

# **ENGENDERING MICROFINANCE SERVICES: BEYOND ACCESS**

**A PAPER PRESENTED AT A WORKSHOP ON WOMEN'S EMPOWERMENT OR  
FEMINISATION OF DEBT? TOWARDS A NEW AGENDA IN AFRICAN  
MICROFINANCE**

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Distinguished fellow participants, ladies and gentlemen. I am privileged to be part of this important workshop, which gives me an opportunity to share with you my organisations' experience in engendering microfinance.

I wish to thank the organisers of the workshop- One World Action for the invitation as well as my sponsors- HIVOS for this opportunity.

My presentation will focus on CEEWA-U's' experience in promoting gender focused microfinance services in Uganda in particular the issues and challenges of current microfinance practices that have affected realisation of its full potential in empowering women. The paper has five sections: Introduction; Background to CEEWA-U; Discussion on Microfinance as a panacea for women's empowerment; Initiative towards demystifying an engendered microfinance delivery; and Conclusions.

## **1.0 INTRODUCTION**

The issue of microfinance is top on the agenda of poverty eradication in Uganda. The Ugandan Government supported by various development partners is committed to eradicate poverty as a major focus of its sustained growth and development. In an effort to do so, government has initiated a number of policy strategies within the overall Poverty Eradication Action Plan (PEAP). Within this broad framework are four pillars, which constitute the major goals for the action plan<sup>1</sup>:

1. Fast and sustainable economic growth and structure transformation.
2. Good governance and security.
3. Increased ability of the poor to raise their incomes.
4. Increased quality of life of the poor.

Within the 3<sup>rd</sup> pillar, is the element on microfinance meant to meet the poor's diverse needs for financial services. Under this element, government of Uganda has emphasized the need to develop an appropriate framework for the development of long-term and financial services suited to the needs of small and medium scale enterprises as well as development of and professionalisation of the microfinance industry.

In Uganda there are at least 90 large and medium sized, and 700 small Microfinance Institutions (MFIs) accessing the poor especially women with credit.<sup>2</sup> These reach out to at least 500,000 clients majority being women.<sup>3</sup>

## **2.0 BACKGROUND TO CEEWA-U**

Council for Economic Empowerment for Women of Africa (CEEWA-U) is a national NGO initiated in 1995 after the Beijing Conference by professional women in the field of economics, gender, agricultural economics with the mission of promoting the economic empowerment of women in the development process. CEEWA-U's goal is geared towards increasing the level of women's access to and control over economic resources namely land, financial services, agriculture extension and information. CEEWA-U undertakes research and documentation; lobbying and advocacy; capacity building for mainstreaming gender in the economic development policies and programs. To achieve the above, CEEWA-U lobbies and advocates for the following:

1. Strengthening the capacity of economic decision makers and implementers to integrate gender concerns in economic planning, implementation and monitoring.

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<sup>1</sup> Ministry of Finance Planning and Economic Development, *Poverty Eradication Action Plan (PEAP) 2001- 2003*, Vol. 1 February 2001.

<sup>2</sup> *The Microfinance Banker*, Vol. 1 Issue 3, 2001

<sup>3</sup> AMFIU, *outreach of Microfinance Institutions*.

2. Facilitate widespread replication of financially sustainable micro-credit principles and standards that can reach more women and meet both their practical and strategic gender needs.
3. Promote gender equity in agricultural extension advisory services.
4. Promote entrepreneurship development both skills development and information provision.

Under the Women and Finance program, efforts have been for the last three years directed to ensuring that financial services in particular microfinance are delivered in a gender responsive manner.

### **3.0 IS MICROFINANCE A PANACEA FOR WOMEN'S EMPOWERMENT?**

At a global level Uganda inclusive, there is a strong conviction that microfinance can play a powerful role in reducing poverty.<sup>4</sup> Within this context, government of Uganda and bilateral agencies have initiated and supported microfinance institutions (MFIs) to provide the poor especially women with financial services. Efforts have been put to provision of services especially credit and savings.

CEEWA-U's experience indicates that though Microfinance is indeed an important step towards empowerment, however, the current methodologies have exhibited shortcomings that limit it's full potential for women's empowerment. A situation that calls for strategies beyond mere access. In recognition of the shortcomings, CEEWA-U initiated a study<sup>5</sup> that examined the extent to which MFI lending methodologies and services were meeting client's needs in addition to self-sustainability. The study combined both qualitative and quantitative

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<sup>4</sup> MFPED, *Poverty Eradication Action Plan 2001 - 2003*

<sup>5</sup> CEEWA-U, *lending methodologies of MFIs in Uganda: Institutional sustainability and clients needs, 1999.*

methods covering 27 operational MFIs then <sup>6</sup> and 325 clients from 4 of the 27 MFIs selected on the basis of type of methodology and regional consideration. The qualitative part was highly participatory and results were ranked according to gender. The study revealed pertinent issues relating to women's empowerment some of which arguably contributed and others inhibited empowerment.

