

WOMEN'S EMPOWERMENT AND PARTICIPATION IN MICRO-FINANCE: EVIDENCE, ISSUES AND WAYS FORWARD

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*We do not only want a piece of of the pie,
we also want to choose the flavour,
and know how to make it ourselves. (Ela Bhatt, SEWA quoted Rose 1992)*

INTRODUCTION

Micro-finance programmes targeting women became a major plank of donor poverty alleviation and gender strategies in the 1990s. Funding is set to further increase under current initiatives by CGAP and member donor agencies². Literature prepared for the Micro-credit Summit in Washington in 1997 and donor and NGO promotional material present an extremely attractive vision of increasing numbers of expanding, financially self-sustainable and even profitable micro-finance programmes. These are presented as not only reaching, but also empowering, large numbers of very poor women borrowers³. Through their contribution to women's ability to earn an income these programmes are assumed to initiate a series of 'virtuous spirals' of economic empowerment, increased well-being for women and their families and wider social and political empowerment. Most micro-finance for women is group-based, on the assumption that bringing women together in groups will be more empowering than individual lending. Funding for programmes which place prime emphasis on women's empowerment is decreasing.

Evidence suggests that micro-finance programmes do indeed have a potentially significant contribution to women's empowerment. However it also suggests this is not an automatic consequence of women's access to savings and credit or group formation *per se*. In many cases benefits may be marginal. Women's own interests are frequently subordinated to those of household poverty reduction and programme financial sustainability. In many cases programme staff openly state that the main motivation for targeting women is because they are perceived as more conscientious and 'docile' clients. Unlike men they are prepared to

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http://www.lastfirst.net/product_info.php?cPath=895&products_id=51038 or contacting the original publisher: M.Sengupta samskriti@vsnl.com. ISBN Number 81-87374-18-7.

² Consultative Group to Assist the Poorest is a major international collaborative initiative arising from the 1993 International Conference on Actions to Reduce Global Hunger and was formally constituted in 1995. The nine founding members are Canada, France, the Netherlands, the United States, the African Development Bank, the Asian Development Bank, the International Fund for Agricultural Development, the United Nations Development Programme\United Nations Capital Development Fund and the World Bank later followed by Australia, Finland, Norway, Sweden, the United Kingdom and Inter-American Development Bank. By early 1996 approximately US \$200 million (including existing budget commitments) was pledged to Micro-Finance programmes for the poorest groups in low income countries, particularly women (World Bank, 1996). Actual amounts disbursed since then, including bilateral funding by individual CGAP members is considerably higher.

³ For example the second goal of the Micro credit Summit campaign in all its literature is 'reaching *and empowering* women' (italics added).

devote considerable time and energy to group activity which decreases programme costs. Women are therefore a convenient, cost-effective and comparatively risk-free means of channeling loans to men within households and creating a savings base. In the light of the impact evidence, serious questions need to be asked about the degree to which programmes with such instrumentalist approach to female targeting merit their currently high profile on the development agenda.

This paper argues that if women are to benefit fully from microfinance programmes, aims and strategies for women's empowerment need to be mainstreamed rather than marginal (albeit photographically picturesque!) add-ons to programmes designed for financial sustainability or household poverty alleviation. An empowerment approach goes beyond using women's time and resources for programme efficiency or community development to focus on participatory strategies to bring about fundamental change in gender relations. Some elements of an empowerment approach can be incorporated into a range of different types of programme. However ensuring flexibility to women's own aspirations and strategies, contextual and organisational constraints will require participatory processes for programme learning, management and action. Women's empowerment will also require the participation of men in the process of change. In many organisations it will require changes in organisational culture and structure. Finally developing the approach will require a change in donor priorities.

Unless these changes are made, microfinance will fail to realise its full potential as part of a holistic agenda for women's empowerment. Importantly there has been no strategic consideration of the ways in which microfinance programmes can more effectively contribute as part of a coherent strategy for women's empowerment, and hence also for poverty eradication. Without such a strategic vision micro-finance programmes risk shifting not only the burden of household debt, but of development itself, onto women.

1: WOMEN'S EMPOWERMENT, PARTICIPATION AND MICRO-FINANCE: COMPETING PARADIGMS AND UNDERLYING ASSUMPTIONS

Concern with women's access to credit and contributions to women's empowerment are not new in India. Women's empowerment and participation have been to the forefront of debates about credit provision since the late 1970s. Self-Employed Women's Association (SEWA), founded in 1974, identified credit as a major constraint in their work with informal sector women workers. Other women's organizations, including Working Women's Forum (WWF) and Annapurna Mahila Mandal (AMM), soon followed. Savings and credit, and more recently insurance and pensions, are conceived as part of a broader empowerment strategy including unionisation, cooperative formation and mobilizing around gender issues like domestic violence and dowry as part of the wider women's movement.

The mid-1980s saw a mushrooming of donor, government and NGO-sponsored credit programmes in the wake of the 1985 Nairobi women's conference. Women's credit and/or savings programmes were started by NGOs like MYRADA, ASA and CARE as the women's component of integrated development programmes. Other programmes like ASSEFA added programmes for women onto existing micro-finance services. Some credit cooperatives attempted to target women more effectively. In some places federations of women's thrift and credit cooperative groups were set up, as in the case of Andhra Pradesh Cooperative Development Foundation. The numbers of NGOs involved in micro-finance continued to expand rapidly in the 1990s and into this century. As part of this expansion, the emphasis on female targeting in both NGOs and specialist micro-finance institutions (MFIs) has increased.

A key focus has been on increasing women's access to formal sector poverty-focused bank lending programmes. Subsidised credit had existed since 1969 and the stated goals of poverty reduction and targeting the disadvantaged provided an obvious avenue for mobilization and lobbying by women's organizations. Loans for women were possible under the Differential

Rate of Interest (DRI) scheme introduced in 1972 aimed at small-scale producers. This was expanded throughout the country in 1977 and in some areas women formed 25 - 29% of borrowers. In some urban areas where women's organizations were active this was as high as 72-80% (Everett and Savara 1991). Women were also eligible for loans under the Integrated Rural Development Programmes (IRDP). By 1990 sustained lobbying by gender advocates had succeeded in getting a target of 40% of IRDP lending to women. However both schemes continued to be characterized by corruption and 'leakage' to the better-off and there was a reduction in funds following the Structural Adjustment Programme.

The Indian government has more recently formulated several other schemes to support savings and credit programmes specifically for women. In 1982 the Development of Women and Children in Rural Areas Programme was started as a sub-scheme of the IRDP. This aimed to set up savings and credit groups which were given a revolving fund. Following a stagnation in funding in the early 1990s there has recently been a rapid expansion in the DWCRA programme in some states. Other large-scale schemes have also been started to channel credit to women through NGOs and/or self-help groups through National Board for Agricultural Reconstruction and Development (NABARD), Rashtriya Mahila Kosh (RMK) and Small Industries Development Board of India (SIDBI).

Particularly since the mid-1990s under the initiatives of CGAP member agencies, funding for microfinance has increased. This is included both funding for government programmes at national and state-level, NGOs and specialist Micro Finance Institutions. The conditions placed on such funding has varied between donors, but has generally included requirements for reaching financial sustainability over a specified period of time. Starting with USAID in 1974, by the mid-1990s most donor agencies also had gender policies committing them to gender mainstreaming within their own organisations in order to bring about gender equality and women's empowerment⁴. Many donor agencies in their funding conditions also give reference to programmes which have at least a certain percentage of credit should be accessed by women.

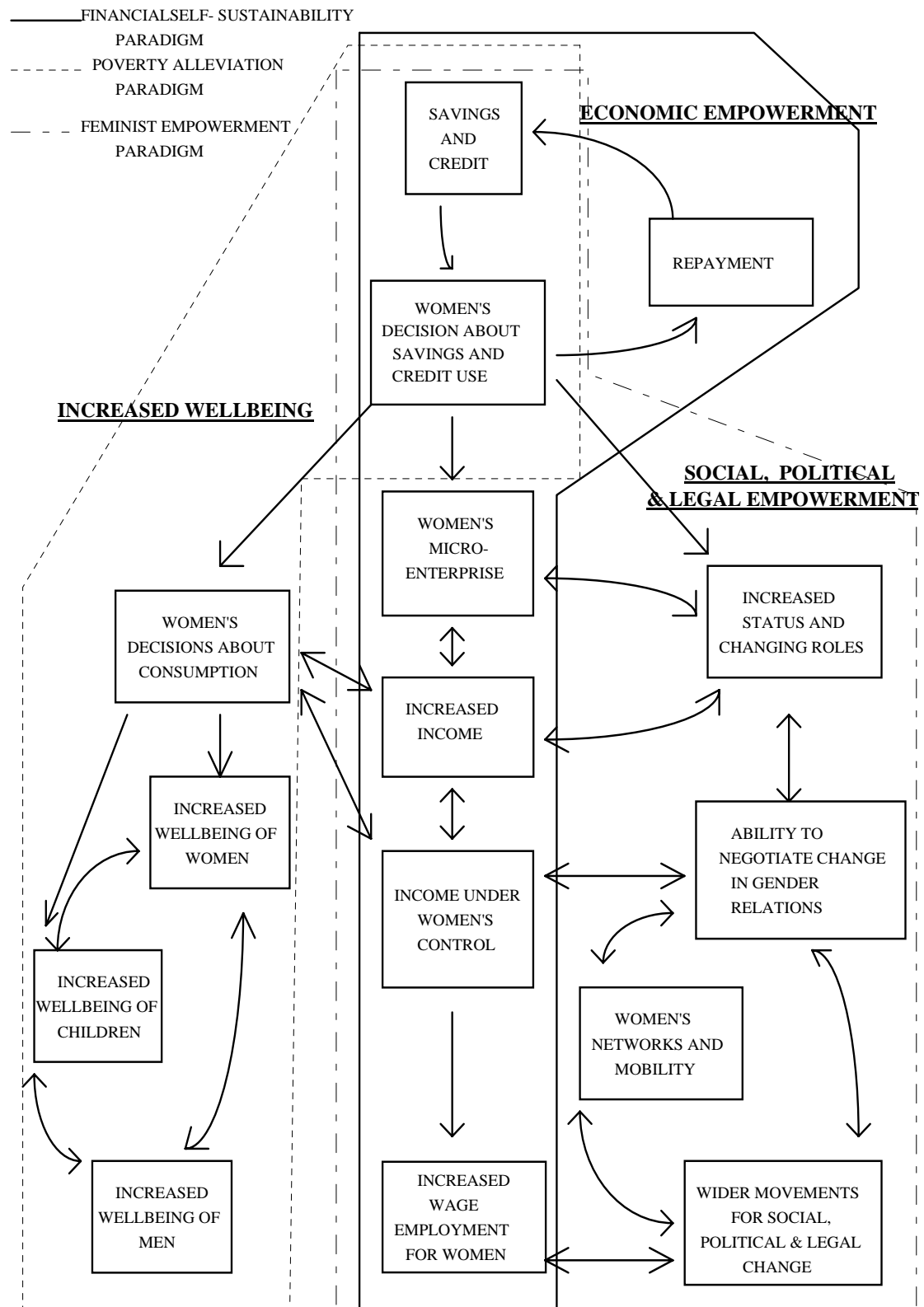
However in the process of this rapid expansion in female-targetted microfinance there has been a progressive narrowing of the definitions of empowerment, and decrease in funding for explicit strategies to achieve it. Underlying the current consensus that 'targeting women is a good thing' are three rather distinct 'paradigms' of micro-finance, here termed:

