Critical Half

Annual Journal of Women for Women International

2004

VOLUME 2 - NUMBER 1

Gender and Microlending: Diversity of Experience

WOMEN for WOMEN International

Critical Half is an annual journal of *Women for Women International* devoted to the exchange of ideas and insight encountered as practitioners in the field with women, development and post-conflict societies.

Each issue of ***Critical Half*** focuses on a particular topic within the field of gender and development or post-conflict reconstruction. Calls for papers for upcoming issues can be found on our website at www.womenforwomen.org along with submission criteria and deadlines.

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GENDER AND MICROLENDING: DIVERSITY OF EXPERIENCE

Vol. 2 No. 1 2004

Reflections from the Board of Editors

In recent years, lending to women has become a popular program intervention, and women's strong repayment performance has produced the potential for building enduring financial institutions. Evidence from recent studies shows that female borrowers can generate additional income through their enterprises and are more likely than men to direct it to household expenses, particularly those which benefit children. Evidence also shows improvement in the social dimensions of women's lives as a result of their economic participation: improved bargaining positions in the household, expanded roles in decision-making, and greater awareness of, and engagement in, local civic life.

The lending approaches that have produced these results are many and varied in design. Some programs offer only financial services; others provide business training with varying degrees of intensity; some may offer literacy classes, health education or legal advice. Approaches to financing also vary: some programs seek to mobilize women's own savings and enable them to manage the funds themselves; others offer externally provided credit; still others treat women as individual borrowers or seek to build collective action.

The achievements to date are important and significant, but also raise crucial issues about how gender relations are, in fact, transformed. For example, are the programs really a means of correcting women's historic lack of access to credit? Or are they simply an efficient means of getting credit into the household since women are more likely than men to be available in the home, attend meetings, be manageable by field staff and take repayment more seriously, even if they do not invest or control the loan themselves? Moreover, while the evidence of the positive impact mentioned above is strong, studies that have investigated women's experiences in detail have also exposed negative impacts, such as increased workloads, the withdrawal of male contributions to household expenditure, and domestic violence and abuse. Some women may willingly accept some of these consequences and judge their overall position improved; for others, such consequences more than outweigh any benefit.

These adverse consequences are evidence of the complex, multi-dimensional nature of gender relations and of how gains in one dimension may catalyze challenges in others. In giving women access to one market —finance—we expose them to engagement in other markets: to buy inputs for production; to market the resulting outputs. These markets also have gendered dimensions: women may find it difficult to move out of low-return activities because they lack the confidence and skills to manage a larger business, or the physical space to keep assets; or simply because they meet barriers to entering into higher-stake pursuits. By moving from retailing into wholesaling, where male traders are dominant, for example, women may find it harder to get access to the information they need, and may find themselves shut out of important networks.

Moreover, analysis has shown how gender biases in our societies operate in deeply entrenched and overlapping ways at many different levels in economic, social, political and cultural life. Bringing income into the household may, in some communities, give a husband the sense of financial security necessary to take another wife. Responsibilities such as childcare, caring for the elderly and ill, and routine chores, also constrain mobility and market engagement. The cultural interpretation of certain business-related activities—over-night trips to more distant locations for supplies, for example—may expose some women to suspicion of promiscuity. Women's legal rights to business and household assets may not exist, or if they do, they may be difficult to uphold in practice.

While much, therefore, has been achieved by lending to women, a great deal of work still remains if we are to transform gender relations and make economies work for more women, more of the time. Empowerment is not an end-state and its context is constantly changing. This challenges us to identify constraints, be aware of evolving circumstances, and work to address them—both within the lending program itself and beyond it—through related programs of advocacy and campaigning.

Susan Johnson
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In this issue of *Critical Half*

Perhaps no development intervention has received more attention than microlending, especially among initiatives that target women. Although women were active in informal savings and lending groups well before the advent of institutionalized development, the global expansion of small-scale financial tools for socially excluded women has sparked much excitement and discussion. In anticipation of the 2005 International Year of Microcredit, designated by the United Nations, we feel it is important to look at the complexity and diversity of some of the issues that surround this intervention.

After more than a decade of working to assist women survivors of war, *Women for Women International* has come to understand how important generating a stable income is for the women we serve. In our work, this income-generation, whether through microfinance or other methods, is a vital part of women's struggle to rebuild their lives, families, and communities, and restore their dignity and sense of independence following conflict. For some women, this becomes especially vital as conflict thrusts them into new roles such as the sole household provider. Our work in training women in new skills or helping them to build upon existing ones— assisting them with business plans; raising their awareness about women's political, social, and economic roles and value in society; and where appropriate, providing them with income-generating opportunities—plays an integral role in their journey from victim to survivor to active citizen.

I would like to stress the importance of the latter stage of this journey. Microfinance has been criticized for being a convenient market-based tool that is too narrowly focused on the economic aspects of eliminating social and economic exclusion. Like any initiative, microlending is not an automatic gateway to empowerment, nor is it a magic "self-help" antidote to the systemic forces of social exclusion, which marginalize individuals, families, communities, and even countries. As some of the authors in this volume argue, the provision of credit and support for income-generation alone are not enough to alter the imbalances that fuel severe deprivation and foster conditions that can lead to conflict. Nor, as Susan Johnson points out in her introduction to this journal, is access to finance alone sufficient to transform gender relations. As development partners, supporters, and theorists, we cannot lose sight of the social, political, and economic struggles that must complement efforts to help women meet their economic needs.

Of course, as with all development, the most profound change evolves from the courageous efforts of individuals on the ground. Once women believe in their own agency and see the value of their roles in the household and in the community, they become the driving forces to break down social and economic barriers. We have found in our work that women's realization and appreciation of their social and political roles are critical steps to their economic empowerment. As their awareness crystallizes, they become *the* active agents in leading changes and confronting barriers in their communities.

We thus dedicate this volume to exploring the myriad sides of a powerful tool that is not an end in itself, but one step in a quest for a more equitable world where economic, political, and social participation are not based on privilege. As the diversity of regions represented in the articles indicates, it is important to consider ways that interventions such as microfinance can be adapted to the populations they are intended to serve. While not every facet of the microfinance discussion is presented here, we aim to give voice to some of the most important elements of the debate.

To set the stage for the discussion that this journal hopes to spark, we open with Kiran Asher and Veena Sampathkumar's dialogue, "*Possibilities and Limits of Microfinance as a Development Strategy: An Evolving Conversation*." Asher and Sampathkumar highlight their experiences in India and Colombia in the context of introducing some of the complexities and contradictions of microfinance. They discuss the potential for microcredit, which has traditionally focused on women's economic lives, to address the intricacies of women's roles and the power relations that surround them.

The next two articles explore the complex nexus between women's empowerment and access to microfinance. By examining the practices of a microenterprise institution in the Philippines, B. Lynne Milgram concludes in "*Coconuts and Credit: Home-based Microenterprise and the Potential for Social Change,*" that a focus on increasing women's income alone is not enough to ensure upward mobility or expanded empowerment. She discusses the importance of creating opportunities for women that do not further marginalize them in oversaturated markets. Milgram argues that additional action is needed in conjunction with credit provision, whether co-operative formation, political advocacy, or other means, to create more profound socio-economic change.

Next, Nanci Lee's "*A Gold Thread: Building Assets and Courage among SEWA's Microfinance Members,*" examines the efforts of an Indian women's organization to meet both practical and strategic needs for women by developing a tool to encourage asset building. Organizational policy includes gathering in-depth information about clients' lives and economic goals and encouraging them to participate in developing savings instruments. Lee details how acknowledging the dynamic interplay between practical and strategic interests can foster an environment where women's confidence, leadership, and collective responses to social problems can be cultivated.

World attention on Muslim countries and women's rights and identities in the context of Islam, and our own work with Muslim women in Afghanistan, Iraq, northern Nigeria, and Bosnia and Herzegovina, prompted us to examine certain aspects of women's experience with financial services in countries with significant Muslim populations. Caroline Shenaz Hossein opens this section with "*Thinking Outside the Islamic Box: Linking Context and Credit in Muslim West Africa*." Hossein explores some of the factors that influence socially excluded rural women's access to credit and financial services in several Muslim countries in West Africa. Contrary to what might be assumed about countries or regions with Muslim majorities, Hossein argues that religion is not a significant factor that influences women's access to, and degree of participation in, financial programs. Instead, Hossein believes that in West Africa, the support of community leaders, male participation, class, language, ethnicity, and gender divisions of labor, play more significant roles and should be considered when designing services intended to reach the most excluded women.

Finally, Haifa Abu Ghazaleh points to the need to expand economic opportunities for women in the Middle East and North Africa in *Women's Small and Micro Enterprises in the Arab Region: Challenges and Opportunities*. This piece considers the regional economic contexts that have led to a rise in small and micro enterprise development in Arab countries. It explores economic and social barriers that limit women's entrepreneurial activities, such as the lack of gender-sensitive business development services and the perception that women's economic activities outside the home are not valued. Ghazaleh proposes some measures to help expand opportunities for women in a region that has experienced serious socio-economic disruption.

The journal traditionally closes with a report from one of our field offices. In this issue, Seida Saric highlights our Bosnia and Herzegovina Microcredit Program in "*Rebuilding Communities with Microcredit in Bosnia and Herzegovina*." Saric describes the continued need for income-generation support for women in the economically-troubled country, now almost ten years since the formal end of conflict. She highlights challenges, lessons learned, and successes of our credit provision services for socially excluded Bosnian women.

We hope that these articles spark useful debate and discussion about policies and practices that inform microlending programs worldwide. As the push to expand and replicate microcredit programs gains momentum, we must not forget to take stock of the larger theoretical and practical questions that surround these interventions. This reflection is vital to make certain that we are providing the most informed support to the women working in their own communities to ensure that they and their families are no longer economically, politically, and socially excluded.

I would like to express special gratitude to Sarah Gammage, Susan Johnson, Naila Kabeer, and Caroline Moser of our Board of Editors—women who have led the discussion on the linkage between women's status and their economic and social empowerment, and inspired Women for Women International's development methodologies. I am also grateful to Managing Editor, Corey Oser, whose relentless work and effort was the power behind this journal, and to our copyeditor, Kathryn Casey, assisted by Sara De Paz-Castro and Sue Telingator. Finally, I thank Women for Women International's supporters, who make this publication possible.

Zainab Salbi
Founder and CEO
Women for Women International

MICROCREDIT HAS THE POTENTIAL to enable women to become dynamic economic agents, rather than passive beneficiaries of social services. While it may be beyond the scope of microfinance institutions to address all of the diverse social, cultural, political, and economic needs of women, women may use their collective power inspired by participation in lending programs in unexpected ways. They may become active in issues such as land rights, cultural preservation, improving services in their communities, or domestic violence. On the other hand, unanticipated negative outcomes may also arise as a result of recession, shifting trade rules, and conflict, as women's enterprises become more intricately tied to global economic and political forces.

Possibilities and Limits of Microfinance as a Development Strategy: An Evolving Conversation

KIRAN ASHER AND VEENA SAMPATHKUMAR

Building a Dialogue

This conversation began as a meeting of "opposites" in the summer of 2002, when Veena Sampathkumar, an incoming graduate student of international development met with Kiran Asher, a new faculty member at Clark University. Veena was interested in improving the reach and impact of microfinance programs among women's groups in southern India and was hoping that Kiran's experience with women's cooperatives in Colombia would aid her in her work. Kiran, who had previously trained in biology and environmental studies, had turned to grassroots, solution-oriented social studies in 1991. But after more than a decade of fieldwork in India and various parts of Latin America, she was skeptical of the development enterprise's ability to conceptualize and address the concerns of third world citizens, especially women.[1] Based on her research on ethnic and gender struggles in Colombia, Kiran could not share Veena's enthusiasm for microfinance, believing that like earlier development initiatives, microfinance schemes focused too heavily on economic and financial goals, and could not address women's vital cultural and political concerns.

But over the course of the 2002-2003 academic year, these two strong-willed, third world women kept returning to their conversation. They argued about the complexities and contradictions of the development enterprise, and reflected on the rhetoric and hype of microfinance schemes. Gradually, they gained a more nuanced understanding of each other's positions, especially of microfinance as a development strategy. They found that they disagreed less than they had initially thought, and that their social and political concerns, especially regarding third world women, were more in concert. They modeled this article on their conversations about the possibilities and limits of microfinance schemes.