### *3.1 Benefits from the MFIs as perceived by respondents (Clients).*

Benefits from the services that contribute to empowerment rotated around both economic and social gains. Respondents were asked to indicate the major benefits and the table below shows what they perceived as the major benefits from the MFIs.

**Table 1: Benefits as ranked by clients.**

<b>Benefit</b>	<b>Percentage of total respondents</b>
1. Increased household income.	83.1
2. Ability to pay school fees enhanced.	60
3. Access to more business opportunity.	57.8
4. Improved family nutrition.	45.8
5. Increased ability to pay for health care	38.8

Respondents were asked to rank the needs met. The table below shows ranked clients assessment of needs met by gender.

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<sup>6</sup> PRESTO MFI Directory

**Table 2: Needs met by the MFIs.**

<b>Women's Needs</b>	<b>Men's needs</b>
1. Less dependence on spouse for money.	1. Accumulate capital & expand business
2. Making money to pay children's fees.	2. Diversifying income-generating activities
3. Working with others to break isolation.	3. Getting start-up funds.
4. Getting out of the kitchen to the public.	4. Getting more income.
5. Having a personal account.	5. Improve farming methods.
6. Owning assets.	
7. Having options in business.	
8. Earning income.	
9. Making money to hire agricultural labour.	

As indicated in the table above, women's expectations centered around protection from vulnerability and isolation as well as economic benefits indicated by the need for assets.

### ***3.2 Shortfalls for empowerment***

Significant shortcomings that affect empowerment were highlighted and rotated around nature of assets, training, repayment period, and loan size.

- ***The nature of assets acquired:*** much as women noted a number of benefits, they also indicated that the benefits were limited to improved welfare. One woman client clarified that:

*“yes I can now make money for my own but with that money I can buy milk and cosmetics, perhaps some plates and saucepans. I cannot buy the simple equipment I need to start a small bakery”*

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- **Training:** women appreciated training as the most useful to them hinging around the new knowledge they are exposed to while men appreciated the loans most. However, the women also indicated that the training given was not sufficient.
- **Repayment terms:** clients especially women indicated that the repayment periods were oppressive and therefore they had to work harder to realise the weekly repayments. 41.5% of women respondents indicated increased workload as one of the negative outcome while 25.8% indicated they were over-burden by the MFI conditions and 22.9% indicated tension due to worry about repayment.
- **Loan sizes:** Most of the clients indicated that the loans were small. For instance out of 325 clients interviewed, 157 (59.9% women) expressed that they were experiencing a funding gap between the loan received and the capital required and hence forcing them to operate below their expectations.

When asked which of the needs were not met in comparison with their expectations, clients' ranked needs not met were given as follows:

**Table 3: Needs Not Met by the MFIs.**

<b>Women</b>	<b>Men</b>
1. No meaningful asset acquired.	1. Loan given too small to facilitate investment.
2. Training provided not adequate.	2. Cash disbursement cycle too long.
3. Very poor women not assisted.	3. Lack of freedom to choose how to get loan.
4. Repayment period oppressive.	4. Client monitoring not adequate.
5. Loan size still too small	

The table above indicates that as women's needs for protection and safety from isolation are being met (as indicated in table 2), their desire for economic gains (in

form of assets) are increasingly being demanded. Service providers should therefore be alert to such changing needs in order to address them, otherwise they run a risk of losing the clients especially as competition sets in.

Another significant finding from the study was the inadequate capacity on the part of MFI practitioners to design, implement and monitor gender focused services that address such gender differences, needs and benefits of their clients. And hence the study greatly recommends that this gap needs to be bridged. CEEWA-U is trying to do this by equipping MFIs with gender analysis skills though the scope and coverage is still limited.

Microfinance can be an answer to women's empowerment. But because of a number of challenges as discussed above, its full potential has been limited and there is need for a concerted effort to address these concerns. This calls for donors, gender advocates as well as practitioners and the world at large to continue the struggle. The task ahead for gender advocates is to exhibit that actually gender responsive Microfinance services can be run on a business basis and even propel self-sustainability.

#### **4.0 DEMYSTIFYING AN ENGENDERED MICROFINANCE DELIVERY METHODOLOGY: A CASE OF A CAPITAL ASSET LOAN BY CEEWA-U**

CEEWA-U starts on the premise that recognising gender in microfinance means more than targeting a program towards women because of the various shortcomings as already discussed. In recognition of these various shortcomings, CEEWA-U proceeded to conceptualise a package that would address the gaps as

part of its advocacy for gender responsive microfinance services. The package has three components:

- i. The Capital Asset Loan: A loan product meant to address women's needs for assets.
- ii. Engendering Microfinance Training Manual: A microfinance tailor made training program to equip MFIs with gender analysis skills in their day-to-day work.
- iii. Simple Business Tips for Micro entrepreneurs: Simple and user friendly tips for micro entrepreneurs.