- feminist empowerment paradigm
- poverty alleviation paradigm
- financial sustainability paradigm

In all three paradigms the term 'empowerment' is commonly used, particularly in promotional literature. Assumptions are made about the contribution of microfinance in catalysing a series of mutually reinforcing 'virtuous spirals' of economic empowerment, increased well-being and social and political empowerment (See Figure 1). However the paradigms arise from very different value and political premises of the promoting agencies and prioritise different underlying development goals. They have very different underlying understandings of gender and empowerment and lead, through different lines of logical argument, to very different policy conclusions for microfinance (See Box 1).

⁴ As for example in the declaration of the UN Economic and Social Council signed by all UN agencies in 1997 which defines gender mainstreaming as 'the process of assessing the implications for women and men of any planned action, including legislation, policies or programmes, in any area and at all levels. It is a strategy for making women's as well as men's concerns and experiences an integral dimension in the design, implementation, monitoring and evaluation of policies and programmes in all political, economic and societal spheres so that women and men benefit equally and inequality is not perpetuated. The ultimate goal is to achieve gender equality.'

Fig. 1 VIRTUOUS SPIRALS: PARADIGMS COMPARED



BOX 1: GENDER AND MICRO-FINANCE: CONTRASTING PARADIGMS**FEMINIST EMPOWERMENT PARADIGM**

Underlying development paradigm: structuralist and socialist feminist critique of capitalism

Target group: poor women

Reason for targeting women: gender equality and human rights

Main policy focus: micro-finance as an entry point for women's economic, social and political empowerment

Main policy instruments: gender awareness and feminist organization

Main focus of gender policy: gender awareness and feminist organization

Definition of empowerment: transformation of power relations throughout society

Definition of sustainability: development of self-sustaining participatory women's organizations linked to a wider women's movement for transformation of gender relations

Definition of participation: participation as an end in itself to enable women to articulate their collective interests and organise for change in gender relations.

Underlying assumption: women's empowerment requires fundamental change in the macro-level development agenda as well as explicit support for women to challenge gender subordination at the micro-level.

POVERTY ALLEVIATION PARADIGM

Underlying development paradigm: interventionist poverty alleviation and community development

Target group: the poorest

Reason for targeting women: because of higher levels of female poverty and women's responsibility for household well-being

Main policy focus: micro-finance as part of an integrated programme for alleviation of poverty and vulnerability and increasing wellbeing for the poorest households

Main policy instruments: the importance of small savings and loan provision, group formation for community development, methodologies for poverty targeting and/or operating in remote areas.

Main focus of gender policy: increasing women's participation in self-help groups

Definition of empowerment: increased wellbeing, community development and self-sufficiency

Definition of sustainability: establishment of local level participatory institutions for long-term community self-reliance and self-determination for the poor

Definition of participation: participation as an end in itself, increasing skills through consultation in decision-making, group formation for community development and development of self-owned and self-managed peoples' organisations.

Underlying assumption: that women's empowerment and household level poverty alleviation and community development are inherently synergistic and that increased well-being and group formation will automatically enable women to empower themselves.

FINANCIAL SELF-SUSTAINABILITY PARADIGM

Underlying development paradigm: neo-liberal market growth

Target group: the entrepreneurial poor

Main policy focus: setting up financially self-sustainable micro-finance programmes which increase access to micro-finance services for large numbers of poor people, including women

Main policy instruments: setting of interest rates to cover costs, separation of micro-finance from other interventions to enable separate accounting, programme expansion to increase outreach and economies of scale, ways of using groups to decrease costs of delivery

Reason for targeting women: efficiency considerations because of high female repayment rates and contribution of women's economic activity to economic growth

Main focus of gender policy: providing the framework for equal access for women

Definition of empowerment: economic empowerment, expansion of individual choice and capacities for self-reliance

Definition of sustainability: programme financial self-sufficiency.

Definition of participation: participation as a means to increased efficiency through consultation for 'market relevance', group formation for self-help to decrease costs of service delivery and some participation in decision-making to increase commitment and innovation.

Underlying assumption: that increasing women's access to micro-finance will automatically lead to economic empowerment without other complementary interventions or change in the macro-economic growth agenda.

The *feminist empowerment paradigm* did not originate as a Northern imposition but, as noted above, is firmly rooted in some of the earliest micro-finance programmes in India. Here the underlying goals are gender equality⁵ and women's human rights as set out in the 1979 Convention on the Elimination of Discrimination against Women⁶ and promoted by the international women's movement. Empowerment is conceived as a multidimensional process involving challenging existing power relationships and inequalities at different interlinked levels. Economic empowerment itself is defined in more than individualist terms to include issues such as property rights, changes intra-household relations and transformation of the macro-economic context. Economic empowerment is seen as both dependent on, and contributing to, social and political empowerment. The ultimate aim is transformation not only of gender relations, but all power relations and dimensions of inequality throughout society (Sen and Grown 1988).

Micro-finance is promoted as an entry point in the context of a wider strategy for women's economic and socio-political empowerment which focuses on gender awareness and feminist organization. As developed by Chen in her proposals for a subsector approach to micro credit, based partly on SEWA's strategy and promoted by UNIFEM, microfinance must be:

- part of a sectoral strategy for change which identifies opportunities, constraints and bottlenecks within industries which if addressed can raise returns and prospects for large numbers of women. Possible strategies include linking women to existing services and infrastructure, developing new technology such as labour-saving food processing, building information networks, shifting to new markets, policy level changes to overcome legislative barriers and unionisation.
- based on participatory principles to build up incremental knowledge of industries and enable women to develop their strategies for change (Chen, 1996).

Many organisations go further than interventions at the industry level to include gender-specific strategies for social and political empowerment. Some programmes have developed very effective means for integrating gender awareness into programmes and for organizing women and men to challenge and change gender discrimination. Some also have legal rights support for women and engage in gender advocacy. These interventions to increase social and political empowerment are seen as essential prerequisites for economic empowerment. In recognition of the contextual and cultural diversity of women's needs and aspirations, many organisations have been developing participatory methodologies for gender training and decision-making. Recently also increasing attention has been paid to men's role in challenging gender inequality. The development of sustainable and participatory women's organisations is seen as an end in itself in order to bring about change in gender relations at both the micro and macro levels.

The *poverty alleviation paradigm* underlies many NGO integrated poverty-targeted community development programmes. These programmes are based on principles of 'self-

⁵ The term equality is used here, not in the sense of sameness but of equality of choice and opportunity. It is used in preference to the term 'equity' which became hijacked by the conservative right to justify existing gender differences and divisions.

⁶ CEDAW clarifies the fact that the 1948 Declaration of Human Rights also includes women. These rights include: rights to life, liberty, security of person and freedom from violence and degrading treatment and freedom of movement; legal equality and protection by the law including equal rights in marriage including women's equal rights to make decisions in their family regarding property, marriage and children, property and resources; right to own property and from deprivation of property; freedom of thought, opinion and association; right to work, freedom from exploitation and right to rest and leisure; right to a standard of living adequate for health and right to education including special care for mothers.

help ' to build sustainable livelihoods and sustainable communities. Poverty alleviation here is defined in broader terms than market incomes to encompass increasing capacities and choices and decreasing the vulnerability of poor people. The focus is not so much on enterprise development, but developing sustainable household livelihoods, decreasing household vulnerability and community development. Microfinance is often part of a wider integrated development programme including interventions like agricultural development, environment, literacy, healthcare and infrastructure development. More recently some of these NGOs, like CARE, have increasingly emphasised a rights-based approach, integrating a concern with structural inequality and power relationships into the understanding of sustainable livelihoods.

Microfinance policy debates have focused particularly on the importance of small savings and loan provision for consumption as well as production and group formation for community development. In some programmes there is not only a concern with reaching the poor, but also the poorest. This is done through selecting particular remote areas, focusing on particular communities like tribals or Dalits, or through participatory methods like wealth ranking. Sustainability is defined in terms of sustainability of people's organisations where participation is seen as an end in itself. Some have argued for some level of subsidy for programmes working with particular client groups or in particular contexts⁷.

Here gender lobbies have argued for targeting women because of higher levels of female poverty and women's responsibility for household well-being. However although gender inequality is recognised as an issue, the focus is on assistance to households. The term 'empowerment' is frequently used in general terms, often synonymous with a multi-dimensional definition of poverty alleviation. However there is a tendency to see gender issues as cultural and hence not subject to outside intervention. Households and communities are seen as cooperative units which need to be preserved and strengthened. Any prioritisation of women's interests is seen as inherently divisive. The assumption is that increasing women's access to micro-finance will enable women to make a greater contribution to household income, either through their own economic activity or equally becoming a channel for loans to household activity. This contribution will be recognised and valued by other household members and lead not only to increased household well-being, but women's increased role in decision-making and improved well-being for women themselves. This increased status in the household will in itself in turn give women the support they need to enable women together with men to bring about wider changes in gender inequality in the community.

The *financial self-sustainability paradigm* (often referred to as the financial systems approach or sustainability approach) underlies the models of microfinance promoted since the mid-1990s by most donor agencies, particularly USAID, World Bank, UNDP and the CGAP Secretariat⁸. In the frenzy of tax reduction by Northern neoliberal governments, and hence declining Northern aid budgets, micro enterprise and microfinance were seen as an ideal means of 'self-help' poverty reduction, avoiding difficult questions of international inequality and resource redistribution. Microfinance became an established part of the human face of macro level Structural Adjustment. Based on the apparent success of institutions like Grameen Bank in Bangladesh and ACCION in Latin America in reaching large numbers of poor people, and promoted through lobbying by microfinance networks⁹, a new paradigm for minimalist microfinance emerged. It is argued that

⁷ See for example Johnson and Rogaly 1996, although they would also agree with elements of the feminist empowerment paradigm proposed here.