Veena: Microfinance in its current form delivers financial services to the poor, predominantly women. Through financial services such as savings, credit, and insurance, microfinance allows women to meet basic needs for themselves and their families, and improve their quality of life. As many third world states discontinue their welfare functions in a rapidly globalizing world, even the poorest need purchasing power to meet their most basic needs (which might have been subsidized previously).[2] For example, transportation services in many villages in the Theni district of TamilNadu were irregular and unreliable. This made it difficult for villagers to take their goods to nearby markets, and otherwise curtailed their mobility. Three women's groups got together and purchased a bus, with the help of a state-subsidized loan, to redress the erratic transport between the village and the main town in Theni. In this case, microcredit loans and financial services enabled women to address their own development needs.

Microfinance also fosters collective initiatives to handle social issues such as alcoholism and domestic violence. A women's group in one of the Theni villages conducted a door-to-door rights campaign against drinking and helped the local village liquor vendor find and finance an alternative livelihood. While this creative social action did not eliminate alcoholism and the domestic violence associated with it, it decreased the levels of both. In this way, microfinance brought about concrete changes in women's lives.

Overall, microfinance enables or enhances the income-generating economic activities of women and their families. It also helps women gain increased access to and control over economic resources. Improvements in their material well-being enhance women's self-esteem and perception of their role in society, and raise their social status in their communities. For example, all 43 women I interviewed in villages around Madurai, TamilNadu said that prior to their participation in microfinance, bank officials barely acknowledged their existence, let alone provided them services. After opening accounts in the village bank for their credit groups, top bank officials addressed these same women as "Madam" and eagerly attended to their needs. This not only made the women proud but accorded them a lot of pleasure. Thus, microfinance has been instrumental in changing the way banks perceive women as clients, and has dramatically changed notions of the viability of rural finance. Thanks to microcredit schemes, some rural banks in TamilNadu are now handling large financial transactions.

Kiran: I can offer parallel examples from my work on Afro-Colombian women's organizations in the Pacific coast of Colombia. In the 1980s, women bakers, seamstresses, fishmongers, and fruit vendors in several Pacific towns formed small groups around their productive activities. In the late 1980s, with funds from international donors, a Colombian state development program encouraged these women's groups to form formal cooperatives. Cooperative members received training in microenterprise management and established rotating, low-interest credit schemes for the women associates, and formed a social network including emergency funds to aid women in times of acute domestic crises.

But women were not the initial targets of the Colombian government's development programs. For instance, in 1983, President Belisario Betancur's Integrated Development Plan for the Colombian Pacific (PLADEICOP) introduced new technologies and instituted a program of small loans to help small-scale farmers (de facto, male farmers) intensify agricultural production. On the other hand, women were considered the primary beneficiaries of the welfare components of PLADEICOP such as population, poverty, and rural health projects. In their marvelous accounts of the dynamics of PLADEICOP and other development projects in the region, Janet Rojas and Betty Ruth Lozano show that what often happened was that women, in turn, borrowed these loans from their menfolk and used the money in creative ways.[3] In one instance, they bought gasoline, which they sold at the riverbanks to the people transporting goods by boat along the extensive networks of rivers in the Pacific. These women then invested part of their small profit in their own women's groups.

Development officials were forced to realize that women also engage in "productive" and "profit-generating" activities. So, in Colombia, it was a combination of local-level initiatives and international trends and funds that led to the formation of Afro-Colombian women's cooperatives in the late 1980s. Of course, we know that this trend was not specific to Colombia. Economist Ester Boserup's pioneering research showed that the first generation of development projects did not reach most women, as they were denied access to the credit, technology, and training of the modern agricultural sector.[4] Her book, *Women's Role in Economic Development*, also played a key role in demonstrating that women make a considerable contribution to the productive sectors in the third world, especially in agriculture. Boserup's work also laid the foundation for the Women-in-Development (WID) approaches, which argued that women must be integrated into the development process. It was probably WID-inspired funds that reached Afro-Colombian women in the Pacific coast.

Veena: Aminur Rahman corroborates this account and notes that the Grameen Bank followed a similar trajectory. In his book, *Women and Microfinance in Rural Bangladesh*, he notes that women borrowers had overwhelmingly positive repayment rates. At the same time, international and domestic development agencies were promoting a variety of WID programs. Microcredit (giving small loans to groups of women) and later microfinance (giving loans and providing associated financial services such as savings and insurance) were among these programs. The responsibility that local women showed in returning loans, and the funding opportunities by donors, led to a phenomenal growth in women-centered microfinance schemes in the 1980s and 1990s. Today, women remain a good development bet. Not only do they spend responsibly and address the needs of their families and their communities, they also repay loans. Women's participation in microfinance schemes is crucial to their success and growth.

Kiran: But this inclusion of women in development through microfinance is not without problems and contradictions. You have some interesting observations about the economic implications of this inclusion based on your work in TamilNadu, don't you?

Veena: It is true that microfinance potentially creates spaces for material and social empowerment. For example, many microcredit schemes are moving beyond the integrationist WID perspectives toward Gender and Development (GAD) approaches which aim to empower women to become key decision-makers in the household and community by working to transform existing gender relations.[5] But these schemes also expose women to the risks and economic shocks of global trade and commerce within which they become directly and deeply ingrained through their participation in microfinance. This is because microfinance does not address the larger structural issues such as wealth ownership and distribution of resources, the unequal terms of global trade, and other macroeconomic issues, which increasingly affect local economies. For example, having greater access to credit may improve local agricultural production. But at the same time, free-trade policies lead to the flooding of local markets with cheaper, imported agricultural goods. This has a detrimental effect on local production. While interviewing women in credit groups in TamilNadu, I heard many accounts of women forced to borrow money from moneylenders in order to repay their loans. Ironically, microfinance schemes began with the precise aim of replacing these often-unscrupulous lenders. In the long term, local communities became more and more dependent on larger markets to meet even their most basic food needs.

Women also become victims of microfinance's success in another way. With a high marginal propensity to consume, the poor are high potential credit customers, as their needs far exceed their immediate access to wealth. Because of the potential for growth of microfinance (and the viability enabled by women's high repayment rates), many corporate or private institutions have begun commercial microfinance programs. There are many potential problems with the commercialization of microfinance—sidelining of the social agenda and growth of private debt among the poor in the third world. At the Microcredit Summit+5 held in New York in November 2002, there was much concern over how to put development back into microfinance and ensure that the needs of the poorest are not shunted again.

Kiran: Microfinance schemes are also limited in their ability to address crucial social and cultural aspects of third world women's lives. This was especially evident in my research in the Pacific Lowlands of Colombia. In 1995, Afro-Colombians, including women, were actively struggling to implement a 1993 law that granted them extensive ethnic and territorial rights. State development initiatives, including women's cooperatives, considered these struggles to be outside their mandate. For instance, Cipriana Diuza, a schoolteacher and a member of a women's cooperative in Guapi, told me that she joined the cooperative because it was "organized, grounded, and actively helped single women, single mothers, poor women, and heads of families." But, she added, "We are black women, joyous, but still enslaved, still afraid. We still need to learn to value our dialect, our religion, and our dances." Women from cooperatives in other Pacific towns expressed similar sentiments. Black women wanted to continue working on income-generating productive activities, but also wanted to expand the group's collective aims to include a focus on celebrating their identity as black women, and to participate in the ethnic struggles in the region.

My favorite example is that of Teofila Betancur, a very active Afro-Colombiana who told me that black women are triply discriminated against – as poor people, as women, and as blacks. She noted that this undermines their self-worth. Black women on the coast as well as in the cities were straightening, coloring, or perming their hair to "whiten" themselves, and adopting customs of mainstream Colombian society in an attempt to gain social acceptance. To address this lack of self-esteem, several women organized hair workshops and hairdo competitions to encourage the use of cornrows, braids, and other traditional Afro-Colombian styles. Teofila felt that black women needed to work from the "head out" to affirm their identity and their culture. Teofila Betancur and her *compañeras* believed that the focus on black women's identity and self-esteem were an integral first step in the broader aims of working toward the betterment of black women and their communities. In this case, Teofila was part of the same cooperative as Cipriana, but she felt that it was not enough to depend on economic activities to help boost women's self-worth. Within the context of the ethnic struggles in Colombia, focusing on self-image and participating in political struggle were at least as important as participating in the productive activities of the cooperatives. Indeed, several women established a network of black women's organizations – *La Red de Mujeres Negras del Pacífico* (The Network of Black Women of the Pacific). One of the fundamental, professed goals of *La Red* was to "create autonomous women's organizations that manifest and reflect" their "development, interests, and ethnic cultural identity."

Cipriana and Teofila's examples reveal the multiplicity of situations and issues around which women act, and show the dynamic nature of women's domination and resistance. The way microfinance schemes are conceptualized currently, there is little space for understanding third world women's multiple subjectivities and agency.[6]

Veena: I agree that it is often the case that microfinance programs conceive of women's agency in limited ways. While microcredit rectifies historically-denied access to credit, it also legitimizes targeting women by suppressing ambiguities, contradictions and the plurality of women's and men's roles, as I examine in my thesis. I contend that women have multiple motivations, which play a role in how they sustain or subvert relationships. So, microcredit programs with women as their primary targets face the challenge of addressing the complexities of women's roles and of the power relations within which they are embedded. One way microcredit programs attempt to empower women is by encouraging them to make independent decisions regarding their loans and the income they earn from their investments. Microcredit and women's advocates perceive autonomy in economic decision-making as an important step to changing gender relations. However, autonomy and independence are understood and valued differently across societies. So in some contexts, female clients may act in "non-autonomous" ways by sharing credit with male kin or allowing male kin to control the credit. In such a case, the program may have failed to promote independent economic action on the part of its clients. But the women may have met their own goals, including ensuring the welfare of their children, or the prestige of their immediate male kin within the larger family structure, which extends to themselves.

Some gender empowerment measurements also emphasize the need to increase women's mobility and public visibility. But in some cultures, women's visibility is antithetical to women's own notions of empowerment. For example, women may believe that working outside the home is a reflection of their families' lack of wealth and status. They would prefer to engage in home-based production that would enhance their income and preserve their sense of honor. Institutions like the Grameen Bank urge women clients to overcome their sense of shame in participating in visible market activities. At the same time, microcredit programs depend on the same women's sense of honor to ensure the repayment of their loans.

Kiran: But one does notice that the notion of shame is being deployed in two different and contradictory ways. As microcredit institutions expand their reach, they need to reflect on how notions of culture already shape lending practices in paradoxical ways. Microcredit advocates also need to recognize that women are shaped by and shape their cultural realities.

Veena: Microfinance has enabled some shift in the way women are perceived within development—from welfare recipients to active agents of their own welfare. Being involved in cooperatives gives women collective bargaining power that has brought about laudable improvements in the material and social well-being of female microfinance clients. Yet, I agree with you about the limitations of the way microfinance is currently conceived. Although poor women may enjoy benefits from their participation in microfinance programs, they often have little say about the larger structures that govern trade and the distribution of wealth. But there are institutions that complement microfinance with social advocacy designed to promote structural changes. The Self-Employed Women's Association (SEWA) in India is a great model for how microfinance can improve its impact.

Kiran: Yes, I also see the importance of social and political advocacy in the Colombian case. Asserting the primacy of ethnicity, Afro-Colombianas demanded that state-sponsored development programs broaden their mandates to address their concerns as women and as *blacks*. But they simultaneously invoked their experiences and perceptions as black *women* involved in cooperatives, in order to address their concerns independent of ethnic struggles. Feminist research has done much to show that third world women are active agents of social history. Involvement in microfinance is one among the many ways in which they can reclaim their voices and establish the terms of their own development.

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ENDNOTES

1 Many new nations emerged in the mid-twentieth century following a wave of decolonization after World War II. These largely non-western, mainly rural nations were considered underdeveloped, traditional and poor in socioeconomic and political terms. During the Cold War period, these newly-independent nation-states faced the task of modernizing and developing as their western counterparts had supposedly done before them, and the concept of development gained salience. In the 1950s and 1960s, economic growth was seen as a prerequisite for political stability. Thus, during the early phase of development thinking, state-run programs invested in industrialization, large-scale agriculture, or other technology-intensive projects to boost their economies. Nationalist governments and the multilateral agencies that aided them, assumed that the benefits of this growth would "trickle down" to all people.

