

IMPACT OF MICRO CREDIT ON WOMEN EMPOWERMENT: A REVIEW PAPER

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Approximately 60% of the clients of micro-finance institutions throughout the world are women. Basically three arguments are used to prioritize women's access to micro-finance services: one is poverty, second is increased efficiency and sustainability and third is equality in empowerment. Empowerment is a process of change by which individuals or groups gain power and ability to take control over their lives. It involves increased well being, access to resources, self-confidence, self-esteem and respect, participation in decision-making and bargaining power, and increased control over benefits and their own life. Micro-credit programmes tend to focus on promoting changes at the individual level. However the scope of empowerment for individual women is usually limited by inequalities and discrimination. It was concluded by keeping in view the previous studies that micro credit schemes no doubt facilitate in empowering poor women and eradicates poverty but it also had some negative impact on women's empowerment.

Key words: Women, empowerment, micro credit, impact

INTRODUCTION

Empowerment in its broader sense refers to an individual's or group's increased "power". Whereas power means access to and control over material, intellectual and ideological resources (Batliwala, 1994). In a development context, it refers both to "internal" change within an individual's sense of self autonomy, and "external" change in social status and basic power relationships in society (McNelly and McCord, 2001). Rowlands, (1995) and Mayoux's (2000) stated that the definition of empowerment relates more directly with power. Discussion on empowerment reflects that it is a process through which people gain control over the variables that hinder their choices, and holds them back from exercising their choices towards enhancing the quality of their life (Ravallion and Shaohua, 2001; Nussubaum, 2000 and Sen 1999). Bennett, (2002) described empowerment as enhancement of assets and capabilities of diverse individuals and groups to engage influence and hold accountable the institutions which affect them. According to Chen (1992) the main components of empowerment were resources, perceptions, relationships, and power characterized by empowerment as "control over resources and ideology (Batliwala, 1994)."

In our society, the empowerment and resources mainly directed to men which results in the deprivation of women rights. To change the present situation it is necessary to empower the women. In this context, there are so many concepts of women's empowerment as analyzed by different intellectuals and authors (Malhotra, *et al.* 2002; United Nations 2001; Mayoux, 1997; Rowlands, 1997; Karl, 1995; Young 1993;

Friedmann, 1992). Friedmann's (1992) analysis of women's empowerment identified different kinds of power: economic, social, political and psychological. Economic power means access to income, assets, food, markets and decision-making power in the economic activities. Social power means access to certain bases of individual production such as financial resources, information, knowledge, skills and participation in social organizations. Political power means the access of individual household members to the process by which decisions, particularly those that affect their own future, are made. Psychological power means the individual's sense of potency, which is demonstrated in self-confident behaviour and self esteem. In connection with these four kinds of power Kumar and Sreedhara, (2004) identified three main variables of empowerment as: general, economic and social empowerment. But on the other hand Fayyaz (2002) divided women's empowerment into three categories as: economic, social and political.

Women's empowerment is the process by which they take control and ownership of their lives through expansion of their choices. Thus, it is the process of acquiring the ability to make strategic life choices in a context where this ability has previously been denied (Kabeer, 2001), which strengthens the capacity of women to be economically self-sufficient and self-reliant with control over decisions affecting their life options and freedom from violence (Rao and Kelleher, 1995).

ESCAP (2003) identified that women's empowerment can take place at a hierarchy of different levels—individual, household, community and societal—and is facilitated by providing encouraging factors (e.g.,

exposure to new activities, which can build capacities) and remove inhibiting factors (e.g., lack of resources and skills). In this context two vital processes have been identified as important for empowerment. The first is social mobilization and collective agency, as poor women often lack the basic capabilities and self-confidence to encounter and challenge existing disparities and barriers against them. Often, change agents are needed to catalyze social mobilization consciously. Second, the process of social mobilization needs to be accompanied and complemented by economic security. As long as the disadvantage suffers from economic deprivation and livelihood insecurity, they will not be in a position to mobilize (UNDP, 2001). For the empowerment of women, eight indicators are identified by Hashemi *et al.* (1996) as: mobility, economic security, ability to make small purchases, ability to make larger purchases, involvement in major decisions, relative freedom from domination by the family, political and legal awareness, and involvement in political campaigning and protests.