⁸ The most detailed articulation of this paradigm is given in Rhyne and Otero 1994, and echoed in publications and funding guidelines by USAID, ODA-UK (now DFID), World Bank, UNDP and increasingly by other members of CGAP. See for example World Bank 1995, UNDP 1997, DANIDA 1998. Copies of CGAP publications can be obtained from CGAP Internet web-site: <http://www.worldbank.org/html/cgap/cgap.html>

⁹ For an interesting account of the background lobbying with USAID which eventually led to the Micro-Credit Summit Campaign see Harris 1994.

in order to reach the millions of poor people needing microfinance services, microfinance institutions must eventually be profitable and fully self-supporting. They must be able to raise funds from international financial markets in competition with other private sector banking institutions rather than relying on funds from development agencies¹⁰. The main target group, despite claims to reach the poorest¹¹, is the 'bankable poor': small entrepreneurs and farmers. Policy discussions have focused particularly on setting of interest rates to cover costs, separation of micro-finance from other interventions to enable separate accounting and programme expansion to increase outreach and economies of scale, reduction of transaction costs and ways of using groups to decrease costs of delivery. Guidelines for CGAP funding and best practice focus on production of a 'financial sustainability index' which charts progress of programmes in covering costs from incomes.

Within this paradigm gender lobbies have been able to argue for targeting women on the grounds of high female repayment rates and the need to stimulate women's economic activity as a hitherto underutilized resource for economic growth. They have had some success in ensuring that considerations of female targeting are integrated into conditions of micro-finance delivery and programme evaluation. Alongside this focus on women, the term 'empowerment' is frequently used in promotional literature. Definitions of empowerment are in individualist terms with the ultimate aim being the expansion of individual choice or capacity for self-reliance. It is assumed that increasing women's access to micro-finance services will in itself lead to individual economic empowerment through enabling women's decisions about savings and credit use, enabling women to set up micro-enterprise, increasing incomes under their control. It is then assumed that this increased economic empowerment will lead to increased well-being of women and their families and also to social and political empowerment. Group-based systems are promoted to overcome the costs of individual poverty-targeted lending through using 'social capital' to reach large numbers of women and increase repayment through peer pressure¹². This group activity is then seen as automatically and simultaneously contributing to further building this same 'social capital'.¹³ Although earlier formulations of the paradigm stressed the importance of gender equality in property relations¹⁴, these no longer receive any mention either in the donor literature or microfinance advocacy. Any external attempts to support women's empowerment as either local or macro levels are commonly dismissed as at best unnecessary, and at worst 'maternalistic'.

¹⁰In Rhyne and Otero's formulation achieving self-sufficiency is seen in terms of four stages or levels. The first level is where grants for soft loans cover operating expenses and establish a revolving loan fund. At the second level programmes raise funds by borrowing on terms near, but still below, market rates. Interest income covers the cost of funds and a portion of operating expenses, but grants are still required to finance some aspects of operations. At the third level most subsidy is eliminated. At the fourth level programmes are fully financed from the savings of their clients and funds are raised at commercial rates from formal financial institutions. Fees and interest income cover the real cost of funds, loan loss reserves, operations and inflation and profits.

¹¹ Eg in Micro Credit Summit documents and the title of CGAP itself: Consultative Group for the *Poorest*.

¹² For example Otero and Rhyne write (1994: 16) 'Group formation is often employed by micro-enterprise programmes particularly for the poorest clientele. The group plays a role in reducing the cost of gathering information about the borrower, but its more important role is in repayments through shared liability for default. Lenders can shift some of the loan-processing and loan-approval tasks onto the group because the groups have better access to information on the character and creditworthiness of potential borrowers'.

¹³ For a discussion of the use of debates about social capital in financial sustainability discourse see Mayoux 2000b.

¹⁴ eg in Otero and Rhyne 1994 and also USAID literature from the GEMINI project in the early 1990s.

Conflation of paradigms and dilution of gender policy: offering 'bootstraps' or 'clutching at straws'?

Micro-finance programmes in India are probably more diverse than in other countries because of the long history and strength of the NGO movement, the relative openness of the formal financial system to various forms of collaboration and the number of donors and international NGOs involved. The paradigms described above do not necessarily correspond systematically to any organizational model but may co-exist in an uneasy tension between for example economists and banking staff, social development staff and gender advocates within programmes and donor agencies. Even programmes following an apparently similar model e.g. Grameen model, savings and credit cooperative and so on, may differ significantly along a number of dimensions which are likely to have significant implications for their contribution to women's empowerment.

BOX 2: DIMENSIONS OF VARIATION IN MICRO-FINANCE PROGRAMMES

Underlying values and ideology: did the programme originate as a people's movement, an integrated development programme or from the banking sector

Organizational gender policy: whether this exists at all and its precise form

Structure and function of groups: group size, composition, internal regulations, ownership of assets and role in different levels of decision-making

Micro-finance product design: directed/undirected loans, loan amounts, repayment schedules, savings conditions, linkage between savings and credit, interest rates, insurance or pension products

Non-financial interventions: relative importance of micro-finance compared with other interventions; types of other intervention and degree and level of integration with micro-finance delivery.

External funding: amounts, source and the types of conditions imposed by the donor

What is worrying about current debates is not so much the promotion of any particular organizational model, but the ways in which assumptions, goals and policies from different paradigms have become conflated¹⁵. The rhetoric of women's empowerment continues to be used and the pictures of supposedly 'empowered women' (generally wearing colourful dress and doing handicrafts) feature prominently in micro finance promotional literature of both NGOs and donor agencies. As noted above, both governments and international agencies have official commitments to gender mainstreaming for gender equality and inclusion of gender equality as an integral dimension of the rights-based approach. However the financial sustainability paradigm and financial sustainability priorities dominate the policies and funding decisions of most donor agencies, and also Microfinance Institutions (MFIs). The poverty alleviation paradigm continues to dominate policy-making in many NGOs.

¹⁵ For example in the Micro-credit Summit Declaration and Plan of Action 1997 in the section entitled 'Micro-credit: Empowering Poor People to End their Own Poverty' one finds the following: 'empirical evidence has shown that women, as a group, are consistently better in promptness and reliability of repayment. Targetting women as clients of microcredit programs has also been a very effective method of ensuring that the benefits of increased income accrue to the general welfare of the family, and particularly the children. At the same time, women themselves benefit from the higher status they achieve when they are able to provide new income.' (RESULTS, 1997 p8)

This has led firstly to a focus on a poverty reduction strategy from which the poorest are excluded because they are 'not bankable'. It is claimed that the poorest people need welfare and not microfinance, but no coherent plans for the welfare programmes needed are on the agenda. The very poor are no longer being given credit, and continue to rely on informal structures which exploit the poorest most. They are being asked to save from scarce resources needed for consumption investment. The addition of insurance means that they are also now being asked to bear the risks of their poverty. Not only are the very poor, and particularly the poorest, being asked to 'pull themselves up by their bootstraps', but also bear the risks of these bootstraps snapping! Despite the rhetoric of human rights and democratisation, there is no coherent agenda for addressing unequal power relations at national and international levels which cause this poverty.

Gender issues remain marginalised despite female targeting. Numbers of women's names on loan and savings registers is taken as proof of benefits to women. There is continuing reluctance to paying anything more than lip service to any real policy change. The interpretation of 'gender' as 'women and men' as advocated in much gender training, has not led to strategies to bring men into the process of questioning gender inequalities which disadvantage women. It has rather led to a questioning of any positive action to protect women's interests. On top of this, the predominant concern for financial sustainability has led to the cutting of most non-financial services, including gender and enterprise training. Organisations like SEWA have become potent images of women's empowerment, and the SEWA Bank is financially sustainable. This has been taken as evidence that women's empowerment is an automatic outcome of all financially sustainable microfinance, even without the accompanying organisational structures and explicit empowerment strategies which SEWA promotes. Because women in households where men are supportive have been able to bring about significant improvements in their condition and position in the household and community, unwarranted assumptions are made that no women need support to bring about change.

2. WHY SHOULD WE WORRY? EVIDENCE OF GENDER IMPACT

Microfinance targeting women has now become a major, and in many cases the main, focus of gender policy for many NGOs and donor agencies. Whatever the underlying motivations and policy perspective, the explicit justification is in terms of the benefits for women as well as their families.

Existing evidence is patchy, often anecdotal and uses different frameworks and assumptions which make comparison between contexts and programmes problematic. Any impact assessment, even quantitative economic assessment of impacts on household income, are inherently problematic. Any frameworks or indicators used are inevitably partial and to some extent arbitrary. The numbers of women or men who can realistically be interviewed with resources normally available are limited. Analysis and interpretation of the information is inevitably in practice as much an art as a science. Even where objectivity is claimed, the whole process inevitably has a highly subjective element. This influences the particular frameworks used and questions asked and the ways in which they are asked. It influences whose views are emphasised among the many different experiences collated either as 'the norm' or probably more importantly for programme improvement 'vision of what is possible and could be.' Identifying the implications for programme or policy improvement are inevitably at least partly moral or political ones. Although not inherently more complex, where commitment to women's empowerment is weak organisations, gender impact assessment is likely to further magnify complexities and contentions inherent in impact assessment itself¹⁶.

There is an urgent need for a much more systematic, sustained, cross contextual and comparative process of learning about how microfinance is affecting women, what women want from microfinance, how these differ between women and between contexts and how microfinance programmes of different types of can best be designed to address these needs. As part of this learning there also needs to be a much more strategic analysis of how microfinance fits into the 'big picture' of change in gender relations and poverty elimination at both the micro- and macro-levels.

In the absence of such a learning process, what follows below brings together evidence from a diverse range of sources. It focuses on a number of impact studies of particular programmes: Self-Employed Women's Association, Working Women's Forum (WWF), and comparative study of 15 NGOs in Andhra Pradesh and Kerala¹⁷. This is supplemented by unpublished material from a longitudinal study of women's DW CRA groups in West Bengal, an earlier study of gender relations in the Karnataka silk industry and exploratory research on a number of microfinance programmes¹⁸. The discussion also draws on discussions and material

¹⁶ Some of the complexities regarding intra-household relations are discussed in relation to the academic research literature on microfinance and women's empowerment in Bangladesh in Kabeer 2002 and Todd 1996. Issues in impact assessment more generally are discussed in detail on the DFID-funded Enterprise Development Impact Assessment Information Service web site www.enterprise-impact.org.uk in the various papers by the author on assessment tools, qualitative and participatory methods and microfinance.