Evaluative studies by the United Nations in the early 1970s showed that the development situation continued to look grim, with alarmingly high numbers of people, especially women, living below the poverty line. Thus, many development experts urged governments to adopt programs with explicitly social aims such as "basic human needs" and "growth with redistribution," to complement macro-economic growth measures.

In the 1980s and 1990s, third world states found themselves facing a multitude of economic and social problems such as escalating debt, increasing poverty, and social upheavals. In the wake of these problems, policymakers contended that economic growth, and thus development, would be better achieved through mainstream market-driven approaches. Microfinance schemes are part of these market-driven development approaches which try to combine economic and social goals.

2 The first phases of international development paid little or no specific attention to the domestic and subsistence sectors—which ostensibly did not contribute to economic activities of nations. Kabeer (1994: 5) notes that while men entered the policy process as heads of households and "productive" agents, women were seen primarily in their roles as housewives, mothers, and "reproducers," and were relegated to the "welfare" sector. Thus, along with other marginalized and poor groups, women became part of the development focus during the UN's first Decade of Development (1961-1970), especially in poverty-alleviation projects, family planning and population control programs designed to address the inequalities of the growth-oriented approach. It is these "welfare" programs that were coming under the gun of structural adjustment policies in the 1980s.

3 Rojas, *Las Mujeres*, 205-218; *Lozano, Mujer*, 176-204.

4 Braidotti, et al., *Women, the Environment, and Sustainable Development*, 78.

5 Gender relations are considered a subset of the social relations of power and dominance at the household, community, regional, local, national or international level, which shape and limit women's "productive" work as well as their "reproductive" work. Scholars such as Moser (1993) distinguish between women's everyday "practical" needs and their long-term "strategic" gender empowerment. The former is often seen as a precondition for the latter. We are critical of this dichotomy because a focus on women's practical needs often reinforces traditional gender roles. Such reinforcement may just as often detract from the long-term goals of gender empowerment. For detailed discussions of how women and gender issues are addressed in development institutions, including overviews and critiques of the WID and GAD approaches, see Braidotti et al. (1994), Kabeer (1994), Moser (1993) and Tinker (1990).

6 Recent feminist scholarship is critical of WID and GAD approaches designed to improve the lives of women through development. This feminist work, influenced by poststructural and postcolonial approaches, contends that WID and GAD proponents see third world women mainly as poor, subordinated, victims of oppression. These feminist theorists argue that such portrayals of women are too simplistic—they do not take into account the different ways in which capitalism, development, local patriarchies, and notions of culture constitute women's roles, nor the complex ways in which women themselves respond to and shape these institutions. Gender experts within development institutions counter that these critiques are too "theoretical" and are neither accessible nor useful to third world women. In my recent work (Asher 2004), I argue for a more enabling reading of postcolonial feminist theories, and their relevance in understanding the complex dynamics of third world women's activism and agency.

MICROCREDIT BY ITSELF does not often alter the fundamental social, economic, and political factors that impact women's empowerment. Yet, in a quest for efficiency and expansion, many microlending institutions opt to offer financial services to the exclusion of programs that attempt to challenge existing inequities and social hierarchies. Institutions also often perpetuate women's traditional roles by concentrating on enterprises that have precedents in women's household-based work. As a result, women may engage in businesses with saturated markets, seasonal-dependency, or limited room for expansion, such as one often sees in the rural, subsistence-based economies of the Philippines. A major challenge for organizations is to create multiple avenues for women to both improve their economic situations and develop strategies for deeper social change.

Coconuts and Credit: Home-based Microenterprise and the Potential for Social Change

B. LYNNE MILGRAM

Introduction

Since the 1990s, policy makers in Northern-based development have increasingly promoted the potential of income-generating activities or micro and small enterprise (MSE) programs to alleviate poverty in communities in the South. The adoption of MSEs has been facilitated by the proliferation of microfinance institutions that development advocates argue offer proven tools in the search for pro-poor interventions.[1]

Policy makers who support this approach maintain that financing micro and small enterprises through group programs can provide informal-sector jobs when formal and government-sector opportunities are limited; it can also offer a seedbed for people to expand their enterprises and diversify sources of income through locally-based and controlled activities.[2] Advocates argue that microfinance and microenterprise provide accessible economic options to disadvantaged groups, especially women, and in some sense "empower" these groups and individuals through participants' involvement in such self-help initiatives.[3]

Recent studies argue, however, that simply advancing credit for microenterprises does not necessarily assist the poorest, enhance women's status, increase household income, or treat the social causes (as opposed to the symptoms) of poverty.[4] This paper engages these debates by analyzing a Philippine non-governmental organization (NGO) that specializes in offering microfinance services for income-generating projects in southern Luzon.

The Center for Women's Enterprise Development, or CWED,[5] modeled after the pioneering Grameen Bank program in Bangladesh, began formal operations in April 1988 in southern Luzon. CWED's mandate is to establish a financially self-sustainable network of village-based credit centers to promote livelihood enterprises that will reduce poverty and empower women in particular.

I argue that, in practice, the priority that CWED has given to financial self-sustainability and expansion of operations sacrifices social change. CWED has rapidly increased the number of branches in different southern Luzon provinces in order to benefit from economies of scale. In so doing, it has narrowly targeted its services to microfinance for MSEs and has introduced staff-incentive structures based on service volume. By observing the "financial systems approach,"[6] CWED tends to emphasize program outcomes rather than social processes in a manner that is likely to limit participants from realizing genuine empowerment. Because CWED has largely neglected to help participants establish anything but local markets for their products, women continue to feel insecure about the future sustainability of their businesses—even with increased access to credit. Similarly, by overlooking the larger socioeconomic infrastructure of gender and class hierarchies, CWED's programs can create tensions among group members of different economic means. The extent to which the benefits from loans to entrepreneurs can "trickle down" to reach smaller producers is thus uncertain. I found that many women hesitate to borrow, while others become vulnerable and trapped by the system, unable to succeed as they fall behind in their repayments.[7]

To address these issues, I first review some of the extensive literature analyzing the tensions NGOs face in juggling sustainability with building microfinance and microenterprise programs for women. I then briefly describe CWED's operations and conclude by outlining two case studies that demonstrate how CWED programs affect beneficiaries.

Debating Microfinance

The cornerstone of microfinance programs, as noted, is access to loans and enforcement of repayment through a process of peer-group pressure (each member must demonstrate repayment before the next member can borrow) rather than reliance on conventional collateral (land, capital). Women are considered better program beneficiaries because of their record of higher repayment rates and tendency to spend on family welfare—factors that would seem to ensure program efficiency and poverty reduction.[8] While advocates argue the benefits of this model,[9] others point out that there is little evidence that it does much to lift the poor out of their poverty. Rather, they argue, real change must spring from changes in socio-economic and political infrastructures.[10] Development theorists and practitioners David Hulme and Paul Mosley, for example, argue that poverty is not only about having income below the poverty line, but is also about the inability to sustain a specified level of well-being, due to hierarchies of class and gender, and external market forces.[11] They argue that solutions are needed that recognize fluctuations in income as only one among many causes of poverty. Such advocates suggest that solutions must include protectional strategies such as voluntary savings, emergency consumption loans, and low-risk income-generating projects that are unlikely to create indebtedness.[12]

Within microfinance programs, moreover, policy makers ensure loan repayment by relying on social capital or peer pressure that mobilizes local social networks. For poor women, the theory goes, participation in such borrower groups yields not only an economic payoff through increased access to financial services, but also an empowerment payoff by facilitating new social and economic connections. But as anthropologist Paul Durrenberger points out, "If everyone has social relations, then everyone has social capital...If we all control capital, then we can't distinguish classes based on who controls it and who does not. Classes become invisible."[13] Class differentials (based on education and whether one owns land, or is a tenant or landless), however, figure prominently in determining the success of microenterprises; class can determine how effectively one can use repeated loans and garner the labor and markets to support one's enterprises.

In her research in the Visayas, central Philippines, development economist Rebecca Coke found that the microcredit programs she analyzed adhere to a feminine sub-system tied to household and community management.[14] As such, they are geared to women's roles as small household producers and mothers; in practice, they may fall short of their goal to empower women and can lead to program failure. Coke argues that in the Philippines, the Spanish colonial ideal of a virtuous woman means that women are customarily expected to sacrifice themselves for the good of their families.[15] In many cases then, loan funds may be diverted to cover essential family needs (e.g., health care and education) making repayment more difficult; other women, understanding the rationale for their group-mates' delinquency, may not exert the peer pressure expected by program management because they would have acted in a similar fashion themselves, especially in a culture that validates maternal self-sacrifice.[16] Simultaneously, in most groups, there are other women, often petty traders of higher economic standing, who do not need to be as concerned about meeting their families' daily subsistence needs. Instead, these women can often use loans to generate profit through their small businesses, and such situations have thus created tensions within borrower groups among women of different economic resources.

Although development organizations widely recognize that poverty is multifaceted and that people's own perceptions are fundamental to identifying what poverty means, many microfinance initiatives, in practice, continue to focus their activities on offering credit alone and neglect to establish broader social and economic linkages for beneficiaries. Many women, as a result, are unable to realize the potential of their new livelihood enterprises and thus effect on-the-ground social change, as evidenced in the following case studies.

The Center for Women's Enterprise Development: Program and Case Studies

Southern Luzon, like the Philippines generally, supports a primarily rural, subsistence-based economy. The main economic activity is wet-rice cultivation augmented by household-based fruit and vegetable farming. With little agricultural surplus for commercial sale, most families engage in other non-agricultural cash-earning activities such as wage labor, operating dry goods stores (grocery, clothing), or working in various service industries. CWED started its operations as an NGO in April 1988 with community training and livelihood activities for landless coconut growers.[17] It adopted a modified Grameen Bank scheme of savings and credit activities in January 1990. From 1990 to 1995, CWED expanded to eight branches in five provinces, and counted a total of 4,750 active members by the end of 2001.[18]

CWED's programs develop micro and small enterprise projects for women based on local resources and markets. Jane Tayadan, for example, a mother of three who lives just outside San Pablo City, uses CWED loans in her trade in coconut pulp; her income augments her husband's wage labor in contract work. Jane delivers coconut pulp to a bakery in town that makes *buka* (fresh coconut) pies. This is a very widespread livelihood in this area—rich in coconut trees and renowned for this specialized food item. The downturn in the local-to-global demand for coconuts, however, has meant that producers only have access to local markets for this commodity. Jane has had four loans from CWED – for 3,000, 5,000, 7,000, and 10,000 pesos.[19] She purchases whole coconuts from landowners who have trees, as well as coconut pulp from laborers who have already extracted it from the fruit, for an approximate purchase price of 3.6 pesos per coconut. She works with four reliable suppliers, three of whom supply only pulp and one the whole coconut, for which she pays in cash (sometimes relying on short-term credit). She makes an approximate profit of 2 pesos per coconut after selling the coconut meat at 5.5 pesos each. In a good season, she can collect 400 to 500 coconuts per week. This means that in high season she can earn up to 1,000 pesos per week or 4,000 per month – the basic salary of government employees (tourist hotel staff earn 2,500 to 3,000 pesos per month). The day we met, however, she had only 200 pieces of fruit.

Jane works to develop good personal relations with both her suppliers and her buyers as local competition is keen; and because her buyers do not give her cash advances for her purchases, she often has to buy her coconuts on credit from producers. She is the primary supplier of coconut meat to one of her buyers, the sole supplier to a second, and one of three suppliers to a third. Jane must balance her cash flow as one buyer pays her weekly, one daily, and one irregularly. One buyer owes her 12,000 pesos. But Jane continues to supply rather than alienate this buyer, fearing she could not recover her investment given the competition in this work. "The problem," Jane explains, "is that this remains seasonal work. Now it is low season (June to October); the rains make coconuts hard to gather and the young coconuts are not yet ripe, so I cannot deliver enough to my new buyer who wants whole young coconuts. The loans are helpful," she continues, "but I always have to worry about keeping up my payments when business is slow. What will I do in the meantime?"