Among four kinds of power, economic power is very much important for women as observed by Sosibo (1999) who conducted a research study in Eastern South Africa and concluded that the women were empowered because they had gained subsistence income that enabled them to maintain their families. They also acquired a sense of self-sufficiency which they said eliminated their economic dependency on husbands (Kamal *et al.* 1992 and Yunus, 1991). Moreno, (2005) reported that economic empowerment is fundamental for the achievement of gender equality, overall empowerment of women and the eradication of poverty worldwide. The economic empowerment to the poorest women leads automatically to their social empowerment, and they become financially independent of their husbands. Micro-credit programmes to women also raise their prestige and status in the eyes of their husbands and of their local community (Bayes, 2005).

A lot of research studies claimed that the micro-credit schemes of different banks, NGOs and other organizations reduced poverty, increased mobility and strengthened networks among women who were previously confined to their homes (Schuler and Hashemi, 1997; Hashemi and Morshed, 1997; Chowdhury and Alam, 1997; Carr *et al.*, 1996; Hulme and Mosley, 1996; Pitt and Khandker, 1996; Latif, 1994; Lovell, 1992; Rahman, 1990). These research studies emphasized the effectiveness of credit as a tool for poverty reduction and women's empowerment. Micro-credit schemes are thought to be potent agents of social change in impoverished settings where women lack access to resources. In the modern world

micro-credit, micro-finance and enterprise development are now seen as effective poverty alleviation mechanisms, especially for poor women. Zaman (2001) reported that micro-credit played valuable roles in reducing the vulnerability of the poor, through asset creation, income and consumption smoothing, provision of emergency assistance, and empowering and emboldening women by giving them control over assets and increased self-esteem and knowledge. Several recent assessment studies had also generally found positive impact in this connection (Simanowitz and Walker 2002; Lalitha & Nagarajan, 2002 and ESCAP, 2002). A primary function of offering women credit in this way is to enhance their economic status, that enables women to earn extra income through which they can gain greater financial autonomy.

CIDA (1998) identified three main benefits of micro credit to rural women for empowering them as improvements in women's role in the household (i.e. through the provision of economic resources, a woman may gain a greater voice in expenditure decisions); increased confidence for women gained not only through the economic success of their business but also through increased access to community services and collective action with other women and changes at the community level in the perceptions of women's roles.

Involvement in a credit scheme had the potential to empower rural women; more specifically. Scoggins (1999) delivered the evidence that income-generating activities raise women's decision making power in the household and community. Participation in credit programmes is positively associated with a woman's level of empowerment defined as a function of her relative physical mobility, economic security, ability to make various purchases on her own, freedom from domination and violence within the family, political and legal awareness, and participation in public protests and political campaigning (Hashemi *et al.* 1996 and ADB, 1997).

The 1997 Micro Credit Summit Campaign aimed to ensure that "100 million of the world's poorest families, especially the women of those families, receive credit for self-employment and other financial and business services by the year 2005." The Micro credit Summit Campaign 2001 defined "poorest" as the bottom half of those living below their nation's poverty line. But according to the report of Micro credit Summit Campaign 2001 only 14.2 million of the world's poorest women now had access to financial services through specialized microfinance institutions (MFIs), banks, NGOs, and other non-bank financial institutions. These women account for nearly 74% of the 19.3 million of the world's poorest people now being served by micro-