¹⁷ The discussion here is based on: assessment of ASA by Hishiguren 2000; studies of ASSEFA by Copstake 1993, 1996 and Dhanalaxmi 1995; assessments of SEWA Bank Chen and Snodgrass 1999, 2001; research on Working Women's Forum by Noponen 1990 and a comparative study of 15 NGOs in Andhra Pradesh and Kerala by Rajasekhar 2002.

¹⁸ The West Bengal research consisted of studies of 15 DW CRA groups in West Bengal between 1997 and 2000 building on earlier anthropological research in the area (Mayoux 1989). The research on the Karnataka silk industry was conducted over a five-month period 1988-1989 (Mayoux 1993). Exploratory investigations were conducted in Tamil Nadu over two and a half weeks in February 1998 with PRADAN (now Dhan Foundation) LEAD and ASA. This follows earlier exploratory research with SEWA and WWF in 1986.

collected for a series of workshops facilitated by the author on micro-finance and women's empowerment¹⁹. Other sources of information include gender-disaggregated data from more general economic impact studies and NGO and government reports and web-sites.

Despite the highly imperfect nature of this evidence, it is clear that microfinance does have considerable potential as part of an empowerment and poverty reduction strategy. At the same time, all the assumptions about any automatic interlinkages between savings and credit or group formation *per se* need to be questioned.

Women's access to micro-finance: some very basic questions

The first set of assumptions underlying microfinance programmes targeting women are that:

- women need microfinance services (credit, savings, insurance or pensions) for a variety of purposes
- current formal or informal sector provision to which women have access is inadequate in some way (eligibility, accessibility, cost, convenience, confidentiality)
- this gap between need and provision is best filled by special microfinance services rather than directly reforming and improving formal sector provision and/or stimulating the informal sector

Most microfinance programmes with Management Information Systems keep sex-disaggregated statistics on loan disbursement and savings. Microfinance programmes have an impressive record of making services available to thousands of women who did not formerly access formal sector provision. All the microfinance programmes attending the workshops facilitated by the author reported high levels of demand for credit, and to a lesser extent for savings. Some programmes also report a demand for insurance. Women's repayment levels in most microfinance programmes attending the workshops facilitated by the author were also high, generally estimated at over 90%²⁰. Significantly, most mixed-sex programmes for which gender-disaggregated data were available reported higher levels of repayment for women and women's groups than for men and mixed sex groups. High levels of female repayment compared to those of men in initial programme stages had led to a progressive targeting of women in many mixed-sex programmes attending workshops facilitated by the author.

It is not however access *per se* which is important, but the types of services to which access is given and how far these really address the needs of poor people and help them to overcome the serious problems which they face. Many programmes also report difficulties 'persuading women of the importance of the savings habit' or 'persuading them to take larger loans' (see for example paper by Gupta this volume). Drop out rates from insurance programmes are high and increasing, even in women-focused programmes like SEWA and take up has declined (McCord 2001). This is not necessarily indicative of lack of need. It is often rather indicative of either lack of relevance of the particular services on offer to that particular need. The frequent rather complacent assertions that very poor people are willing and able to pay the full cost of microfinance services, the reluctance of many poor people to either save or borrow indicates that this assertion requires at least a much closer investigation.

¹⁹ The first workshop was in 1997 organized by Action Aid, Bangalore and funded by DFID-UK. The second was the workshop in 2001 in New Delhi organized by Pradan on which this book is based. The third was a series on gender training workshops in 2002 for Andhra Pradesh, Orissa and West Bengal with partners of CARE-India's CASHE project.

²⁰ Repayment data are notoriously problematic, depending on the very precise ways in which financial data are collected and interpreted.

There are undoubtedly many women in India who need credit, but for whom access has been either impossible or highly exploitative. Problems of rapacious moneylenders, traders and employers who extend credit in exchange for bonded labour and tied sales must not be dismissed or underestimated. Nevertheless the now extensive research on informal sector credit provision in India points to a more complex and variable picture whereby it cannot be assumed that services offered by microfinance programmes are necessarily better for many women than those offered by the informal sector²¹. In many parts of India, particularly urban areas, women are commonly involved in Rotating Savings and Credit Associations (ROSCAs) and other forms of informal sector savings and insurance provision. These may give them better returns than the very small-scale savings and credit available from NGOs. For example, the author's research on the South Indian silk industry found that these illegal and confidential 'chit funds' were common amongst silk reeling labourers and that some women have managed to amass relatively large sums for house improvement. This is in contrast to an NGO which had tried to set up a small scheme and where the organiser had then absconded with the savings before any credit had been disbursed.²² For many women, particularly those deemed creditworthy, credit from landowners, shopkeepers, relatives and neighbours is interest-free, although it may involve some asymmetrical obligation. Moneylenders are not necessarily seen as exploitative. Coming from the local community they may actually be more trusted and urban-based NGOs staff. Moneylending may be an important source of income for some women, particularly Muslim and upper-class widows, who have no other source of support. For example a Muslim widow was an important source of relatively low interest credit for very poor bamboo workers in a community studied by the author in West Bengal. She knew the people personally and was generally said to be sympathetic when they had difficulties.

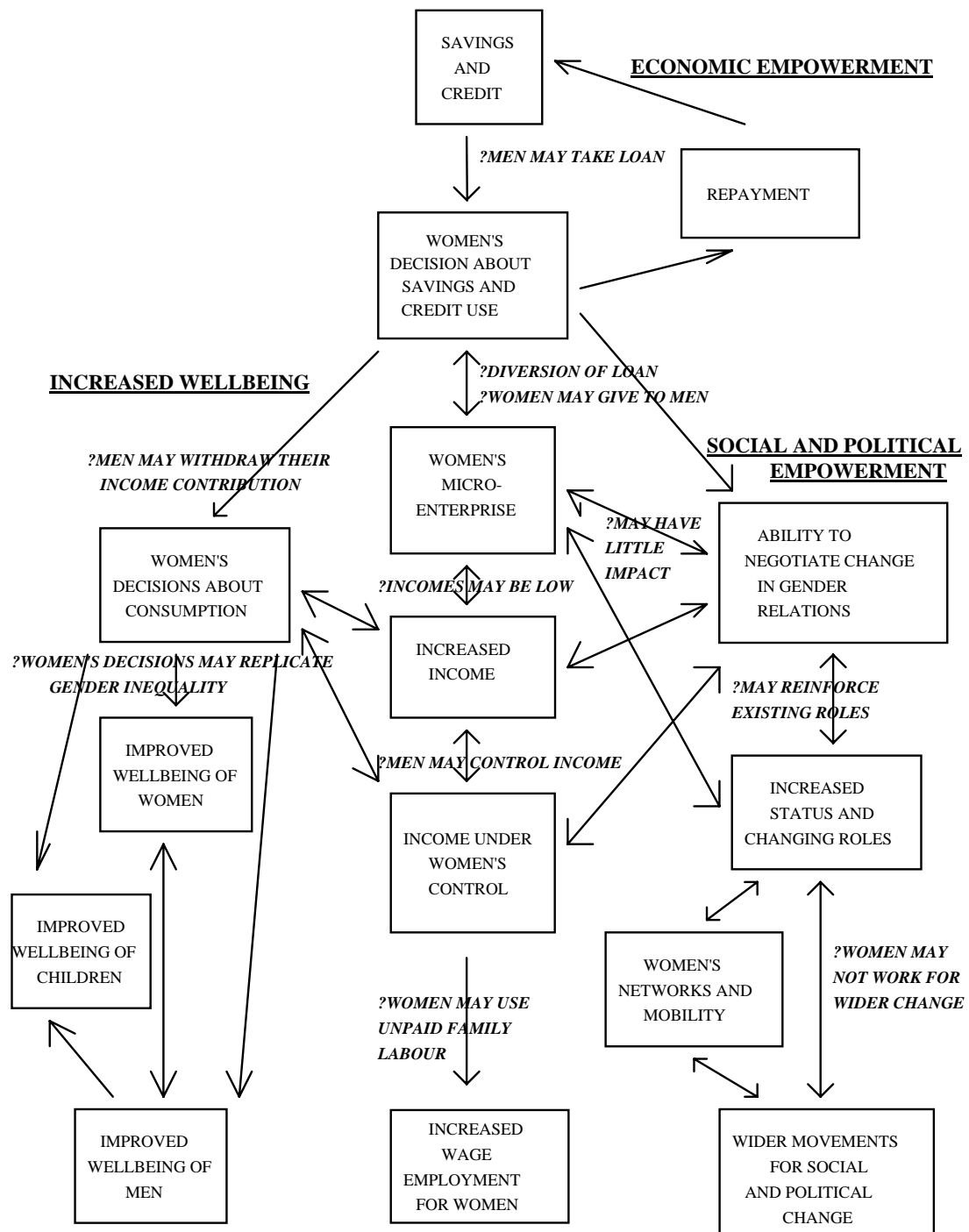
Women do also value savings of various types: to amass sums for productive investment or acquiring assets, for emergency or predictable consumption needs like healthcare, school fees, birth and marriage ceremonies and so on. However for many women, cash savings with microfinance programmes are not necessarily the best option. Women have traditionally invested in assets like livestock and jewellery which not only increase in value but also have either material use or status-enhancing value. The reciprocal loan giving in times of crisis may also be seen as a form of savings, whereby women build up a stock of 'socially invested capital' which can be called on when they themselves are in trouble borrowing either from those to whom they have lent, or from others on the basis of the good reputation which they have thereby attained²³. It is not necessarily 'lack of thrift' which prevents women (or men) from saving in microfinance programmes, but an economically rational decision about optimal use of scarce resources. Savings diverts scarce income from productive investment and consumption. Forgoing consumption may be very injurious to women's health and thus harm their prospects for earning. As discussed below, there are also gender implications of the current pressure on women to become the main enforcers of household thrift. In the rush to promote savings as a means of increasing the funds, risk-protection and numbers of members who can be shown as 'beneficiaries', many programmes offer savings services which do not offer a reliable or competitive return on women's savings or take their diverse savings needs into account.

²¹ Rutherford 1996; Ruthven 2001, Patole and Ruthven 2001.

²² For discussion of women and ROSCAs see Ardener and Burman eds 1995, particularly papers by Mayoux and Anand and by Sethi.