Jane is typical of the majority of women taking loans for microenterprises: Whether they deal in fresh produce, coconuts, home-cooked food, or dried fish, all remain rooted in typical women's household-based work.[20] Women with little initial capital quickly reach the capacity to expand their businesses when they must rely solely on local markets in a competitive environment. But micro and small enterprise development by its very nature is outward-looking, driven by the need to find new and larger markets as well as forms of business support.[21] Ideally, if NGOs cannot directly offer such services themselves, they can refer clients to other providers. Some NGOs, however, feel that this external orientation contradicts their focus on and commitment to local geographically-specific communities, while others argue that this action signals "failure" to other organizations and constitutes a loss of client revenue to outside agencies.[22]

Although most CWED borrowers are women in situations much like that of Jane Tayadan,[23] nonetheless, some women with pre-existing businesses have actually fared quite well within this program. Mary Escardo, for example, joined CWED in the early 1990s, and through successive CWED loans, qualified for membership in the small, elite group of women (approximately 25 members) who can access accelerated loans with flexible repayment terms.[24] Mary owns land that provides her with rice for most of the year and operates a small grocery store with her husband. When I met Mary in 2001, she had a loan of 100,000 pesos ($3,000) that she was applying to a number of different projects she had developed.

Funds from her loan paid for feed for her pigs and ducks and for stock for her ornamental garden-plant business that she now runs with her husband. Loan money also helped them to purchase a jeepney (local truck) that her husband uses to deliver the plants, as well as to pay for stock for her now expanded grocery store. Over the years, Mary has been able to make the best use of her overlapping loans, facilitating her access to the new CWED group. Mary explains that she prefers an accelerated loan system that is available to some borrowers, where they do not have to attend the weekly center meetings, but can deal directly with CWED loan officers. This means that Mary's former group must canvas for additional members to complete their numbers. In addition, although membership in this privileged program certainly enables CWED to graduate members while maintaining their participants' allegiance and loan interest, CWED has not developed a mentoring program that could allow less shrewd or well-off members to benefit from Mary's new position or knowledge.

Some trickle-down effect takes place to the extent that Mary may hire former group mates to work in her businesses; but the formation of the accelerated-loan initiative, in fact, reproduces pre-existing class hierarchies and challenges the assumption that social capital ensures community well-being. Women already established in business, like Mary, make the best use of loans for microenterprises; but unless change occurs in the broader socioeconomic infrastructure, which can ensure even women like Mary more voice, women's so-called empowerment from "within" to "change the rules of the game"[25] is still not served.

Expanding Possibilities for Change

Social policy advocate David Lewis notes that some NGOs have become bureaucratic and increasingly bogged down in concerns about their ability to raise funds, profile, and market shares while others have become subcontractors of donors or governments.[26] A rather comfortable and complacent orthodoxy surrounding the "win/win logic" of microenterprise and microfinance provision is emerging among NGOs.[27] Public policy economist Jonathan Morduch argues that many NGOs are allowing the rhetoric of gender to lull them into a sense of achievement, while their own practices—both within their organizations and in their development work—fall far short of achieving real changes in the status and condition of women.[28]

The mere foundation of solidarity groups and access to credit does not guarantee progressive outcomes, and may in fact perpetuate existing social hierarchies—as CWED's initiatives have, in some cases, shown. Solidarity among women can, however, serve as a powerful tool for social change as long as it fosters critiques of entrenched cultural ideologies and works toward infrastructure change that can open new and other-than-local opportunities for women.[29] In the context of microfinance and MSE programs, development planners might proactively introduce strategies that reframe broader macro-regulatory policies, and in so doing, resist the often discriminatory context of local gender ideologies that can disadvantage women. For example, training in numeracy and basic banking principles can assume a political function, since economics education can translate into a critical awareness of power relations and policy affecting women's livelihoods.

Initiatives such as those of India's Self-Employed Women's Association (SEWA) recognize and integrate the disparate aspects of women's lives. SEWA broadened its mandate from economic assistance to services such as health care, skills training, community sanitation, market linkages, and political advocacy.[30] Through organizational practices that encourage and then act on members' participation, SEWA creates spaces for women to make themselves heard and their needs manifest. To this same end, CWED might consider addressing members' requests for training in developing different coconut-based products by linking them to already-established enterprises. In efforts to revive southern Luzon's coconut industry, for example, independent entrepreneurs have started businesses that fabricate organic, biodegradable containers for plants from the ground shells and husks of coconuts. Currently, these new projects work with a small number of artisans (both in household-based and workshop settings) to construct the containers, and with regional and national nurseries to market them. By connecting their members to such initiatives, as well as mentoring them to establish similar self-managed collective enterprises, CWED can help women diversify their production and expand market sales, while providing them with access to different levels of business and managerial experience. This, in turn, helps mitigate the fluctuations in and uncertainty of women's incomes due to the seasonal demand for, and fierce competition in, selling a limited range of products. By combining innovation in livelihood options, training, and credit with social support such as childcare and opportunities for collective marketing, CWED can build an evolving and multi-leveled program that meets women's needs.

NGOs such as CWED must play the role of innovator. In the current policy climate of "market fundamentals," they need, more than ever, to create multiple avenues through which women can overcome collective and individual experiences of subordination and powerlessness.[31]

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ENDNOTES

1 Digal, "Tackling poverty"; T. Kidder, "Macro Debates"; and Yunus, "Banking on the Poor."

2 Lewis, "Development Policy"; Richardson and Langdon, "Microenterprise and Microfinance," 177.

3 Von Pischke, *Finance at the Frontier*.

4 Berger, "Giving Women Credit"; Goetz and Gupta, "Who Takes the Credit?"; Ben Rogaly, "Microfinance Evangelism."

5 To respect the confidentiality of those involved in this study, the name of this NGO and individuals connected with it are pseudonyms.

6 Rhyne and Otero, "Financial Services for Microenterprises," 11.

7 Milgram (2001), 213; Rahman, *Women and Microcredit in Rural Bangladesh*.

8 Wood and Sharif, eds. *Who Needs Credit,* 27-58.

9 Yunus (1994).

10 Berger (1989); Goetz and Sen Gupta, (1996).

11 Hulme and Mosley, "Finance for the Poor or the Poorest?", 98-101.

12 Mayoux, *Women's Empowerment and Microfinance Programmes*.

13 Durrenberger, "Why the Idea of Social Capital is a Bad Idea," 5.

14 Coke, "Wife, Mother, Businesswoman," 10.

15 Ibid, 10; Chua, *Impact of Microfinance on Poverty Alleviation,*154.

16 Coke, 13-14.

17 Chua, 15.

18 Ibid., 15-16; Miron, "Empowering Women through Development."

19 In 2001, the approximate rate of exchange was US $1.00 = 42-45 Philippine pesos. The size of these loans and the rate at which they are increased are similar to those in other microfinance programs. Initial loans are intentionally small as they are intended for women to start customary household businesses.

20 See Milgram, 2001 and Milgram, 2002, 109-119.

21 Richardson and Langdon, 179.

22 Ibid., 184 – 185.

23 See also Miron (1997).

24 See also Chua, 19-20.

25 Kabeer, *Reversed Realities*, 227–228; See also Kabeer, *Money Can't Buy Me Love?*

26 Lewis and Wallace, *New Roles and Relevance*, xi.

27 Morduch, "The Microfinance Schism," 617.

28 Ibid.

29 Kabeer (1998).

30 Rose, *Where Women Are Leaders*.

31 Lewis and Wallace, xii.

ONE GOAL OF MICROFINANCE PROGRAMS is to create change in the lives of clients. Whether the focus is primarily on practical change, such as improved living conditions or broader access to services, or strategic change that attempts to expand decision-making power or community roles, depends heavily on the policies and orientation of the program. Facilitating both practical and strategic change can assume many forms. Even in the course of developing a new financial product, such as a savings instrument, an organization can engage in a process of research, dialogue, and training that fosters an environment of courage and helps clients develop their capacity and engage in collective action, in addition to improving their ability to build assets and save for the future.

A Gold Thread: Building Assets and Courage among SEWA's Microfinance Members

NANCI LEE

Banking on Women

Shri Mahila SEWA Sahakari Bank, a co-operative women's bank, was created in 1974 by the Self-Employed Women's Association (SEWA) Trade Association, for and by self-employed women shareholders in Gujurat, India.[1] For SEWA Bank, with roots in the trade union movement, empowerment relates directly to the practical financial needs of women, and goes much further. SEWA's definition of empowerment encompasses increased bargaining power at multiple levels, and various forms of collective, strategic change.

SEWA Bank's efforts to develop financial services for women, in particular their attempt to understand the role of gold in women's lives, is a compelling example of one organization's commitment to women's empowerment in terms of their practical and strategic needs. In the process of developing financial services to better serve women's practical interests, SEWA demonstrated the importance of abandoning preconceptions and engaging in serious inquiry. SEWA's example also reveals the relevance of social intermediation—group forums, problem-based skill building, organizational decision-making, and collective action—to serving women's strategic interests. Sustained commitment to building women's confidence and courage for undertaking economic activities is also a significant part of the organization's efforts.

A Framework for Examining Empowerment of SEWA Bank Members

Gender and development specialist Caroline Moser makes a useful distinction between women's practical and strategic needs, building on Maxine Molyneux's earlier ideas.[2] Practical needs, she says, relate to women's immediate concerns such as living conditions and access to resources, including financial services, without changing existing power relations. Strategic interests work to change institutionalized forms of discrimination or inequality and address issues such as decision-making power in the household, rights to own land or property, and community role and status.

In terms of practical interests, while improving the income and performance of women's businesses is helpful, it is also important to look at other aspects of women's economic well-being. For example, personal and household assets, as opposed to income and income growth, are particularly important to women who, more often than men, are concerned with risk-reduction, reducing income fluctuation, and diverting profits for household consumption and long-term social investments such as education.[3] Supporting women in building their own asset base, such as savings in a safe-deposit box, is an important element of cultivating their independence.[4] Asset-building, therefore, has strong potential to bridge practical and strategic interests.