For purposes of this presentation, focus has been put on the Capital Asset Loan (CAL) locally called "KIKALU". The product was designed to address women's need for 'significant' asset(s). In collaboration with Uganda Microfinance Union (UMU), CEEWA-U designed and pilot tested the product for 1<sup>1</sup>/<sub>2</sub> years in both peri urban and rural setting.

### ***Concept of KIKALU***

KIKALU is a relatively bigger loan compared to a Working Capital Loan (WCL) for clients (especially women) who have been successful with the WCL who seek to expand their businesses through acquisition of a capital asset. The product has the following characteristics.

**Table 4: Basic Characteristics of a KIKALU Loan at Product**

Item	Characteristics
Loan Size	Ush.300,000 and above (common range is Ush.600,000-1,000,000)
Loan purpose	To purchase an asset
Loan-Term	6-12 months with at least one month grace period
Interest rate	Basis: MFI's costs (4% per month on declining balance for UMU)
Fees	Basis: MFI's Costs (3% loan processing fee for UMU)
Commission	Basis: MFI's Costs (Nil for UMU)
Disbursement schedule	As required and convenient to the client in case of UMU.
Collateral	Group guarantee; asset purchased; Hypothecated Savings.

*Source: CEEWA-U, KIKALU: The Capital Asset Loan Product, 2001*

### ***Pilot testing phase***

Bound by a one-year memorandum of understanding between CEEWA-U and UMU in 1999, CEEWA-U's contribution was a contribution of Ug. Shs. 10,000,000 an equivalent of US \$ 5,800 to pilot test the product as well as technical assistant in form of a gender aware focal point officer stationed in the pilot areas to manage the product as well as closely monitor its impact to clients. During the pilot phase, the following was realised.

- By April 2001, 173 clients (53% women) accessed KIKALU loans (Table 5).
- Sectoral distribution (Table 6) of KIKALU loan portfolio:
  - ***Trade and commerce*** 54% that financed items like refrigerators, weighing scale sewing machine etc with a 56% women's involvement in the sector;
  - ***Agriculture*** shared 32% involving items like land, tractor-engine, livestock with a 52.5% women involvement;

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- *Service* sector shared 13% involving items like motorcycles, saloon equipment, motor vehicle (taxi), buildings for rental etc with as 51% women's involvement.
- *Manufacturing* was least at 1% mainly grinding mills, solar systems, printing machine where there were no (0%) women.

**Table 5: KIKALU Beneficiaries by April 2001**

SEX	JUNE 2000 <sup>7</sup>	UMU BRANCHES			TOTAL APRIL 2001	GROWTH (%)
		BUSIKA	KASANGATI	BOMBO		
Female	60	44	41	7	92	53%
Male	46	43	27	11	81	76%
<b>TOTAL</b>	<b>106</b>	<b>87</b>	<b>68</b>	<b>18</b>	<b>173</b>	<b>63%</b>

*Source: CEEWA-U, KIKALU Evaluation Report, 2001*

**Table 6: KIKALU Sectoral Distribution by gender as at April 2001**

ECONOMIC ACTIVITY	JUNE 2000		UMU BRANCHES						TOTAL APRIL 2001	
	F	M	BUSIKA		KASANGATI		BOMBO		F	M
			F	M	F	M	F	M		
Trade & Commerce	27	13	26	17	18	15	5	7	49	39
Agriculture	16	12	10	15	8	3	4	0	21	19
Service	18	18	6	11	15	8	2	3	23	20
Manufacturing (grain milling)	0	2	0	0	0	0	0	0	0	2

*Source: CEEWA-U, KIKALU Evaluation Report, 2001*

***Evaluation***

An exercise was set out to evaluate the performance of KIKALU product (concept and implementation) to ascertain the extent to which it achieved projects'

<sup>7</sup> June 2000 was when CEEWA-U Technical Assistance assignment to UMU ended.

objective of meeting sustainable needs of clients and financial sustainability of the MFI. The exercise analysed the impact on both women clients and the MFI. Findings revealed varied experiences according to gender and location. The evaluation was mainly qualitative (Focus Group Discussions) involving 60 women clients in three UMU branches and revealed a number of issues.

