finance services, which help them take prudent decisions regarding savings. Now they are able to invest on their own so that they can have a more controlling role in household activities. All this increases their productivity and income. Secondly, women's access to micro-finance services improves household welfare. Women, spend their money in areas like nutrition and education of their children. Thirdly, it increases women's economic activity and decision-making power, thus contributing to their social and political empowerment. All this helps in increasing women's confidence and skills, in expanding knowledge and support networks, and finally in poverty reduction.

Many policy makers had questioned whether microfinance empowers women. The possibility of microfinance empowering women is well acknowledged. It empowers women to the extent it helps women in becoming independent.

Although the potential of microfinance programs for women empowerment remains convincing, there are certain limitations, which are undeniable. Certain studies suggest that its potential for empowerment of women and its objectives is contradictory. It is argued that women's empowerment leads to a lessening of the importance of MFIs. The more empowered women are, the less they will depend on microfinance. This contradiction affects the way MFIs design programs for women (Mayoux. "Gender and Rural Microfinance").

Tiyas Biswas highlights the challenges before MFIs. According to him, much evidence suggests that women are mostly averse to take risks and investing in existing ventures, which may have low profits, or they like to invest in their husband's activities. The reason for all these may be that mostly women's ability is curtailed due to the gender bias in financial sector. Other reasons may be that women do not have enough time to concentrate on business activities as most of the time they are busy with household activities, and that they lack mobility. Such reasons are hindering their economic empowerment.

Women have gained self-confidence by participating in economic activities, which help them in building the assets for the household. This helps in strengthening of their negotiating power. But it can have its negative effects, because it can intensify the domestic tensions. Moreover, mothers may withdraw their daughters from the school to engage in business activities, jeopardizing their human development.

It is seen that in some cases microfinance has been positively disempowering rather than empowering. Tiyas Biswas cites some reasons for this:

- Debt may lead to bankruptcy and create pressure on women.
- Women who become dependent on loans get burdened with heavier workloads.
- Women forego their own consumption as they have a pressure to save.

### **Strategies for Mainstreaming Gender**

Microfinance is one way of empowering women and other weaker sections of society. Other steps are to be taken to complement mainstreaming of gender. Mayoux and Hartl propose some strategies for mainstreaming gender:

- Removing all gender discrimination in loans, e.g. collateral and guarantor requirements which disadvantage women.
- Integrating women's needs and concerns into product design so that they have equality of access to all products.
- Application and promotion procedures to equally target women's information networks, locations, and times accessible by women.
- Repayment schedules and interest rates to reflect the reality of women's economic activities and life cycle.
- Improving savings facilities including higher interest and deposits helpful to increase women's assets.
- Taking measures and adopting tactics that promote gender equality.
- Customizing institutes that advocate empowering of women such as Products and Policies of Microfinance Institutes.
- Registering property and assets in the names of women.
- Introducing tools which can help in risk management.
- Adult literacy and training poor women in business management and marketing in order to help women gain skills.
- Promoting women groups by MFIs to strengthen their network.

### **Conclusion**

This paper concludes that women are better managers as well as better prospects for banking. They can take better decisions about financial sustainability. Increasing women's access to financial services will enable them to make a greater contribution to household income. It can aid women to improve skills, mobility, and access support networks. For this, it is necessary to focus on mainstreaming gender as well as sustainability of institutions. In mainstreaming gender MFIs have a great role; but they also face many challenges in the current scenario. If they aim at contributing to economic growth and empowerment of poor rural women, they need to focus on gender issues and design products and services, which cater to women's needs and concerns.

### Works Cited

- Biswas, Tiyas. "Women Empowerment through Micro Finance: A Boon for Development." 2007. Web. 03 Jan 2013. <[www.isical.ac.in/~wemp/Papers/PaperTiyasBiswas.doc](http://www.isical.ac.in/~wemp/Papers/PaperTiyasBiswas.doc)>
- Cheston, Susy. "Empowering Women through Microfinance." UNIFEM. 2002. Web. 02 Dec 2013 <<http://www.microcreditsummit.org>>
- Mayoux, Linda. "Not Only Reaching, But Also Empowering Women: Ways forward for the Micro-Credit Summit's Second Goal." 2006. Web. 10 Jan 2013. <[http://www.european-microfinance.org/data/file/dialogue\\_37\\_an.pdf#page=39](http://www.european-microfinance.org/data/file/dialogue_37_an.pdf#page=39)>
- . "Taking Gender Seriously: Towards a Gender Justice Protocol for a Diversified, Inclusive, and Sustainable Financial Sector." 2008. Web. 15 Dec 2012. <[http://www.genfinance.info/documents/MyPubs/Taking%20Gender%20Seriously\\_MCS\\_2008.pdf](http://www.genfinance.info/documents/MyPubs/Taking%20Gender%20Seriously_MCS_2008.pdf)>
- . "Women Are Useful to Microfinance: How Can We Make Microfinance More Useful for Women?" Global Microcredit Summit Commissioned Workshop Paper. 2011. Web. Feb. 2013. <<http://www.microcreditsummit.org/resource/37/women-are-useful-to-microfinance.html>>
- . "Microfinance and Women's Empowerment: Rethinking Best Practice." 2005. Web. 20 Dec 2012. <<http://www.microfinancegateway.org/p/site/m/template.rc/1.9.26587/>>
- . "Micro-Finance and The Empowerment of Women a Review of The Key Issues." Web. 2 Dec 2013. <[http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/publication/wcms\\_117993.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_117993.pdf)>
- Mayoux, Linda and Hartl Maria. "Gender and Rural Microfinance: Reaching and Empowering Women." The International Fund for Agricultural Development. 2009. Web. 4 Jan 2013. <<http://www.ruralfinance.org/library/business-support-services/livelihood-strategies/livelihood-strategies>>