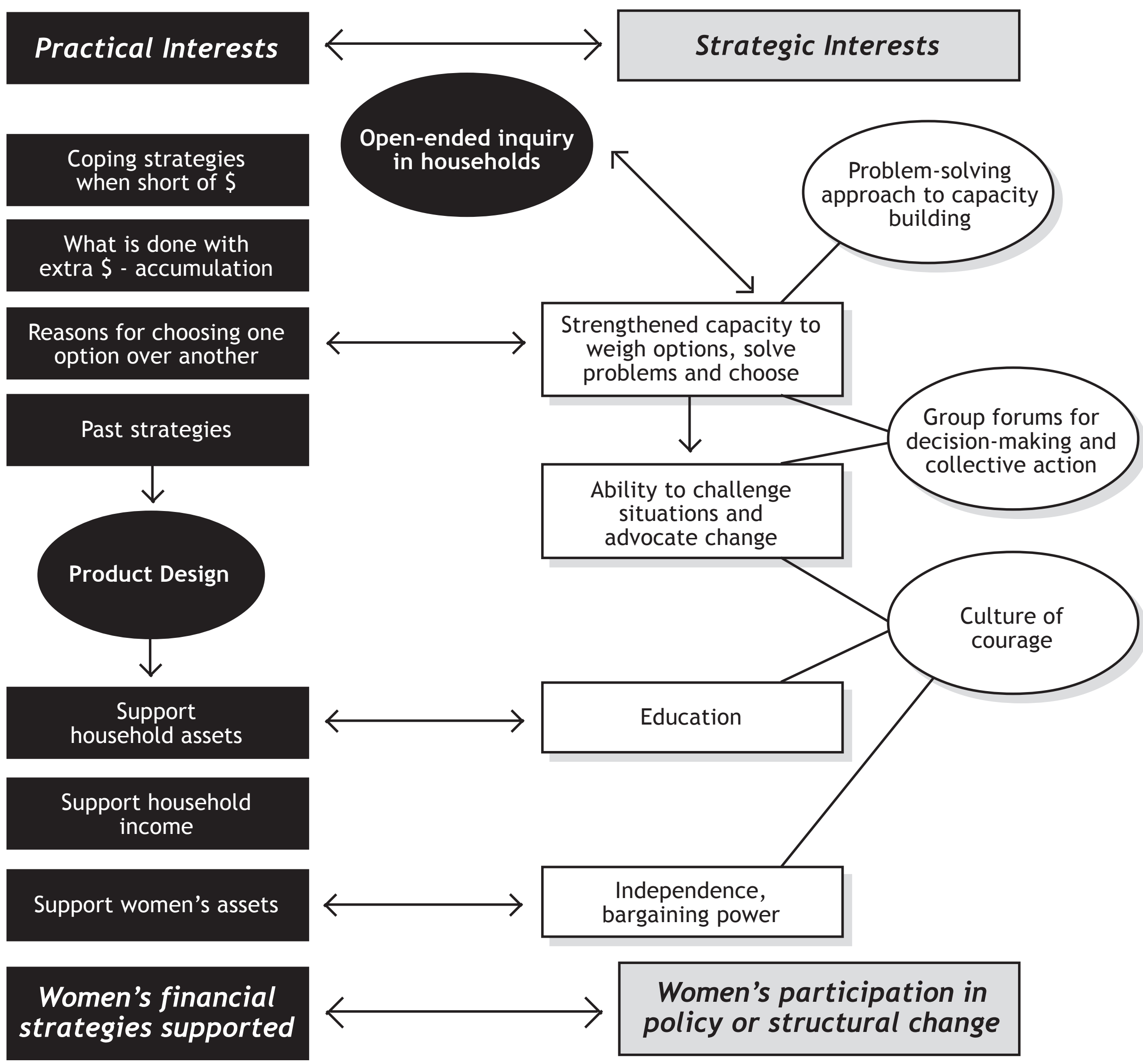
With respect to strategic interests, social intermediation or "soft" services seem to play an important role. For example, studies by World Education and Freedom from Hunger illustrate that the combination of education and financial services improves women's control over resources, bargaining power in the household, and self-confidence.[5] Working Women's Forum found that members of their grassroots network, which promotes women's micro and small enterprise, were able to reduce domestic violence through group action.[6] Based on their experience in the Women's Empowerment Program in Nepal, practitioners Jeffrey Ashe and Lisa Parrott cite three conditions for fundamental change at the individual or community level: opportunity or hope that change is possible, membership in a group of peers that supports the individual's effort to change, and dynamic leadership that drives the process of change forward.[7]

SEWA Bank's experience in developing its members' asset-building capacity, specifically by using gold, is an example of the interplay between practical and strategic interests. The circles in the diagram below represent SEWA Bank's specific strategies to support women's practical and strategic interests through both financial and social intermediation. The end goal is that women's financial strategies are supported and that they have participated in a process of empowering political change. As the diagram illustrates, meeting practical and strategic interests is not a causal, linear process, but a dynamic one, with much interaction between the two.

Practical Change: Supporting Asset Building

Originally, SEWA Bank's stance was that women should be spending less on gold and more on more "stable" investments. However, closer dialogue with the women helped the bank staff to see the important and varied economic and cultural roles of gold in the lives of their clients, prompting the staff to explore the possibilities for financial products related to gold.

The bank relied in part on extended household visits to understand the financial needs of its members. Bank staff members stayed in members' households and engaged in extensive dialogue, taking inspiration from the Exposure and Dialogue program of the Association for the Promotion of North South Dialogue. The process allows an in-depth discussion of women's past and current situations and future options.[1] It is considered a more open-ended dialogue than standard market



research methods and uses goals and opportunities as starting points for discussion rather than a list of needs.

Following the dialogues, SEWA Bank conducted a market research study to explore elements that arose from the household discussions more systematically. This dual research process allows the complexity and context of women's lives to shape a more structured analysis, as opposed to the usual method of inquiry, which starts with a structured research design and seeks life stories to illustrate trends.[2]

The market research study determined that more than 75 percent of middle-aged members regularly purchase gold. They save about 6 percent of their income and spend roughly half of that amount on gold per month. Saving for gold was more common and also more likely to contribute to longer-term household and business investments.[3]

Four topics of the dialogues provided especially useful material for product design:

Coping Strategies

Coping strategies reveal a great deal about borrowing behaviors and why women use certain resources rather than others. How are the women and their households managing debt and risk? In the case of gold, in its more liquid forms such as gold bars, it serves as a form of insurance to be used at short notice. (It's worth noting here that, while liquid, gold bars do not give women the same status as gold jewelry.)

Accumulation Strategies

Dialogue with members found that gold is accumulated in different ways for various financial needs. Most women prefer to save money to purchase gold. Fewer borrow from moneylenders, usually when gold is needed immediately for social obligations, since in India gold is a very important gift for weddings and other social occasions. Women also save in gold; it acts as a long-term savings account for weddings and education. Savings for either the woman's or her children's education represents an example where practical and strategic interests intersect. Gold is also used as collateral value against which loans or other financial services can be accessed.

Past Strategies

Past coping and accumulation strategies also serve an important role and show both personal and household patterns. Mapping a woman's life story with her economic goals includes her asset-building before, at the time of, and after her marriage. These patterns show important trends about the decisions she makes at the individual and household levels, and how she has managed periods of both difficulty and of excess income. At different times of their lives, for example, women have different demands for gold.

Choice of Financial Options

Dialogue helps to explore the reasons for making certain decisions. This type of analysis provides detailed and cumulative information about criteria such as liquidity, returns and security, and is very helpful in designing specific characteristics of a product. Combining market research information from the study and the "why" information from the dialogues, SEWA Bank is exploring a savings product for gold where terms vary from one to five years, installments are small and frequent, and withdrawal options allow clients to withdraw in quality gold or cash.

The in-depth household process is practical in terms of providing information for product design. However, it is also strategic in that it offers insight into the complexity of women's lives, their coping strategies, and how they are working toward their long-term goals. Therefore, the point of departure is not women's work specifically, or an analysis of their business or income-generating activities, but their long-term dreams, which are related, but not limited to, financial strategies. Issues other than finances, such as health care provision, domestic relations, or restrictive organizational or government policies become apparent. In the case of gold, for example, SEWA Bank came to understand that gold jewelry, as compared to gold bars, is a personal asset for women, whereas bars are a household asset often in a husband's or in joint control. For many women, it is important to build household as well as personal assets, since they represent a form of insurance in the event of a husband's death.

Strategic Change: Capacity, Forums, and a Culture of Courage

In addition to the forum SEWA Bank provides, members frequently take the initiative to create their own discussion spaces. Constructing a context where members are willing and able to do this requires appropriate strategies such as group forums, capacity building, participation in decision-making, and a systematic process for fostering courage among members.

Capacity Building

Returning to the example of gold, SEWA Bank originally focused on educating women to spend less on weddings, to save in cash in banks rather than in gold, and to borrow for productive purposes only. Bank staff discouraged, in a fairly didactic manner, the use of financial services for non-productive activities. For their part, members re-educated SEWA Bank staff to treat productive and non-productive activities as seamlessly as they do themselves, and to appreciate the complexity of their issues.

Capacity building, in its crudest form, is simply knowledge or skills transfer. The capacity building work with members currently focuses on helping them to strategically address important issues such as dealing with heavy expenses, and the implications of certain financial options over others. At least once a month, SEWA Bank holds capacity-building sessions with its members to address self-governance and financial planning, among other topics. In these sessions, the Bank begins with the context of women's dreams for the future to help them decide which financial options are most appropriate.

Capacity building, when it is the product of real discussion, can provide powerful insights into women's strategies and household relationships. Problem-solving scenarios are vital parts of this process, where there is no right or wrong answer. Helping women to sort through the various criteria around financial options and weigh these options effectively supports their strategic interests. Understanding their reasoning can help in designing the financial product. At the same time, supporting women in problem-solving can strengthen their capacity to understand the complexities of various financial options. Thus the practical and strategic are related.

Forums and Collective Action

Supporting individual problem-solving is both delicate and challenging, and must be bolstered by decision-making forums at all levels, from the group level to national policy. Not all women are initially comfortable discussing difficult issues, so the introduction to collective activity often takes the form of a discussion group with peers. According to a study on the impact of financial education, members of such groups, especially their leaders, reported benefits that included an increased feeling of confidence and security, and a greater role in household financial planning.[4]

In order to address strategic interests, it is important not to limit decision-making to the group level. Members of SEWA Bank, for example, can participate in policy and programming by sitting on the Board (comprised largely of members), or by becoming group, district, or neighborhood leaders. Leaders and board members then represent the membership and provide their input into the development of new financial products. One challenge is ensuring that members are genuinely represented, and that the diversity of voices is heard. With more than 200,000 members, this is no small task.

In the same way group forums support individual problem-solving, it seems that the possibility for women to mobilize or take part in collective action also depends upon their ability to problem-solve and question on a larger scale. SEWA Bank functions as more than just a financial institution; its members are engaged in processes of collective action as part of a trade union. SEWA's trade union has advocated nationally on issues of broad concern to their membership and contributed to changes in workers' rights, by-laws affecting street vendors, and working conditions of rag-pickers and other self-employed women. Members are able to participate in and see the benefits of this collective action and learn to leverage it to broaden their existing opportunities.

Culture of Courage

Marilynne Robinson, a social philosopher, reminds us in an exploration of democracy and liberalism that many people have convictions they don't act upon, and that "courage is rarely expressed except where there is sufficient consensus to support it."[5] For a financial institution that also considers itself part of a social movement, cultivating the courage among members to negotiate for their own interests is crucial. This is SEWA Bank's greatest challenge. At best, group forums and leadership can encourage members to strengthen their capacity and participation—in essence, to become political. At worst, leadership can be a crutch, enabling members to defer to their representatives rather than acting or learning themselves. Perhaps worse still, groups can support a coercive process of maintaining the status quo. SEWA Bank works hard to ensure accountability and a genuine capacity to challenge and question.

The effectiveness of any form of significant change depends on the courage to challenge existing systems and structures. Without courage, a woman's individual assets do not increase bargaining power in her household. Without courage, reasons for choosing one financial option over another remain static problem-solving techniques rather than means to address larger issues. Strengthened capacity to challenge unequal systems holds members, leaders, and the group process itself accountable.

Yet, a culture of courage requires more than simply putting accountability measures in place. Addressing the lives, issues, and dreams of women is an important starting point. As Ashe and Parrott described earlier, hope and opportunity are important elements of change. They must be tangible to members. To support this culture, lateral sharing between groups and role models is critical. For example, a campaign to reduce high expenditures on weddings highlighted members who found other solutions, such as collective weddings. Women need such positive examples that illustrate how taking a risk or challenging the status quo can be fruitful. Building this type of environment is an ongoing struggle that includes capacity building, quality interaction between staff and group members, and an open relationship between management and staff. All of this is part of SEWA's broader challenge to continue to energize a large and growing political movement that remains true to its original principles.

Implications for Programming and Policy

While the example in this paper focuses on SEWA Bank members and gold, some of its most salient points are useful for other organizations and projects that attempt to address women's practical and strategic needs.

Practical

Deep inquiry into households is a powerful means of understanding women's financial strategies in order to design relevant products and services. These instruments, in turn, can lead to individual and household changes in income and assets. Beyond practical outcomes, the life-story process itself is important. This process of looking closely at women's lives is open-ended enough to position practical interests within broader strategic goals.

Further research would be helpful to better understand the complex relationship between practical and strategic interests, particularly in terms of the types of financial and social intermediation that are most effective.

Strategic

To encourage women to genuinely weigh options and take control of their own problems, capacity building should focus on their actual experiences and issues as a starting point and set aside preconceptions about what "should be."

Group forums give women opportunities to problem-solve and benefit from peer perspectives and strategies as well as to participate in decision-making. Forums such as associations and trade unions are also important because they allow women to take collective action and advocate for political and legal changes. Creating a culture of courage and opportunity that fosters questioning and encourages women in their own process of change is as important as capacity building and forums.

SEWA Bank's concept of self-reliance or empowerment stems back to its roots as a social movement influenced by Gandhian principles of leadership. Building capacity and giving voice to a rapidly growing membership, now expanded to remote rural areas, is certainly not without its challenges. However, SEWA Bank's commitment to its members and their interests is clearly a story from which other organizations can learn. In light of these lessons, the question microfinance practitioners must ask ourselves is whether we are creating enough opportunities to increase the likelihood of both practical and strategic change for women.