finance institutions. The vast majority of them have excellent repayment records, in spite of the daily hardships (Cheston and Kuhan, 2002). Many micro-credit schemes specifically target women as they have proven to be very good credit risks with high repayment rates even with credit at market rates (CIDA, 1998). Women were more conscientious about the repayment of loans (92%) as compared to men (80%) in different projects funded by IFAD (2001) in Pakistan. The reason given by women and men was that "women are more honest than men". It was also explained that women were more likely to repay loans because they are concerned about their other group members. Women seemed to take pride in ensuring that no member defaulted on their loans (IFAD, 2001). Several research studies suggested that access to micro-credit empowers women by increasing their autonomy and decision making ability within the household as in Nepal 68% of women experienced an increase in their decision-making roles in the areas of family planning, children's marriage, buying and selling property, and sending their daughters to school (Ashe and Liza, 2001). Women were thereby able to attain their fertility goals by using contraceptives to limit fertility (Schuler and Hashemi, 1997). However, most programs could not ensure that women retained control over the money. Women commonly hand over control of the loan or invest it in a family enterprise (Goetz and Gupta, 1996). Even when a loan is invested in a joint enterprise with other household members, a woman may become more involved in household decision making because she becomes a channel through which new resources can flow into the household and she is ultimately responsible for loan repayment, even if she is not solely responsible for the economic enterprise in which the loan is invested (Amin and Pebley, 1994).

The other side of the picture cleared by Gibbons (1992) who reported that in most cases credit was not creating a 'virtuous circle' to break the 'vicious circle' of poverty and was not empowering women. The findings revealed that 'credit' was not a simple and magic ingredient to reduce poverty or empower women. Credit has complex positive, negative and neutral impacts depending on who receives it and on a set of person with specific factors. Not all poor rural women who take credit experience similar and predictable changes in their poverty situation. This provides support to the evidence that credit had limited and negative effect on the rural poor (Khondkar and Hulme, 2000 and Montgomery, *et al.* 1996).

CONCLUSIONS

From the previous research studies it was concluded that micro finance and micro-credit programmes had the potential and powerful impact on women's empowerment. Although these were not always empowering all women, most women did experience some degree of empowerment because it was a complex process of change experienced by all individuals somewhat differently and varied from culture to culture. Micro-credit programmes had both positive and negative impacts on women's empowerment and eradication of poverty throughout the world. The positive ones were enhancement in women's ability to influence family affairs and decision making; increased self-confidence; improve their status, increased gender relations in the home and reduction in domestic violence; improve status within the community and accelerate economic empowerment. On the other hand negative impact of micro-credit was of highly restrictive environment for women along with the increased workload and responsibilities as a result of their involvement in income generating activities other than their traditional responsibilities.

RECOMMENDATIONS

However, poverty is deeply rooted in our social systems and values. It permeates all aspects of our lives from our family, to our communities, from our personal dreams and aspirations to our economic opportunities. It is unlikely that any one intervention such as the provision of credit will completely alter poverty and gender equality and relations. For this purpose following recommendations are extracted on the basis of conclusions:

For development practitioners

1. Gather information on women's needs and design products specifically to meet those needs.
2. Incorporate programmatic elements such as training or leadership opportunities that contribute to women's empowerment.
3. Bring women and women's perspectives into the governance, management, and implementation of micro-finance programs.
4. Collect gender disaggregated data for use in the design and improvement of micro-credit programmes.

5. Review organizational policies to ensure gender sensitivity and gender equity.
6. Design individual loan products and graduation strategies that meet the needs of women.
7. Place greater emphasis on training and capacity building of women involving in micro-credit schemes.

For donors

1. Support holistic approaches to micro-finance as part of an on-going commitment to innovation, research, and development.
2. Conduct and support action research on best practices in empowering women.
3. Orientation and training should be given for procedures of access, loan utilization, interest payment and installments.
4. Improve targeting and evolve strategies for covering left over poor women in existing villages through micro planning.
5. Facilitate and strengthen linkages between NGOs, banks and other organizations to get access to credit at cheaper rates of interest.

For governments

1. Develop a legal framework and policy that protects women's rights in key areas such as the inheritance and ownership of property and domestic violence.
2. Take women's needs into consideration when developing economic policies, infrastructure, and other projects.
3. Promote and provide equal educational opportunities for women and men.

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