²³ For a detailed discussion of the different forms which women's savings may take in African context see Mayoux and Lacoste 2002.

Fig.1 VIRTUOUS SPIRALS : QUESTIONING ASSUMPTIONS



The recent interest in insurance often does not have women's own needs as the main motivation. Insurance products are particularly problematic, because there are great difficulties in offering cover for the most frequent and widespread risks which poor people face at a cost which they can afford and which enables a programme to be financially sustainable. Some programmes, like ASA, have insurance products which return premiums to women if they are unable to keep up instalments. However in many programmes, the main motivation is to protect the programme from losses due to non repayment of livestock loans or because of illness. Here if people have problems in maintaining instalments, they lose the entire amount which they had formerly paid into the policy. Serious questions need to be asked about whether very poor women or men should be being asked to bear all the costs of all the risks which their poverty creates.

Increasing women's access to microfinance services cannot therefore be taken as automatic indication of benefit to women. As discussed in more detail below, this depends on what the services are used for and by whom. The appearance of a woman's name as loan beneficiary says very little about who actually uses the loan within the household. The rapid expansion of microfinance has been accompanied by a certain slippage from the original aim of increasing women's access to services to be used by women to a situation where women are targeted in order to channel microfinance services to households. As discussed below women themselves may well choose to use their loans or savings for the household. However in other cases, programmes pay little attention to whether or not women are involved at all in such decisions. Even in SEWA where there was found to be a fairly high level of control by women over loan use,²⁴ 6-7% said their husbands made the decision without consulting them. Importantly in many mixed-sex programmes, the types of services to which women and men have access are very unequal. Women are perceived as savers and have access to small group-based loans whereas it is men who have access to larger loans on an individual basis without having to spend time in groups to obtain them.²⁵ Again although this may be a conscious decision on the part of women, the author's own interviews in various parts of India in different programmes also indicated a demand from women for larger loans for their own activities.

Finally numbers of women whose names appear on microfinance programme registers of members cannot be taken as an indication that all women within communities who need it have access to microfinance. Many programmes explicitly exclude landless labourers, either because they are not involved in micro enterprise or because they do not have land to qualify for agricultural loans. The poorest women may be discriminated against within groups in terms of access to loans. They are likely to have lower levels of savings and from more likely to drop out from insurance schemes. Particularly where women are mutually liable for repayment of each other's loans or where programme membership or access to loans depends on reaching a certain level of savings, very poor women are often excluded altogether. As discussed in more detail below, changes in market conditions and gender norms and expectations may mean that those who are excluded or less able to fulfil the required conditions may become even more disadvantaged than they were before the programme began.

²⁴ Assessed in terms of three separate questions: who took the decision to take the last loan; who took the decision as to how to use the loan; who took the decision as to what to do with the income generated by the loan. 25-33% of women said they took the decision independently, although it is unclear how many of these were female headed households. Over half said they took the decision jointly but there was no investigation of the relative roles of each partner in this process.

²⁵ One exception was in ASSEFA where women's livestock loans were larger than men's crop loans (Dhanalaxmi, 1995).

Women's individual economic empowerment: increased incomes

The second set of assumptions concern the contribution, particularly of loans, to women's individual economic empowerment:

- that savings and loans enable women to set up new economic activities or expand existing ones in order to increase the income they earn.
- that savings and loans, and/or this increased income, enable women to increase their assets like jewellery, livestock, land or houses and house sites.
- that this increased income and assets are controlled by women and hence contribute to other dimensions of empowerment: that it can be used directly to increase their own well-being and that their children and/or to strengthen women's ability to negotiate change in gender relations within the household and wider community. In particular it would enable women to be economically independent if they are left widowed or if relations with other family members, particularly husbands, break down.

These assumptions underlie the very earliest promotion of microfinance for women in organisations like SEWA, WWF and AMM. In these programmes the focus is on women who were already working in the informal sector. Indebtedness to moneylenders at high rates of interest was identified as a major constraint on their ability to increase incomes and negotiate the best rates for their products in putting out systems. Credit was needed in order to enable women to purchase equipment or working capital, or to overcome temporary crises in the household which forced them into debt or to work or sell products at whatever rates were offered in order to have some cash at the end of the day. The assumption that microfinance will stimulate women's micro enterprise and increase earnings and assets under their control also underlies the promotion of microcredit by gender lobbyists arguing within the financial sustainability paradigm for more attention to women's productive needs in donor agencies like USAID.

Information on actual loan use does not exist for many programmes. In some programmes loans, and occasionally savings withdrawals, are only sanctioned for particular economic activities. In some cases loans or savings are directly used to purchase equipment or working capital and this can be readily verified. In some programmes different types of loans are sanctioned for different purposes, with different sizes, repayment schedules and interest rates. However loan use is often not followed up, and people frequently use the loan for purposes other than those stated on loan records. In many programmes loan use is not specified at all by the programme and no records are kept.

Research studies have shown that the use of loans for women's economic activities in programmes like SEWA and Working Women's Forum is higher than that reported for programmes like Grameen Bank in Bangladesh. Noponen's longitudinal study of 300 women borrowers in Working Women's Forum in Madras 1980-85 found that of the 685 loans disbursed to the sample women over the study period 51% were invested in full (27%) or in part (24%) in a women's business. Over one third of the sample had been able to begin market work with a loan, and that for a quarter of all the sampled women earnings had increased, often through enabling them to switch jobs and trades to more lucrative ones or diversify by adding a second a line of work or a secondary job. However, although most women were engaged in economic activity, loans themselves were often used for debt repayment or consumption rather than directly in production. In SEWA 25% had been used for the repayment of old debts and the rest for ritual obligations eg marriages and death ceremonies (Jain 1980 size of sample not stated). In WWF loan diversion for debt repayment was 17%,

for consumption 15% and 14% of loans were used for a mixture of these two purposes. Loan diversion increased substantially over time increasing from 38% in 1980 to 58% in 1984. In some cases women invested in activities like livestock which are less time-consuming than eg petty trade or in activities during slack agricultural seasons (Noponen 1990).

In some programmes operating in favourable urban or peri-urban contexts where there are dynamic markets and women already have business skills, increases in incomes may be occurring for many women and these may be clearly attributed to access to loans. Some examples from SEWA and ASA are given in Box 3 and these are by no means isolated examples. The promotional literature of most microfinance programmes gives individual case studies of poor women for whom micro-finance programmes have indeed set in motion a 'virtuous cycle' of empowerment whereby they have used credit and/or savings to significantly increase income under their control, improving their status in the family and community, particularly after a series of loans. Other women have used loans and the income from past loan investments to purchase assets like land, house sites and build houses as in the case of Zubeida Mansuri. Even if such examples are few, their demonstration effect of the possibilities of success for women, can be extremely important as part of a long-term process of change.

Moreover, the contribution of credit to women's incomes is not necessarily immediate or direct, but may be cumulative over time. Purchase of staple food in bulk in seasons of low prices may be necessary to free income for subsequent investment in working capital at other times of the year. Healthcare for women and their children and/or house improvements may be necessary for women to be able to work at all. For example SEWA envisages that for many women the first step will be to use credit to relieve them from high-interest debts and release land from mortgage to large landowners and moneylenders. This frees up money for productive investment and loan repayment and also gives women more bargaining power with suppliers and employers. It is then envisaged that subsequent loans will be used for productive investment. Productive investment is seen as including investment in housing improvement or house purchase, improvement in energy and water supplies and environmental improvements as these are essential to improving not only health and thus ability to work, but also the working environment for women working at home²⁶. In some cases, as for Mirabehn Kakubai in Box 3, first loans have to be used for health purposes before subsequent loans are invested in business. In WWF, even where income increases were not great, loans had enabled women to keep marginal businesses afloat in family crises without recourse to moneylenders. For others access to a loan in time of major stress events such as illness, flood, death or desertion of husband kept women out of further debilitating debt which would have decreased their ability to earn an income. (Noponen 1990).

BOX 3: SOME EXAMPLES OF SUCCESSFUL LOAN USE

ASA: Tamarasi worked as an agricultural labour after her marriage. She took eight loans. The first loan of Rs 1000 she invested in groundnut cultivation from which the household made a profit of Rs 2500. With her second loan she started dairy. The 3rd, 4th and 8th loans she used to buy tailoring machine, other equipment for tailoring and finally established a retail shop for cloth. The fifth, sixth and seventh loans she used for house improvement, which also helped the business. Tamarasi has also benefited from employment with ASA, despite her very poor background. The duties cover the whole muscle operations including field visits, processing loan applications, collection, recovery, routine record-keeping, training the new members, outreach and issue based support activities. For

²⁶ In 1987-88 40 percent of SEWA's loan funds were given for housing. Half of these were given for building a new house and the others for upgrading, building toilets etc (Rose 1992). By 1999 this had risen to 50% (SEWA 1999).

this she is paid a stipend of Rs1000. She has also learn to ride and got a loan in order to ride a moped. She was also chosen to participate in a five-day NGO and Micro credit meeting at Friends of Women's World Banking, Ahmedabad. She became the first person in her village to fly which earned her considerable respect. She now saves regularly but does not take any more loans in order to give others a chance.

SEWA: Mirabehn Kakubai an urban vendor living in one of Ahmedabad's largest slums. The slum is exposed to flooding and severe sewage and sanitation problems. Mera started taking loans from SEWA Bank in 1977 and when interviewed in 1991 had had a series of loans. The first two loans were small amounts given to help her with family health problems. It is with the third loan that she started to invest in economic activity. She and her husband usually sold vegetables and fruit but they used the loan of Rs 1200 to diversify into a large purchase of religious threads (rakhi) which people use during festivals. With the profits from this they paid off old debts. The next loan she took to buy another hand-cart for another member of the family to sell from. Then a large loan helped her set up a small stall in fixed market, from which they were able to triple their daily sales. She repaid all the loans successfully, built up their savings, expanded her business and took another large loan. In 1991 she had taken the loan of Rs 15,000 which she was using to build a house (Rose 1992 p 194).