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ENDNOTES

This article is based on my exposure to SEWA Bank and its programs through a capacity building partnership between Coady International and SEWA Bank's Rural Training Unit from 2002-2004. The article draws heavily on dialogues and work with Jayshree Vyas, managing director; Kapila Malvi, rural training coordinator; and the SEWA Bank team.

1 The Bank was created for the following reasons: to allow women to escape the clutches of moneylenders; to rescue mortgaged/pledged assets, such as land, ornaments, and cattle; to create assets, such as a house, savings, and equipment; to expand women's business through productive credit; to cope with losses due to sickness, accidents, death, floods, and riots; to increase women's bargaining power, improve their living conditions, and ultimately empower them.

2 Caroline Moser, *Gender Planning and Development*.

3 Downing, "Gender and the Growth and Dynamics of Microenterprises"; Barnes, "Assets and the Impact of Microenterprise."

4 Vonderlack and Schreiner, *Women, Microfinance, and Savings*.

5 Sherpa, "World Education"; Mknelly and McCord, "Credit with Education."

6 Working Women's Forum, "Social Platform."

7 Ashe and Parrott, "PACT's Women's Empowerment Program."

8 FIDES/SEWA Bank, "Tools for Reflection and Dialogue."

9 Linda Mayoux, "Empowering Inquiry."

10 Petrova, "Report: Gold Product Research."

11 Vyas, "SEWA Bank's Savings and Credit Groups."

12 Robinson, "The Tyranny of Petty Coercion."

IN WEST AFRICA, where several countries have large Muslim populations, the majority of women live at the economic margins and experience among the highest levels of poverty in the world. Generalizations are sometimes made about women in Muslim countries, which assume that religion limits women's access to the resources that can help them move beyond poverty and exclusion. Such simplifications can actually serve to restrict the breadth of choices available to women. Effective development interventions instead require a thoughtful analysis of the cultural landscape that affects the choices women make about their economic lives.

Thinking Outside the Islamic Box: Linking Context and Credit in Muslim West Africa

CAROLINE SHENAZ HOSSEIN

Expanding Choices: Understanding Context

Growing Western interest in Islam, particularly as it relates to the rights and identity of women, has prompted much discussion about the role of Islam in development programs. Yet this fixation, which often makes generalizations about how Islam is practiced, can distract from analyzing other deeply imbedded realities that impact women's access to resources, especially in diverse regions like Muslim West Africa. Although Islam is the dominant religion in many countries in this region, community support, class, ethnicity, language, and gender divisions of labor play a far greater role in women's access to, and participation in, credit and financial-service programs.

West African women from various ethnic, religious, and linguistic groups have been a part of long-standing traditions of local informal credit and saving schemes, known as *caisses, susus,* or *tontines,* depending on the country. As market demand for financial services continues to grow, informal and locally-developed saving and credit schemes, as well as formal microfinance institutions, have spread throughout the region.[1] In evaluations, borrowers themselves have described certain social benefits that derive from such financial services.[2] Strategies that can improve women's access to these services, and also improve the manner in which the services are provided, are critical. As economist Naila Kabeer points out, however, the ability to make choices is an indicator of women's empowerment, while the mere access to credit is not.[3] Increased access to resources such as credit may or may not improve women's ability to make future choices, but organizations can increase the likelihood of this happening by striving to make their services as relevant to women's lives as possible.

This paper argues that conducting a thorough cultural analysis of the context in which an organization operates is essential to creating relevant services where women can make informed decisions whether to participate in program activities. Effective cultural analysis resists the temptation to generalize among regions and to make assumptions based on suppositions—in the case of West Africa, for example, that Islam is a decisive factor in whether and how resources are accessed, as may be more likely in North Africa or the Middle East.

A study commissioned by the Canadian International Development Agency analyzed the effects of culture on microfinance clients in Ghana, and found that "a cultural analysis can improve development results and provide valuable knowledge about local mechanisms that can be extremely useful to microfinance institutions."[4] A better understanding of the complexity of local culture has the potential to reveal dynamics that influence why some women access financial services, while others do not, and how an organization can create an environment that provides more women with a greater range of choices.

Microfinance in Muslim West African Villages

For the past seven years, I have worked on microfinance programs targeting rural women in West African countries such as Guinea, Niger, Benin, Togo, Chad, Nigeria, Ghana, Burkina Faso, and Senegal. Each of these countries has either a Muslim majority or large Muslim populations in parts of the country. Having worked previously in Egypt, and also with the Sudanese exiled community, I found that Islamic traditions and values shaped many of the economic and social programs for these two populations. In contrast, my experience with three international non-governmental organizations across Muslim West Africa revealed that Islam did not play a major role in microfinance policy, methodology, or practice.[5]

In the microfinance programs I managed, earning a living and accessing microfinance were not at odds with Islam. In fact, the activities made possible by the loans enabled women to make social contributions and assist the needy—both considered important aspects of the religion.[6] Women borrower groups requested financial services to increase their household incomes, and they were not at all concerned with whether or not the lending policies conformed to Islamic principles. Further, Islam was never central to any of the meetings I witnessed, making its presence felt only at prayer time. Just as transaction days would be scheduled around weekly market days, meetings would be scheduled to avoid prayer times, holy days, and Fridays. Thus Islam never posed a problem for carrying out and enforcing the loan policies and ensuring high repayment rates. The concept of cost recovery appeared to be fully understood by all loan recipients and did not contradict the borrowers' interpretation of their religion in any way.[7] Communities followed the loan policies, terms, and conditions to ensure that they were in excellent credit standing in order to be eligible for larger loans in the next cycle. Elected female leaders assisted the process by determining which members worked hard, had good character, and had the capacity to repay the loan.

Relevance of Islamic Banking

The only time I witnessed a move to accommodate Islamic precepts in lending practice, in order not to disrupt the services available to women, was during the conservative Islamic resurgence and newly-imposed *Shari'a* law in northern Nigeria in early 2002.[8] There was initial concern from the credit agents over the use of the term "interest rate," which is technically forbidden in Islamic banking. To adhere to Islamic banking terms, the staff proposed substituting the term "interest rate" with the Islamic term "service fee" in conversations with clients. "Service fee" within local Islamic circles was more acceptable as it was unrelated to the commercial realm focused on profit and gain, and suggested cost recovery of only the fees involved in rendering the service.[9] However, the clients themselves replaced "service fee" with "interest rate," revealing their determination to maintain standard business practice.

Factors that Influence Women's Access to Financial Services

While Islam may be one of the most immediately obvious features of the cultural landscape of Muslim West Africa, I have encountered several more subtle factors in my field work that play a prominent role in women's access to financial services.

Community Leader Support

Successfully gaining the support of community leaders is the first essential step to improving a credit program's chance of reaching clients in need. The client selection period, in my experience, has typically required microfinance professionals, namely the coordinators, to meet with local government authorities such as district leaders and technical experts, as well as traditional chiefs and elders. A training period before loans are disbursed is aimed at garnering support from respected local leaders, often men, in opening the way for the services to target marginalized and poor female segments of the community. Once the loan program is approved by predominantly male leaders, credit staff work with the traditional leaders to identify poor but economically active women-led groups. This process of meeting with local government and traditional chieftains is a form of protocol, and to eschew it would be highly detrimental to the program should unforeseen issues arise. In every instance I witnessed, local leaders were pleased with financial services and project investments coming to their community, although their level of direct participation varied.

Class Structure and Self-Exclusion

Class structures rooted in economic status are very much apparent at the village level. While villagers may be viewed by outsiders as uniformly poor, hierarchies exist within the community among the poorest, poor, upper poor, and non-poor.[10] Although the upper poor and non-poor do not experience the same level of deprivation that the others do, they are vulnerable to marginal setbacks, which can push them into deeper levels of poverty. Although many microfinance programs aim to reach the poorest in a community, many very poor women in a village will exclude themselves, while upper poor village women reap the benefits of financial services.[11] Such poor women may hesitate to attend local village meetings because they lack the minimum clothing to meet with external microfinance program staff, or they may view themselves as non-creditworthy.[12] In addition, relatively "richer" women of the village may serve as gatekeepers for participation in the program, unbeknownst to program staff. Despite research that suggests that better-off clients will not be interested in small loans and the rigid policies that accompany them, many "richer" clients accept the small loan sizes and weekly meetings in hopes of gaining future access to larger loans.[13]

Various strategies may increase the chances of providing access to the poorest women in a community. Use of poverty targeting tools such as housing indexes, participatory wealth ranking, or community mapping, may be effective ways to identify who are the poorest women, provided they are carried out with broad community participation. Tapping into the locally-derived systems of village leaders and elders to determine how the community measures poverty can be a major cost savings tool for the microfinance program. Further, although the services may be targeted to women, encouraging the participation of both women and men to identify underlying dynamics that may exclude some women from accessing services can be useful. In one situation in Ghana, male community leaders recognized the internal politics of women in the village, and reported the issue to the microfinance staff.[14] The organization's openness to engage in discussion with the men served the best interests of the community, as it allowed for the community and staff to renegotiate group selection and better adhere to loan policy requirements. Village chiefs and elders are often respected, and their knowledge and status in the community can help uncover the intricacies of class dynamics, which often can exclude poor, but entrepreneurial women from accessing financial services.

Male Participation

Participation by men in various aspects of a microfinance program, as initiated by female borrowers themselves, may actually improve women's access to financial services. Although many village banking programs target women exclusively, many women are keen to make sure that the men—their partners—are not left out. Experience in the field shows that women leaders sometimes invite men to be a part of the process in order to enable positive social relations between men and women, which form the cornerstone of village life.[15] This inclusion might involve inviting men to witness loan disbursement and repayment transactions. The women groups often know that to alienate the men can create problems for their access to loans and could even jeopardize loan performance. Through group consensus, village bank leaders may also select men or young boys—often sons of the women members—to become the group's accountants or bookkeepers. In contrast, some women-led groups in southern Ghana and Togo preferred their meetings to be exclusively comprised of women. Tapping into local knowledge about gender dynamics is important as a way to understand what role men might play in the provision of financial services to women.

Whether or not a program employs men as credit agents is another area of consideration. In the Mamou region of Guinea, comprised of Peuhl or Fulani-speaking clients, borrowers preferred that credit agents be women indigenous to the region. In addition, local research found that the women groups did not want to spend time discussing personal issues in training with male agents.[16] Elder women in the groups found it socially inappropriate for the younger women members to be working with unmarried male credit agents and could foresee problems with their husbands. As a result, all the credit agents hired were young women fluent in Fulani and assigned to a post in the villages they managed. The credit agents conformed to local tradition and easily integrated themselves into the community to facilitate positive working relationships with their client groups.

As an example of the rich diversity of West Africa, in the Sahelian country of Niger, where the majority of the clients in the Dosso Department are Muslim, male and female agents alike can effectively serve women's groups.[17] Ethnicity may be more important than gender here, as microfinance program participants from Niger report a preference for loan officers who come from outside the area where their clients live, in order to prevent ethnic politics from taking hold.[18] Within Benin, opinions varied among regions about the appropriateness of assigning a male or female loan officer to work with all-women groups, whereas in Togo, male credit agents were welcome.

Finally, some credit programs may offer services to mixed groups of men and women, as opposed to women-only groups. Generally speaking, in West Africa, mixed groups in Muslim or non-Muslim communities alike, see women members ceding leadership roles to male counterparts. In non-Muslim communities like southern Togo and Benin, male presence in a group often curbs female participation.[19] In these countries, it appeared that even strong and literate women allowed male members to take the lead and speak for the group. One exception to this rule is older women who often feel freer to assume an equal leadership status with men.

Ethnicity and Language Dynamics

As West Africa is a region with hundreds of local languages and ethnic groups, assessing the community context is vital to determining the relevance of ethnicity and language dynamics to the delivery of responsive financial services. In many rural communities, the entrepreneurial poor, while often numerate from years of selling in the informal marketplace, may be pre-literate. Consequently, their level of trust in a credit agent to serve as conduit of information is closely linked to that agent's fluency in the local language and culture. Although clients may speak several local languages, business transactions are always conducted in the primary local language and never the official language, which is usually English or French. It is often in the interest of the microfinance program to hire credit agents fluent in the principal local language of the region, which cultivates a closer working relationship with clients and sensitivity toward local culture and customs.