### ***Impact on Economic Status of Women Clients***

Generally, the product contributed to women's economic empowerment in form of access to assets as well as control of assets. Majority of the women especially in the peri-urban were in full control although this was greatest with the single women. It also contributed to improved and expanded businesses and incomes; improved family welfare; reduced domestic violence; involvement in household and community decision-making as quoted by one client:

*Because of the piece of land I bought (the asset), my husband now recognises my contribution to the family as well as the community. I have been elected on the local council because they have realised I can make meaningful contribution to our community.*

In summary, clients in the three branches identified the following indicators as contributions from KIKALU.

- Acquisition of assets.
- Increased knowledge.
- Easier life (relief from economic burdens).
- Unity (doing things together, sharing experiences, improved social ties and problems) and leadership potential attributed to participation in the product implementation.

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- Confidence in the future and decision making.
- Ownership and control of assets purchased and use of the loan and moneys generated from the businesses.
- Improved health and standard of living (food security – more food).
- Household improvements such as bedding, clothing, utensils, building a new home, building a latrine, boda boda, and bicycles; and
- Paying of school fees and dues.

From the above indicators, it can be concluded that the women's welfare has generally been boosted; have gained access to resources and 'significant' assets such as land, buildings etc; but also are able to participate in household and community decision-making process.

Despite the above contributions, there were also marked challenges that affected women's empowerment attributed mainly to their weak management skills, lack of business acumen and exposure, lack of information especially in the rural areas.

### *Challenges*

- Women especially in rural areas are still faced with many social, economic and capacity problems that hinder them from fully benefiting from such initiatives meant to empower them. Linkages between MFIs and Business Development Services (BDS) providers are highly needed to bridge this gap.
- Gender sensitization on the part of providers to perceive gender integration beyond numbers of women beneficiaries is needed to increase impact of the services. The proposed linkage of MFIs to broader economic, social and political movements such as CEEWA-U that challenge gender discrimination and inequality will go along way to improve this.

- Outreach is still a challenge since most MFIs are currently urban based. There is need to build capacity of MFIs in product development so as to diversify and reach out a big number of rural poor currently unprivileged.

### ***Benefits to the MFI***

- KIKALU is counted as one of UMU's innovative approaches to product development that was recognised by the Consultative Group to Assist the Poorest (CGAP), which attracted then a US\$ 50,000 product innovation grant.
- Registered contribution of 16% to loan portfolio, 10% to savings and 2% to membership.
- Because the loans are bigger and loan term longer, KIKALU has attracted new clients and improved client retention. By April 2001 UMU had a total of 10,608 active clients.
- It contributed to 14% of UMU's total income.

## **5.0 CONCLUSIONS: BEYOND ACCESS**

Though access is an important step towards women's empowerment, their readiness and ability to utilize the credit for economic and sustainable gains remains an issue and a challenge to practitioners and gender advocates. Women are still faced with many challenges including<sup>8</sup>:

- High illiteracy levels that limit their full appreciation of the obligations and commitments spelt out in the contracts and other forms;
- Deficiency in accounting and weak management skills hamper business turnover and limit their competitiveness a situation which affect their ability to repay the loans hence keeping them in the vicious cycle of poverty;

- Transaction time is too demanding for women's time to cater for their businesses as well as attend to household chores;
- Limited level of participation in the programs a state that limit provision of clients centred programs;
- Loans given are small a state that has pushed many of them to seek for loans from different sources hence increasing the burden of meeting requirements of different institution; and above all
- Many implementing agencies have little or no experience in increasing women's participation and no efforts directed to understanding client's needs.

All these and many others impact on their effective use of credit and are hence disempowering rather than empowering a state that calls for strategies beyond access. CEEWA-U therefore recommends a full package that encompasses credit, gender sensitisation of the MFIs and BDS for clients to fully realise empowerment through microfinance.

Misgana, in a report "systematic client consultation guide for microfinance projects/programs" emphasised that:

*There is need for microfinance programs to constantly be aware of clients needs to gage their satisfaction with the services. Also stressed the need to be able to accommodate the changing client needs because increasingly, clients understand that they have a choice and hence can choose the best institution that addresses these needs.*

The task for microfinance practitioners and gender advocates is to critically analyse the challenges and needs as wells as lay strategies on how to efficiently address them.

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<sup>8</sup> CEEWA-U, *lending methodologies of MFIs in Uganda: Institutional sustainability and clients needs, 1999.*

Microfinance is a key strategy to poverty alleviation in Africa and Uganda in particular. Engendering Microfinance is a must if women are to be empowered through the same strategy and this calls for strategies beyond access. Microfinance can no longer shy away from the fact that their clients especially women need more than the current training provided. This in my opinion should be reinforced through linkages with BDS providers and more so MFIs' capacity to understand and incorporate the diverse gender needs into their services will go along way to fully utilise the potential of microfinance to empower women not only welfare and access but also control, conscientisation, and effective participation.

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