SEWA: Zueida Mansuri a kerosene vendor in Bapunagar. Zubeida faced many problems following the death of her mother-in-law. Her brothers in law joined forces to throw her husband, herself and her children out of the joint family home. They couldn't afford to pay Rs 50 month as rent on the small room they moved to, so they had to move to a hut on the river bank. Out of eight pregnancies Zubeida had only four living daughters. When one child was stillborn the doctor recommended that she contact SEWA. The Union supported Zubeida in many struggles and she got financial assistance from the Bank. The Union first filed a case and helped her negotiate with her brothers in law for a settlement on their house. With that Rs 1500 she bought a small plot in Bapunagar. Then the Union struggled for years to help her acquire a kerosene vending licence against officials who didn't believe that women should be vendors. During this time her hut was destroyed by a flood, and she borrowed Rs 500 from the Bank to repair it. This house was then burned down during 1985 riots and Zubeida and her family had to stay for four months in a relief camp. At this time SEWA put Zubeida's name on the list of victims and helped her acquire a kerosene cart and Rs 700 compensation for her destroyed hut. She then took a loan of Rs 1000 to buy kerosene for the business and began selling door-to-door. She repaid the loan and is now able to save. Her husband, who had been ill and stopped his work rolling bidis began to take an interest in her business. She took another loan of Rs 2000 to buy another kerosene cart so that they could both vend, doubling their monthly income. In 1989 with that loan repaid, she took another loan with which she managed to build a permanent house on her land (Rose 1992 p180).

It cannot however be assumed that loans, even where they are used for economic activity, necessarily lead to increased incomes. Women, like men, may make bad business decisions and invest loans badly. Assessing the impact of loans on incomes is extremely difficult. Changes in women's incomes over time may be due not only to loan investment, but broader changes in the economy. It is clear that women's incomes are generally very low. Women's enterprises generally remain concentrated in a narrow range of low-profit activities, with few assets and consequently low productivity. An early study of women's use of bank credit found that although women's incomes increased after receiving a loan, their additional earnings were used to make the interest payments on the loan, rather than reinvested in the business (Everett and Savara 1991). Small increases in access to income may be at the cost of heavier work loads. The expansion in women's income earning activities for many women is not compensated by greater contribution by men to unpaid domestic work. They are only able to increase their productive role through decreasing leisure time, time for their children and social and political activities. The stress and exhaustion caused has potentially adverse health implications for women and their families. Even in SEWA the AIMS study found that income increases for most borrowers were not significantly greater than those for the control group. This was partly attributed to the fact that many long borrowers had also benefited from SEWA's union activities, and also the general improvements in women's status which

SEWA and other organisations have brought about.

Evidence on women's control over assets is scarce. Livestock loans for women are common and women may use general loans for this purpose and control both the sale and proceeds. Women may also use loans to invest in jewellery and other assets. In some cases, as in the cases from SEWA above, women have over a period of time saving and invest in loans being able to buy house sites, built houses and buy land. SEWA provides loans for housing, and this accounted for 50% of loans in 1999 (SEWA 1999). The AIMS study found that a higher percentage of borrowers (39%) than savers (36%) and controls (32%) had legal ownership of their home. The high percentage of all sample households with some form of legal ownership and infrastructure is because the textile industries created worker housing colonies in the city and because of government programmes. In the case of the latter SEWA has often been involved in encouraging development for all members of the community, as in the case of the 'Parivartan' housing programme. In regard to housing improvements a far higher percentage of borrowers (71%) than savers (58%) or controls (56%) made improvements or repair to the housing during the year prior to the interview and 23% of borrowers who made improvements users SEWA Bank loan to do so. It is however unclear from the study whether 'ownership' means that the home was owned by the woman or by the household.

What is clear however is that women's ability to increase incomes is limited not only by economic factors which also affect men. It is also limited because restrictions on women's interactions with men outside the household and responsibilities for unpaid household work on childcare undermine their negotiating power within markets. Women's responsibilities for the household also mean that their time for income-earning is often limited by the burden of unpaid domestic work. As discussed below, even where they control their own incomes, this is commonly used for household consumption rather than investment. In most contexts and for most women support will be needed to help develop viable and profitable economic activities. They will need loan and savings products which are adequate to enable them to purchase and control assets. Support will need to include challenging gender inequalities in the household and restrictions on women's ability outside the home and access to markets.

Increased well-being for women and improved relations within the household

In the new generation of NGO credit programmes where rapid expansion is taking place, there is often little attempt to channel loans towards women's economic activities or women's assets. Rajasekhar's study of NGOs in Andhra Pradesh and Credit Unions in Kerala found no attempt to support women's economic activities and the majority of credit was provided for household crop production. Although women played a part in production, men controlled decision-making and the income. In some cases women had been pressurised into taking loans by their husbands and handed the loans directly over to them. The men used the majority of the loan for cultivation and gave women the money for the repayments. (Rajasekhar 2002). This high level of usage of loans accessed by women for agricultural activities conducted by men is also typical of many of the NGOs involved in the CASHE project in West Bengal, Orissa and Andhra Pradesh.

This use of loans accessed by women for economic activities controlled by men is occurring in both female-targeted programmes and mixed sex programmes. This dilution of the original aims of 'increasing women's access to microfinance' to 'increasing household access to microfinance through women' is due to a combination of arguments and pressures from both the poverty alleviation and financial sustainability perspective. On the one hand is the view that supporting women's interests is divisive and detracts from the aim of household poverty reduction. On the other hand the focus on financial sustainability has led to cutting non financial services and also staff time in monitoring and following up loans, providing the loans are repaid. From both perspectives there is pressure to decrease support for interventions like gender training and enterprise training for women.

The continuing claims of positive gender impact even where it is recognised that women may not use loans themselves are based on a third set of assumptions:

- that the savings and loans will in any case contribute to an increase in household income and that women themselves will benefit through increased well-being
- that women's improved status through their ability to access loans and savings increases their decision-making power over household income and hence further reinforces the likelihood that women themselves will benefit from increased household income

The combination of these two assumptions reinforces pressures for female targeting based on women's role in poverty reduction itself and also their greater attractiveness as clients because they are more conscientious and easier to reach than men.

Most studies conclude that there has been some reduction in household economic vulnerability because of both expenditure of loan on consumption or investment in economic activity. Some microfinance programmes like SEWA actively provide or facilitate a range of welfare support services for members. SEWA has also provided and facilitated health-care facilities and childcare. Many studies also note that household wellbeing is of central concern to many women themselves. In most cultures the gender division of labour and responsibility in the household, mean that it is generally women who bear the brunt of child and male ill-health, women who are expected to forego food if this is scarce and women who have to suffer the stress, male violence and in some cases desertion to which this can lead. Women themselves often value the opportunity to be seen to be making a greater contribution to household well-being and their confidence, sense of self-worth. Although there have been no systematic studies for India, evidence for Bangladesh indicates the possibilities of positive impacts on women's well-being even where men appropriate the loan²⁷.

For some, or possibly many women particularly in rural areas, handing their loan to their husbands for use in household agriculture, rather than using it for their own low-profit activity may be a very rational and conscious economic decision. Women have many demands on their time and may not see their own micro enterprise as a high priority. For example consultation of savings and credit use records and interviews by the author with 16 women in one self-help group in LEAD, a female targeted programme in Tamil Nadu, show a very complex picture. Here loans were not directed to production by the programme and, being in a remote rural area, many of the women do not have their own income generation activities. Women were clearly dominant in all negotiations with the predominantly female LEAD staff. However in only two cases were the loans used for direct investments in women's income earning or future, one in a female-headed household and the other a young unmarried girl who used many of the loans for tuition fees. Loans were used for a variety of consumption purposes including temple visits, travel, marriage expenses, medicines and use on husband's land or purchase of livestock for the household. Most of the savings and loan repayment money was handed by the husbands (keeping an awkward distance till their turn came **(INSERT PHOTO OF LEAD)** to their wives at group meetings. The women themselves saw few alternatives because of lack of skills and income earning. One woman stated clearly that this was how it should be because 'her husband is her God'. Undermining his authority would be seen as decreasing his, and hence also her own, status in the community. Rajasekhar's study also found that many women did not appear concerned about retaining control either of

²⁷For example Rahman found that Grameen Bank women borrowers who had transferred their entire loan to a male relative had a higher nutritional status, and had more money spent on their clothing and medical needs, than the wives of male borrowers (1986 q Goetz and Sen Gupta 1994)

loan use or income from the activity financed. They considered finance for crop production essential for increasing income and meeting household expenses. Male family members provided women with income for their personal expenses. Some women also stated that the men now respected them for obtaining credit.

It is clear therefore that in some cases women themselves choose to hand over loans in the absence of sufficient avenues for individual investment on their own account and because they do not see the need to change existing gender roles and responsibilities within the household. However, this is by no means a universal situation. It certainly cannot be assumed that women necessarily benefit from their increased contribution to household well-being. In Karnataka for example, silk reeling labourers particularly in Scheduled Caste communities might be coerced by their husbands to hand over all their income while the man spent all his income on drink and gambling. Evidence from the author's research on intra household decision-making in West Bengal indicated very different patterns and levels of influence of women even between the households of brothers in the same family. For example in one landless Scheduled Caste family one brother controlled all economic decisions in his household, did all the marketing and expected his wife to hand over all her income from agricultural labour to him. He was very obviously the 'head of the household' and his wife was allowed very little freedom all same decision-making. Another brother, by contrast, gave his income to his wife who did the shopping. In this latter case the wife had a slightly higher level of basic literacy and the man considered that she was better able to control any urge he might have to excessive luxury expenditure, particularly drinking. Nevertheless he still retained a right to a certain level of pocket money which was quite high in relation to total household income.

There were also considerable differences in expected norms between communities, in expected norms. In one bamboo working community in Karnataka the women said that they have traditionally controlled all the household budget, including their husband's earnings. They saw this as essential to curbing potential problems of male alcoholism. It is however clear that from in-depth probing of these cases that decisions about control over household income and budgeting remained at the discretion of men. Where men either in individual households or community leaders, decided that men should control household budgets women had very little power to oppose this. Women's attempts to increase their autonomy or influence over household decision-making have in some cases led to serious domestic conflict, including domestic violence and abandonment. Women's opinions about the importance of individual incomes and assets may also change over time. In West Bengal there has been a dramatic change in attitudes towards women's income earning and control over income since the start of the author's research in 1979, partly because of campaigning by women's organisations and partly because of increasing pressures discussed below (See Mukhopadhyay this volume).

Measures of control based solely on women's individual use of loans or their own income are obviously inadequate and must incorporate consideration of decision-making regarding joint household budgets (Kabeer 1998). Nevertheless, the importance of joint household decision-making does not mean that the possible importance and significance of women's individual control over particular income streams can be ignored. Intra-household economic decision-making is an extremely complex combination of ongoing negotiation of rights and responsibilities in relation to one's own income and that of other household members. Control is often obtained through secrecy or manipulation of stereotypes. Analysis must capture this complexity through differentiating between different types of joint decision, and identifying what would happen at times of crisis and disagreement and gender asymmetries in knowledge regarding household and individual financial affairs²⁸. The very important

²⁸ This issue of indicators of gender inequality in decision-making is discussed in more detail in Mayoux 2002 forthcoming.

concern with maintaining household stability, rather than justifying nonintervention in the household, is dependent on strengthening women's ability to protect themselves against vulnerability and to defend their rights against discrimination and exploitation.