As an example from Guinea, one recruited credit manager was a Christian whose language, ethnic group, and regional origin differed from those of the clients she was serving. Because she had excellent professional qualifications, the program staff did not foresee any potential issues arising from her differences with the clientele. While the manager's religion was never an issue among her Muslim clients, the clients criticized her command of the local language and general mannerisms, and the manager had to make a unique effort to conform to local dress and customs. While such personal characteristics may not be immediately seen as related to the policies of a credit program, they can affect how the clients respond to the financial products. Economically active women groups, such as this one in Guinea, often express a desire to be respected by having financial services provided by professionals who understand their language and cultural needs.

Division of Labor and External Financing

At times, the external financing for credit programs has limited women's chances to participate by targeting activities that are traditionally performed by men. Without efforts to expand the type of work performed by women, such traditional divisions of labor are not likely to change. Microfinance programs must take this into account. In several programs in northern Ghana and Chad, men were the predominant recipients of credit support, due to the type of activities targeted for financing.[20] In these regions, as in many others, men and women have different roles in farm and off-farm activities, with men more engaged in cattle rearing, cash crops, and animal traction. Both countries' programs focused on animal traction, where agricultural credit (tractor, equipment, seeds, and tools) was granted to qualifying groups. Because these were activities performed mostly by men, the credit recipients were male groups, while subsistence farming and small trade activities performed by women remained unsupported. Again, an analysis of the environment and the traditional divisions of labor in a region, can improve the chances that women's work is equally included in credit and support programs.

Beyond Access

The adaptation of credit programs to the local context can have a significant impact on whether or not, and to what extent, women participate in those programs. West Africa's diverse cultural context requires that organizations adapt to a complex variety of norms and values, in order to reach as many women as wish to participate in their programs. Access to financial services for women in West Africa, particularly in programs that have provided training in addition to credit alone, has brought benefits such as leadership development—with a broad impact on women's roles in their communities. It has given women a more significant role in decision-making at the household level, as they become able to pay for children's school fees and other needs central to family and village life. Women borrower groups have been invited to play a greater part in village council meetings and in work on community projects such as latrine or well construction. As women develop and demonstrate new skills, males in the community who come to rely on them for advice and inspiration may view them with more respect. By delving into the intricate cultural environment rather than taking for granted what might appear obvious, such as the role of Islam in a Muslim community, organizations have a better chance of offering culturally relevant tools to expand women's choices about how to improve their lives and to strategize on delivering market-driven services.

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ENDNOTES

1 Examples include *Lift Above Poverty Organization* (LAPO) in Nigeria, *PRIDE* in Guinea, *WAGES* in Togo, *Projet d'Appui au Developpement des Micro-Entreprises (PADEM)* in Benin, and *Kokari Eirene* in Niger.

2 The *CRS/Niger* impact study, conducted using the *AIMS* tools in April 2004 in Dosso, Gaya, and Doutchi, all in Niger, confirmed that microfinance is having a positive economic and social impact on the lives of women clients. Unpublished version.

3 Kabeer, "Resources, Agency, Achievements," 442-43.

4 Ibid, 443.

5 Hendricks, "Microfinance and Culture."

6 The organizations included the *Global Hunger Project*, where I managed the African Woman Food Farmer Initiative (L'initiative pour la Promotion Economique des Femmes) in eight countries in sub-Saharan Africa; *Opportunities Industrialization Centers International (OICI)* which has a microfinance global network of nine countries and outreach of more than 20,000 clients; and *Catholic Relief Services,* whose microfinance network is committed to developing sustainable locally-owned microfinance institutions.

7 Dhumale and Sapcanin, "Application of Islamic Banking," argue that microfinance is complemented by principles of social justice inherent in Islam.

8 Traditional Islamic banking forbids charging of an interest rate on loans.

9 This adjustment occurred in the Opportunities Industrialization Centers International, Women's Empowerment Program in Nigeria's Kano region in March 2002.

10 Dhumale and Sapcanin, "Application of Islamic Banking," 5. Explains that an application of Islamic banking principles may allow for a service fee to cover administration and transaction costs of the loans.

11 Simanowitz, "Microfinance of the Poorest."

12 Hashemi, "Those left behind," 253.

13 Ibid.

14 Wright et al., "Client Exits."

15 *The Hunger Project-Ghana*, Agona Asafo, 2001.

16 Witnessed in Senegal, Burkina Faso, Ghana, Benin, and Niger during site visit research 2000-2004.

17 Observed in OIC International Guinea's microcredit program.

18 Catholic Relief Services/Niger, microfinance project based in Dosso is servicing close to 3,000 women clients with credit and savings in 2004. Three of the five credit agents are male.

19 Ibid.

20 Peace Corps/Benin, OIC International, and The Hunger Project. Information collected and recorded from 1997 2003.

21 OIC International and local OIC branch offices targeted larger-scale farmers and those engaged in animal husbandry. Males dominate both activities. The programs were designed in accordance with donor guidelines for USDA and USAID and executed by male managers and agro-economists, 2001-2003.

THE EXPANSION OF MICROENTERPRISE in Arab countries, like elsewhere in the world, has evolved from particular economic and political forces, such as globalization and unemployment. Women who choose self-employment as a response to the lack of formal sector opportunities, often face challenges beyond those of operating a sustainable business. A deeply-ingrained perception of women as primarily active in the domestic sphere has implications for institutional policy, control of productive assets, and women's confidence in their own activities. Gender-sensitive programming is an essential tool needed to overcome attitudes toward women in Arab countries that do not reflect their multiple roles and actual economic activities.

Women's Small and Micro Enterprises in the Arab Region: Challenges and Opportunities

HAIFA ABU GHAZALEH

Regional Economic Context

Women's economic opportunities in Arab countries have been affected by regional economic hardships of the past decade.[1] A recession, triggered by huge war-related expenditures and debts, has caused large budget deficits in most countries in this region since 1990. Additionally, a more modern outlook coupled with international pressure has persuaded younger leaders to engage in the globalization process through economic liberalization, human development, and technological advancement. At the same time, progress in the socio-economic development of the region's medium- to low-income countries has been curtailed by the burden of regional political crises, including turbulence in the occupied Palestinian territories, the war in Iraq, and general socio-economic disruptions in the region.

The Structural Adjustment Policies (SAPs) of international institutions such as the International Monetary Fund (IMF) and the World Bank introduced in the region in the past ten years or so have caused a decline in public expenditures related to social services, leading to an increase in poverty and a deterioration of living standards.[2] Medium- to low-income countries have come to rely more heavily on external financing even as they have reduced spending in areas such as basic health and education, and prioritized debt repayment and macro-economic re-structuring.[3] An increase in unemployment rates has also been attributed to SAPs, caused by cuts in public sector employment and the privatization of the public sector. At the same time, rapid advances in higher education have created vast reservoirs of unemployed, educated youth. The labor force has been diverted to the private sector, which has not had the capacity to absorb the growing numbers seeking employment within it.

This transition to increased privatization has been particularly difficult for the women in this region whose job opportunities have generally been limited to the lower layer of the public sector, often the first to be eliminated, or the informal sector. In Jordan, for example, the unemployment rate for women was 21.9 percent, and 14 percent for men in 2002.[4] According to recent statistics, only 19 percent of Arab women over the age of 15 are currently engaged in economic activity—although this figure only represents officially-recorded paid economic activity, leaving out the large numbers of women who are active within the informal sector or through unpaid labor.[5] This gender gap has developed as women have typically not had opportunities to build up the technical, financial, and managerial skills required for a smaller, more competitive, private sector labor market.

Economic Barriers

It is within this economic context, as a response to increased poverty and unemployment, that programs for small and micro enterprise (SME) development for women and men have been adopted by various national development plans and development organizations throughout the region. For women in the Arab region, the ability to access and benefit from these new programs has been more limited than that of men, with statistics showing that 44 percent of credit program beneficiaries are men, while 36 percent are women.[6] The domestic skills and resources women possess have traditionally steered them into either public sector employment, the micro-informal sector, (sheep rearing, milk and dairy products, embroidery, and vegetable vending) or unpaid labor, particularly in agriculture. This division corresponds to a gender bias at home and in the business world that has made it difficult for women to develop skills in non-traditional areas.

Moreover, business development institutions in the region have typically lacked a gender-sensitive approach to their programming. Women entrepreneurs have reported a lack of adequate services to meet their specific needs. Further, for agencies that do provide useful services, a lack of public education efforts often means that women are not aware of available services. Ministries of Industry, Chambers of Commerce and Industry, and industry associations, where existent, do not sufficiently publicize or market their services to women.

Lack of credit is another big obstacle to women-owned start-ups. Although availability of credit is a problem for both men and women, more limited mobility and access to information place women at a greater disadvantage in participating in markets and in competing against contemporary market forces. In some cases, women find it difficult to physically reach the institutions that provide credit and related services, due to social norms discouraging women from traveling long distances from their homes.

In addition, there are some lending schemes which require collateral. Women frequently cannot fulfill this requirement, since family assets that might be used as collateral are mainly owned and managed by men in Arab societies. Hence, in order to access credit, start, and/or expand their own businesses, women often rely on male family members to provide the required guarantee. This has implications for women's eventual empowerment, as defined by control over productive assets, for it exposes them to a male relative's interference in their work and potential takeover as manager of their business.[7] One woman who started her own business with her husband's guarantee to secure a loan was discouraged by her husband's exploitation of her business revenues for his own entertainment. While this situation eventually led to conflict and divorce, she said it gave her a deeper insight: "I don't regret having my business instead of being a married housewife. In fact, I thank my flower shop for revealing my husband's true colors." [8]

Social Barriers

In Arab countries, social attitudes, in addition to economic factors, play an important role in the sustainable functioning of small and micro enterprise development for women. In Jordan, for example, despite women's advancement and relative achievements in the world of business, a conservative perception of women entrepreneurs persists; they are often seen to symbolize an undesirable deviation from gender roles. In fact, 8 percent of respondents in a study conducted by the Jordanian Hashemite Fund for Human Development (JOHUD) reported registering their business in their husband's name for fear of creating problems in their families or communities.[9] Moreover, 42 percent of married women in the sample indicated that their husbands interfered in the business, or did not give them sufficient autonomy to run it independently.

Another study prepared by UNIFEM and JOHUD in Jordan found that access to banks and formal credit facilities often is limited for both men and women due to the strict collateral requirements. Banks frequently are more likely to provide credit for large companies, as opposed to small and micro enterprises. Further, banks do not usually provide services that can be very important for women such as assistance in business-plan development or initial equity participation, and their administrative fees are usually too high for individual entrepreneurs. As a result, most start-ups are financed by personal savings or informal loans from friends and family. (A study on microfinance in Jordan found that 74 percent of male and female entrepreneurs started their businesses using personal savings). [10] The source of a loan depended on the size of the enterprise: 15 percent of the small-scale enterprises depended on bank loans, while only 10 percent of the microenterprises and 5 percent of single-person businesses did.[11]

In addition to being underserved by banks, women who manage their own businesses continue to face negative attitudes, due to a general perception of them as mothers and housewives rather than as businesswomen. As a result, some of the most successful women entrepreneurs still use their husbands' names on their business signs, even if they are legally the sole owners of the business. Women's successful entrepreneurship is only socially acceptable if it is in some way invisible. One woman who has gained economic independence with her own mini-market, but places her husband's name instead of her own on the market sign, explains her situation: "Women are still not taken seriously as capable business owners in our society. In the community, everybody thinks that my husband is the owner and the force behind the business success."[12]

Women in rural areas confront a somewhat different set of issues concerning small and micro enterprise development. Women's access to land ownership, credit, education, and vocational training is extremely limited in these areas, while their economic participation is high—as high as 53 percent in Syria, for example.[13] Without sufficient control over resources and opportunities to expand their agricultural enterprises, women remain relegated to lower-paid or unpaid work, seasonal jobs, and labor-intensive agricultural activities. Programs should not overlook the specific needs of women in rural areas.

Opportunities for Expanding Women's Access

Despite the economic and social challenges facing women in the Arab region, a number of success stories have been reported to UNIFEM which reflect women's high level of motivation and commitment. Several steps must be taken to generate more of these stories by expanding the reach of financial and non-financial services to women in the Arab region.

Most importantly, specialized entrepreneurship development programs should be set up with adequate personnel and financial resources for promoting income-generating activities among women. Next, gender analysis should be integrated into the policies and practices of socio-economic development activities of national institutions to overcome social and cultural inequalities. This should include access to market information, business development support, women's business associations, and other services to address women's particular needs.

Awareness-raising and confidence-building among potential entrepreneurs is also vital. In the Quneitra governorate of Syria, a group of women trained to start their own businesses were offered loans, but all refused. They were intimidated by the risk involved in taking out a loan, and unsure whether the lending practices were at odds with the priniciples of Islam.[14]

Culturally relevant counseling is thus needed for women who have not previously been active in the marketplace to enable them to develop self-confidence, an understanding of risk-taking, and decision-making skills. Further, a fear of information technology, particularly among rural women with no commercial experience, makes training in this area important. Finally, awareness-raising must be targeted not only to women, but to the entire family. In particular, men need to be sensitized to accept the expanding role of women in entrepreneurial activities.

Conclusion: Challenging Perceptions

Women entrepreneurs continue to face discrimination and lack of credibility in the business world. Women entering the realm of entrepreneurship must contend with the "harsh realities of the business environment in their pursuit to run their businesses successfully." [15] Heading the list of these harsh realities is the invisibility of women in business. Women's economic activities continue to be perceived as merely supplements to those of the male heads of household, rather than as independent and fully functioning enterprises in their own right. This is a major obstacle not only to the empowerment of women in their financial and social lives, but also to development of the small and micro enterprise sector as a potential source of sustainable livelihood for everyone. While altering perceptions is a long-term process, it is an essential priority for equitable small-business development in the Arab region.

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ENDNOTES

1 The Arab region referred to in this article encompasses 17 countries under the mandate of the UNIFEM Arab States Regional Office, including: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syria, the United Arab Emirates, Yemen, Morocco, Tunisia, Libya and Algeria.

2 Shah, "Structural Adjustment."

3 Ibid.

4 UNIFEM, "The Status of Jordanian Women."

5 UNDP, "Human Development Report 1999."

6 See note 4 above.

7 Al-Khaldi, "The Way Forward."

8 UNIFEM, "Regional Technical Resource," http://www.unifem.org.jo/trn/hdocs/mainform.asp?p=sstory/yasmine.

9 UNIFEM, "Regional Technical Resource for Women's Small and Micro Enterprise in the Arab States: Success Stories," http://www.unifem.org.jo/trn/hdocs/mainform.asp?p=sstory/yasmine.

10 UNIFEM, "Regional Technical Resource," http://www.unifem.org.jo/trn/hdocs/mainform.asp?p=sstory/yasmine.

11 Ibid.

12 Ibid.

13 USAID, "The Demand for Micro-Financial Services."

14 Ibid.

15 UNIFEM, "Regional Technical Resource," http://www.unifem.org.jo/trn/hdocs/mainform.asp?p=sstory/zahra.

16 UNIFEM, "National Gender Sensitive Programming."

17 Ibid.

18 See note 7 above.

IN THE FIELD

This section highlights a perspective from one of Women for Women International's field offices. In this issue, we feature our Bosnia and Herzegovina office with a discussion of successes and challenges of the Microcredit Lending Program.

REBUILDING COMMUNITIES WITH MICROCREDIT IN BOSNIA AND HERZEGOVINA

Seida Saric

Women for Women International - Bosnia and Herzegovina (BiH) began its Microcredit Lending Program in 1997 to provide low-income women with opportunities for sustainable income generation through small business loans. The major goal of the program is to create immediate and long-term economic opportunities for women living in poverty, mostly in rural and suburban areas, with the hope of continuing to stabilize Bosnian communities still recovering from the four-year civil war that ended in 1995. As of July 2004, over 4700 clients have started income-generating activities, thereby increasing the income available to their families.

Operating in a Post-Conflict Environment

By 1997, Women for Women International had been running its direct aid, rights and skills training programs successfully in BiH for four years. Foreign aid, which provided humanitarian assistance during the conflict, was decreasing at a time when women required longer-term economic support during the reconstruction process. The Microcredit Lending Program thus became a continuation of the support Women for Women International had already been offering to women in BiH, geared to help them rebuild their lives.

With a current unemployment rate of approximately 40% for the country overall, and 45% for women, very few formal sector employment opportunities exist for women in BiH. Before the war, many women worked in state factories, which were destroyed during the conflict. With the country in economic transition and moving towards privatization, very little foreign investment exists to generate new employment options. Further, many women became the sole breadwinners in their families, as husbands were killed or injured during the war, or lost previous jobs in state enterprises. Consequently, women must rely largely on their own skills and resources to create opportunities to make a living, and the business supported by the loan is often the family's only source of income. In a number of cases, though, women have employed their husbands or other family members, and divided responsibilities with them.

The program also attempts to encourage community rebuilding by recruiting minority returnees and local residents of minority ethnic background. Minority returnees are mostly Bosnian Muslims known as *Bosniaks*, returning to communities that developed a Serb majority during the war. Minority returnees were mostly internally displaced and reluctant to return to a community where they would become a minority. The most marginalized of all are female returnees, who despite their status, play a crucial role in the country's minority reintegration process. Women and their families are likely to return to and remain in communities where opportunity for a stable income exists. Thus a major goal of the Microcredit Lending Program is to create immediate and long-term economic opportunities that will stabilize Bosnian communities and encourage the return of minorities.

The greater community also benefits from the increased income available to purchase local goods, additional employment opportunities, expanded business knowledge, and greater availability of goods and services.

Finally, the program provides a gathering place—in the majority of villages, the only place—for women to meet and discuss issues such as sanitation, irrigation, building roads, and other community needs. Women are advised by the program staff about ways to approach community leaders to promote their issues in the local government.

Methodology

To qualify to join the Microcredit Program, a woman and her family must have a combined monthly income of less than KM 250 (approximately $150 U.S.), and she must present a sound business idea. After being accepted into the program, she attends basic business skills classes, writes a business plan, and finally receives a small loan to begin an income-generating project. The organization helps women develop ideas during the business-training component; over 90 percent of the projects are initiated by the women themselves, and are first-time ventures. Women for Women International's "solidarity group" lending methodology requires that each client form a group with four other women pursuing different projects. Group members must agree to share the burden of missed payments of any member and sign a contract pledging to do so.

The program charges a one-time fee of 1 percent for each loan, which is reinvested into the revolving loan fund. Repayment of the loans is structured as follows: each month clients are required to pay one-sixth (for a six-month loan) or one-tenth (for a ten-month loan) of their total loan plus 1.5 percent of the principal amount (equivalent to an annual interest rate of 18 percent). For example, for a ten-month loan in the amount of KM 1000, the client is required to pay KM 115 each month for ten months. After a client pays off her existing loan, she may apply for another loan within a solidarity group, provided that she has good credit history with the organization and a sound business plan. Clients often use their subsequent loans to expand existing businesses.

Stories of Hope

The stories of some of our clients illustrate best the impact the program can have on women's lives:

Igbala Gabela is 40 years-old and lives with her husband, daughter and son. Like many women in BiH, Igbala has had a very difficult life and suffered during the war: her husband was wounded and contracted tuberculosis, her daughter was seriously injured in a car accident, and the family lost their home. After completing the Women for Women International skills and rights training program, she took a loan to start her own business of growing raspberries and raising chickens. She also used the skills she learned through the training program to sew clothing, which she sells. She succeeded in paying back the loan and saving some money for her children's schooling. Today she is on her fourth loan and earns enough to support her family.

Vahida Kljuca has been a member of the Microcredit Lending Program since 2002 and recently took out her third loan. She is an artist who writes poetry and paints on polished reed. Vahida was also a member of the organization's skills and rights training program, where she took a course in painting and developed new ideas. She learned about the Microcredit Program and began to consider applying for a loan. Painting had been her hobby, but with a small loan she turned her hobby into a business, and is now able to support her family and send her children to school by selling her paintings in Sarajevo, where people buy them as souvenirs. She participates in exhibitions and dreams of holding one of her own. "Since becoming part of the program, I feel like a human being again," she says. "I have opportunities and obligations, feel motivated, and my dignity has returned."

Emina Grahic is a returnee to Doboj, her hometown in the Republika Srpska. During the war she was forced to leave Doboj and became very ill. Emina says, however, that when she returned to her hometown, joined the Microcredit Program and took a loan to buy livestock, she felt reborn. Her family had received a donation to rebuild her home, and at the same time, they built a cowshed. Emina used her first loan to buy a cow so she could sell dairy products at the market; her husband began working with her, as did her children when they returned home after school. This small dairy business was soon able to support the Grahic family. Now on her third loan, Emina has two cows and her business is growing. She says her goal is to have as many cows and the same level of success as she had before the war.

Challenges and Lessons Learned

Unstable Economic Environment

Although Women for Women International's Microcredit Program has had much overall success in BiH, it has experienced several challenges since its start seven years ago. The country's economic instability has been the biggest obstacle; even very determined clients can lose their businesses almost overnight because of rapid economic fluctuations. Clients are sometimes unable to find a viable market for their products and services, thus lowering the loan repayment rate. Some factors lie beyond the scope of the market information the organization is able to provide; however, one protective measure currently being implemented involves matching clients with buyers. Specifically, we are working with milk, vegetable, or other cooperatives to generate a guaranteed market for client products.

Shattered Trust

In a country torn apart by ethnic violence, building trust among clients of different ethnic backgrounds has been difficult. Many potential clients do not have faith that the program will work for them, or that fellow group members will make their payments. Women for Women International encourages women of different ethnicities to form solidarity groups as a way to begin building trust. While the organization can influence the development of these relationships only to a certain degree, we have been able to generate an atmosphere of trust by putting considerable effort into the relationship between clients and loan officers.

Understanding Clients

We have found that success stories often are in large part due to strong relationships Women for Women International loan officers have developed with their clients. It is clear to us that we cannot simply give a client a loan and have little contact with her; we must treat her with respect and provide her with as much information as we can about how to conduct her income-generating activity, the market, and other issues. This atmosphere of respect and trust is also conducive to encouraging prompt loan repayment. When hiring loan officers, we look for the qualities required for providing this type of support. We work very closely with our officers to ensure that they develop appropriate skills for working with socially excluded women. Loan officers get to know each individual's financial, family and emotional situations, and are therefore able to offer more informed advice and support. Getting to know a client's family, neighborhood, and community circumstances also helps loan officers determine if there is something about the woman's situation that could lead to problems or an unsuccessful business venture. We teach all loan officers that delinquency comes from a problem that we missed. For example, situations have arisen where clients' husbands have had addictions (such as alcohol, drugs or gambling) and have taken the loan money and spent it. Had such a problem been uncovered early in the process, a loan would not have been offered.

Preventing Delinquency

While delinquency in loan repayment does present a problem, the more we focus on prevention, the less we must concentrate on dealing with missed payments. One such preventive step is forbidding partnerships between clients in the same solidarity group, because if the business fails, there are three or fewer members left to cover the missing payments. Similarly, we discourage family members from being in the same group, or even the same lending center, because family members tend not to put pressure on each other to make their payments should problems arise.

Although the program constantly presents challenges, it has allowed a number of women in BiH to change their lives and the lives of their families with a small loan. As the program continues to grow and reach greater numbers of women, their families and communities, its positive effects are felt throughout the towns and villages of Bosnia and Herzegovina.

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ABOUT
WOMEN FOR WOMEN INTERNATIONAL

Women for Women International provides women survivors of war, civil strife, and other conflicts, with tools and resources to move from crisis and poverty into a civil society that promotes and protects peace, stability, and self-sufficiency. It provides services to socially excluded program participants aimed at addressing short-term economic needs, while enhancing and building their capacity to create long-term economic solutions. In the process, intensive training in women's economic, political, and social roles and value in society is incorporated. This strategy stems from *Women for Women International*'s conviction that economic solutions are not sustainable if they are not paired with active participation in social and political discourse. The organization has program offices in Afghanistan, Bosnia and Herzegovina, Colombia, Democratic Republic of Congo, Iraq, Kosovo, Nigeria, and Rwanda.

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