There are many women, and also men, who see women's access to their own income and control over it as essential part of their status. Many women interviewed by the author in West Bengal were extremely concerned that they should have their own income to give them the confidence to make decisions and gain status and recognition from giving 'their' income to the household. There are also many other women for whom this is an essential step to decrease vulnerability in case of widowhood, divorce or desertion. The disruption to households caused by migration for work, and the breakdown of many community and religious norms is leading to increased incidence of divorce and desertion of women. This is particularly the case in poor Muslim and Scheduled Caste communities. The author's research in West Bengal found that landless Muslim women in particular were anxious to protect what they saw as their right to control the income which they earned from activities like handicrafts and also livestock. For caste Hindu women contradictions caused by the pressures of the dowry system made many young women feel very vulnerable and keen to have their own asset base even before marriage. Women are also increasingly becoming vulnerable in their old age with separation of joint households following marriage of their children, and particularly following the death of the father. This is a constant source of tension between mothers-in-law and daughters-in-law. For this reason some men in West Bengal were making sure that part of the land was registered in their wife's name to prevent them from destitution on widowhood.

The need of many women to develop their own asset base is also shown by the importance which women put on savings provision. Rajasekhar's research with credit unions in Kerala found that savings were valued by many women as a means of accumulating capital for purposes such as buying jewellery, house construction, their children's education and marriage. As one woman stated, "I look at the pass books and feel happy. I want it [the amount] to grow". In a significant proportion of cases, men did not even know that their wives were making savings or the amount of the savings. The 'secret savers' purposefully did not tell them because they thought there would be pressure on them to obtain loans for either productive purposes (which may not have been a priority for the women) or for unproductive purposes (such as drinking). In one group, nearly half of the women were 'secret savers'. Women silk-labourers in the illegal chit funds mentioned above were also often involved without their husbands knowledge and this secrecy was essential to enabling them to make contributions and build up assets. Some went to great lengths, teaming up with other women in order to ensure that they were able to keep up payments.

There is an urgent need for much more research around issues of control of income and economic decision-making in household, the ways in which different types of loan and savings use affect decision-making patterns and how these different patterns of decision-making in turn affect well-being outcomes. At a minimum programmes need to ensure that women are able, if they feel it necessary, to use their loans for their own productive purposes. Failure to address gender inequalities within the household undermines the aim of household poverty reduction. Any definition of household poverty reduction must also encompass the rights of individuals within and household to an equitable share of household income and assets. Evidence from Africa also indicates that even increases in women's income may not mean a total increase in income going into household wellbeing as men may be withdrawing more of their own contribution for their own luxury expenditure²⁹. This is certainly happening in India following increases in women's income earning in general, as indicated by the author's research in Karnataka and West Bengal. Participants at the workshops facilitated

²⁹ This is evident from the African literature (Mayoux 1999) but has not been investigated in detail for Asia.

by also indicated that this was also occurring in microfinance programmes.

Where women's loans are used for household consumption and/or women are prevented by domestic responsibilities from increasing incomes impacts on household well-being are unlikely to be sustainable in the longer term. Women may repay through taking loans elsewhere and/or loan repayment may depend on their ability to access male family income, increasing debt and dependency. Although increased family income channelled through women often benefits children considerably, anecdotal evidence suggests they may often still prioritise the interests of boy children and priority is given to boy's education. Women may employ daughters and daughters-in-law as unpaid family labourers increasing their workload and decreasing their ability to attend school unless this issue is directly addressed. . Some women face considerable hardship in order to meet loan repayments, forgoing food and other consumption expenditure.

The failure to support women's rights within the household also has implications for programme sustainability. Women's control over any assets purchased may be essential to ensuring loan repayment, as may women's control over incomes. In Rajasekhar's study one woman received a loan for her poultry unit but it was taken by her husband for cultivation and the rest was used for household expenses. There was a lot of pressure on her from the group on account of diverting the loan. With great difficulty, she repaid the loan out of earnings from wage labour. Now, she is reluctant to borrow from the group. She also turned down the request of her husband to borrow for cultivation purposes. In another case, a loan was taken for the goat fattening. Just one month after purchase, the woman's husband sold the goat to pay for alcohol when she was away. She has yet to repay the loan. Such problems were also reported by programmes attending the workshops facilitated by the author. The

Social and political empowerment: Increased networks and collective action to solve problems and for wider political activity and addressing legal constraints

The fourth set of assumptions concerns the potential of microfinance for social and political empowerment. In addition to the potential strengthening of women's position within the household through savings and credit itself, microfinance groups are seen as having potential to:

- develop and strengthen women's support networks and access to information outside the home
- provide a basis for collective action around both community and gender issues
- provide a basis for wider level advocacy and lobbying wider programme in defence of women's interests at the macro level

However again combine pressure of arguments from the poverty alleviation and financial sustainability paradigms have led to an undermining of gender strategies to build on microfinance groups for empowerment. In the poverty alleviation paradigm explicit support for gender training or collective action on gender, as opposed to community, issues is seen as inherently divisive and is often discouraged. From the financial sustainability perspective, explicit support for women's groups is seen as an unnecessary and additional cost. In both cases women's groups are seen in instrumental terms of either decreasing programme costs or providing a source of voluntary community development. Women are expected to devote their ' free ' time and resources to ensure programme sustainability.

Group formation for economic activity may provide one of the few acceptable 'excuses' women may use to challenge gender restrictions on interactions with men. Where women set up economic activities, and particularly where they are involved in marketing, this may lead

to significant changes in women's mobility and knowledge of the world outside the household. Participation in savings and credit groups may also bring together women who did not previously know each other and provide the basis for development of information exchange and development of leadership skills. In the study of DWCRA programmes in West Bengal, even where the economic activities made a loss, many women valued the networks and friendships which they had built up. In many cases, however, the group itself dissolved or women left and women continued these individual friendships outside the group. Rajasekhar's study of SHG-based programmes in Andhra Pradesh and Kerala found that these had brought about significant change in women's levels of mobility outside the home and participation in the community. Initially, men had objected to women going for meetings, and insulted them. In one of the SHGs, where Muslim women were members, the husbands were cautioned by the *Mullah* (religious leader) in the local mosque who reportedly warned men to 'be careful, as the situation could get out of control'. But over time, and often following considerable encouragement and strategic work by the NGO with men, not only did the men not object to women attending the meetings but encouraged them to attend. The mobility of women with regards to their interaction with banks and their approaching government agencies for resources, had improved.

In some programmes, particularly in India, micro-finance has formed a basis for organization against other issues like domestic violence, male alcohol abuse and dowry. In CDF in Andhra Pradesh women have become more active in a range of local institutions like village councils and milk cooperatives. The security provided by a thrift coop improved the bargaining position on wage levels for some women agricultural labourers. Many of the women thrift cooperative leaders in Vishaka District were involved in the partially successful women's anti-arrack movement in Andhra Pradesh. The thrift coops highlighted the conflict between female thrift and male consumption of arrack and the village and inter-village level coop meetings gave women a new forum for discussion and action. There has also been an impact on inter-caste relations. Cooperatives were started with SC women. As women from other castes became interested in starting thrift coops the SC women developed a leadership role in the village, guiding and advising higher caste women, breaking down caste barriers.

In NGOs like MYRADA and PRADAN the micro-finance programmes have increased women's access to local panchayats. In one programme study by Rajasekhar 9 out of 13 SHG members were candidates in local government body elections in 1994. This was largely due to their: training on the role of local decentralised bodies, working out strategic alliances during the elections and, support during the elections. The elected as well as defeated members participated in local government bodies. Although local vested interests and lack of resources in the *gram panchayats* constrained their participation, the members still carried out struggles against an indifferent bureaucracy, and vested interests. At times, they approached higher level officials in preventing the diversion of resources meant for the poorest. The initiative by a network of NGOs in Gujarat spearheaded by ANANDI is an example of a particularly innovative and large-scale initiative (See Dand this volume).

SEWA's approach is based on developing women's collective strength through both Union organisation and cooperatives. Every effort is made to develop group activities to increase women's incomes and challenge inequalities at different levels. High repayment levels are maintained through moral pressure and flexibility to women's needs in times of crisis and there is no system of mutual responsibility for loan repayment. Union activities over many years have led to increase wages and better conditions for different groups of workers (See Box 4). This is a long and constant struggle and women continue to be low paid. Union activity over many years does not necessarily succeed in obtaining even the legal minimum wage. Incomes continue to be eroded by changes in markets, natural disasters and employer resistance. Nevertheless, apart from 1997, average member SEWA figures indicate that as a result of Union activity member incomes rose steadily between 1994 and 1999 apart from a

slump in 1997 due to economic factors and natural disasters³⁰. The activities of SEWA Union have also had an impact beyond their own members.

BOX 4: SOME EXAMPLES OF SEWA'S UNION ACTIVITIES

Paper pickers: SEWA has been organising the paper pickers and other waste collectors for more than 25 years. In recent years these workers have taken the lead in the Clean Ahmedabad Campaign and have been renamed 'health promoters' (Arogya Bhagini). Now instead of scouring the streets for paper, they collect waste directly from offices, shopping complexes and middle-class homes. They have aprons and identification badges, and bags are provided to homeowners and shops for collection of recyclables. Once shunned and debarred from homes and work sites because of caste taboos, the waste pickers now receive respect from all sections, classes and castes in the city. Alternative employment has also been created for a few women in stationery and file-making through women's co-operatives (10 women) and in office cleaning to cleaners co-operatives (168 women).

Headloaders: These were some of the first women to approach SEWA and a Union was formed in 1980. Women got identity cards, social security services including maternity benefits, health care, insurance and childcare. In 1998, workers and owners, both on the Cloth Market Board, jointly worked out wage increases.

Vendors: despite their enormous contribution to the public distribution system, street vendors face constant threats, harassment and eviction at the hands of the police and civic authorities. Finally in 1998, in response to a case filed in 1982, 525 vendors succeeded in getting a court order passed in favour of vendors in the city's main markets. This withdrew all criminal cases against vendors (approximately 900,000), gave vending space to the 525 vendors, prohibited prosecution of vendors and confiscation of their goods by the Municipal Corporation although prosecution by the traffic police remains possible, review of traffic regulations and routes to enable vending, and allowed representation of vendors by SEWA in the courts. A case was filed against offensive depiction of vendors in a local film. Vendor's rights are still in the balance however as the municipal authorities put in an appeal. SEWA is part of the international organization 'Streetnet'. In 1998 SEWA set up a shop run by vegetable growers and vendors to bypass the middlemen. Proposals were also put forward for pedestrianisation of certain areas of the city to be reserved for vendors

Garment workers: the closure of the textile mills, as well as making thousands jobless, has also resulted in the growth of many small units making bedsheets, jeans, cushion and pillow covers, towels and other home furnishings for the European market. These employ many women and SEWA lobbied for a year for inspection of these factories by the Labour Department. When the inspection took place in 1998 each worker was issued with identity and attendance cards. Statements on working conditions for workers were recorded. Rs 216,000 of Minimum Wages were obtained for 200 workers, including back wages for up to a month and 100 workers got bonuses worth Rs 10,000. Finally the Labour Department filed a case against employers for non-compliance with labour laws. However employment in the garment industry is currently being eroded by rises in the price of yarn and new technology.

Bidi workers: Legally bidi workers are entitled to receive scholarships and school uniforms for their children, maternity benefits, health services, housing, life insurance, sports and recreational services funded by a cess levied on all employers in the industry. After years of struggle SEWA members now earn Rs 34 per thousand bidis rolled. Although this is still less than the minimum wage of Rs 60, the piece rate is increasing every year and is much more than when workers were not organised. In 1998, after 17 years, 154 women members won their rights to Provident Fund payment. In 1999 the employers continued to appeal against PF.

Agarbatti workers: In 1998 30 agarbatti workers held negotiations at SEWA with 15 of their employers for wage increases and health insurance. They also demanded appropriate working

³⁰ From Rs390,000,000 for 32,795 women in 1994 (Rs11,892 average per annum) to Rs 2,376,000,000 for 49,858 women in 1999 (Rs47,655 average per annum) (SEWA 1999). But these figures are not adjusted for inflation.

conditions, especially a proper worktable to prevent back strain. Proposals have also been put forward for wage rises and employer contributions to an insurance scheme

Source: SEWA 1998

SEWA and some other organisations have also emphasised the importance of cooperative organization, both formal production cooperatives and less formal types of participation and collaboration³¹. Co-operative formation for women is somewhat contentious, and the benefits of group production cannot be assumed (Mayoux 1993). However much depends on the underlying motivations and strategies employed. Co-operative organisation can strengthen women's position through complementing Union struggles. Firstly the cooperatives can support the Union struggle for higher wages through providing a model which gives the workers leverage when bargaining with employers/traders, local national authorities (See Box 5). Co-operatives can also help the trade union to consolidate by giving workers victimised workers until they can claim their jobs back. Secondly cooperatives are an important means of creating alternative employment opportunities to increase workers bargaining power. For example in the Dholka area agricultural work was only available for four months and wages were very low. SEWA help to form cooperatives of handloom workers, spinners, potters and milk producers. This gave women work all year round and agricultural wages went up 60%. Thirdly cooperatives can be a source of knowledge about the industry because they have to learn about how the markets work and the sorts of prices which can be negotiated, as in the case of the Bidi cooperatives. Fourthly cooperatives can provide an alternative structure dissolve deadlocks negotiations between employers and unions, as a case of the garment cooperatives. At the same time the unions help the cooperatives through support in lobbying for policy change and to argue for favourable treatment for cooperatives in particular markets.

Another innovation in some programmes involves marketing, as in a case of Baghnan Mahila Vikash Credit Cooperative in Box 5 (see also Viswanath this volume). There are many other initiatives elsewhere. For example SEWA worked with the Rural Development department of the Government of Gujarat to establish Gram Mahila Haat in 1998 to explore and develop internal markets for women's products. Traditional clothing and salt produced by SEWA members in some districts was bought by members in other districts. Vegetable growers and vendors also established direct economic links each other, cutting out the middlemen in both rural and urban areas. SEWA has also opened a web site for Internet trading of handicraft products.

³¹ For an account of how SEWA has built on informal organization and DWCRA groups for handicrafts see Nanavarty 1994.

BOX 5: SOME EXAMPLES OF COOPERATIVE ORGANISATION

Baghnan Mahila Bikash Credit Cooperative, West Bengal: Baghnan Mahila Bikash Credit Cooperative was started by Madhuri Ghosh, a Panchayat Samiti member since 1994. She has tried to work for women because she feels they are the most exploited and neglected in the society. The first thing she started was a literacy programme in Howrah District. Many poor women joined this campaign. When they became literate through this programme, they wanted to be economically independent. At that time the government DWCRA scheme was working well in Baghnan I Panchayat Samiti. Many groups had got some money as a revolving loan fund and they got together to form a federation. The federation put the money together and the groups took up the work of supplying food to the ICDS centres. In 1997 these groups formed a co-operative. Madhuri got help from the Panchayat Samiti, Gram Panchayat members, the women and the local people. They helped the co-operative market through buying its products. At first men opposed women attending meeting but once they realised how much women being together could do for the community they started to encourage women to become members. They feel the SHGs are doing a better job than the banks. With a working capital of 31,00,000 all from member's savings and no external borrowing, they are able to disburse loans worth Rs 3-4 lakhs per month. The family does not put pressure on the women for bigger or more loans because they know that the SHG is the final decision-maker in loan processing.

SEWA's Dairy cooperatives: In Dholka Taluka of Ahmedabad District many of the women are cattle owners who earn a part of their livelihood by selling milk. When SEWA started working in the area, the women were selling their milk to the milk traders at very low prices. With help of the district dairy SEWA started organising the women into cooperatives and the cooperatives bought the milk at higher prices for their members. When they heard about these higher prices, women in villages where there were no cooperatives began asking for and on many occasions getting higher prices from their traders. At the same time the cooperatives were helped by the Union when the women's co-operatives were having problems in selling their milk to the dairy because of overproduction. The trade union organised dairy cooperative members, especially the secretaries, to present their case, with the result that the dairy adopted a special policy of total milk purchase from the women's co-operatives. By 1999 there were 53 dairy cooperatives with 5,182 members (Jhabvala 1994).

Quilt cooperative 'Sabina': In Ahmedabad city SEWA organised women sewing quilt covers out of waste cloth (chindi) into a Union. When SEWA helped the chindi workers to organise and ask for higher wages they were successful. But a few of the most disadvantaged workers were victimised and dismissed from employment which discouraged the workers from organising any further. SEWA started a cooperative, Sabina, initially to give work to these victimised workers. The cooperative was only a small one of only 100 women out of a total 2000 workers who are members of the trade union. However, since the cooperative paid a piece rate almost double what the quilt cover merchants were paying, the trade union was able to demand and get an income of over 50%. During one budget year, the state government put a sale tax on chindi. However the other merchants were very unhappy about the tax, and were lobbying to get scrapped. Sabina, also affected by the tax, argued that unless the chindi workers employed by the merchants were paid higher wages, the tax should not be scrapped. The Labour Department intervened and wages went up once again. Here also the Union help the cooperative when it was facing losses because of lack of raw material. SEWA garment workers unions pressurised board members of the National Textile Corporation to pass a resolution giving Sabina all its raw materials at lower rates (Jhabvala 1994).

Bidi cooperatives: SEWA has been organising Bidi workers in Gujarat and Madhya Pradesh into a Union and had also sponsored Bidi workers cooperatives in Madhya Pradesh. in 1989

there was a crisis in the Bidi industry due to rising prices and a shortage of the tendu leaf in which bidis are wrapped. The Bidi manufactures tried to pass on their losses to the workers by giving them low-quality and fewer leaves and even enforcing wage cuts. But because SEWA was deeply involved in the cooperativethis demonstrated a new economics of the Bidi trade and were able to argue against wage cuts and cuts in raw material based on their experience (Jhabvala 1994).

Garment cooperatives: in a dispute between employers and the union garment workers were demanding higher piece rate is from the merchants. it seemed that the talks would break down. the workers were demanding that the merchants by the thread because costs were rising. The merchants had already experimented with buying thread and had found it was too time-consuming and costly for them. Finally a solution was proposed that the workers would buy the thread on a cooperative basis, the initial capital would be provided by the merchants and workers jointly, the workers would buy the thread as they needed it and every rise in the cost of thread would lead to an automatic increase in the piece rate (Jhabvala 1994).

SEWA and some other organisations have also been very active in gender advocacy at both national and international levels since 1972. In 1986 SEWA's Director, Ela Bhatt, was appointed Chairperson of the National Commission on Self-employed Women. This resulted in a report *Shramsakti* which formulated demands of women informal sector workers including promotion of cooperative membership, improvement in health, childcare facilities, changes in media representation among other things. As a result in 1990 the Reserve Bank of India adopted the recommendation for establishment of women's banks in each District of the country. SEWA initiated a separate women's forum at national level comprising all the organisations to extend banking to the poor. SEWA has been a member of CGAP and other international organisations, working with international organizations like UNIFEM and ILO to defend the interests of women informal sector workers in international debates. Many of these recommendations however suffered setbacks in the wake of the 1991 Structural Adjustment Programme (Rose 1992) and have also become marginalised in microfinance debates.

Despite this obvious potential of microfinance, in most programmes there is little attempt to link micro-finance with wider social and political activity. In most groups in the NGOs studied by Rajasekhar in Andhra Pradesh, there had been no challenge to restrictions on women's mobility outside the house. Women merely attended the savings meetings. The infrequent non-financial meetings were hardly attended. In some programmes such meetings were rarely held at all. It was common to find men or children coming to the meetings on behalf of women to deposit savings. Men often made requests for loans on behalf of their wives or they accompanied their wives to loan meetings. In the Credit Unions in Kerala the members rarely met together. The large size of the group and the presence of male members did not encourage them to discuss sensitive issues. Women's associations, separately formed for this purpose, did not function regularly.

In the absence of strategies to build on women's groups as part of a wider empowerment agenda, there are indications that repayment pressures may not only increase stress for individual women but also increase tensions between women and within communities. WWF, which in contrast to SEWA but like many of the recent wave of microfinance programmes, has high levels of repayment pressure on group members and group leaders. Noponen's study found that the loan groups often in fact disguised higher levels of default and shifted the burden of repayment onto group leaders who were themselves not necessarily in a good position to bear the loan. One group leader reportedly threatened suicide and several women quit or were forced out of the organization. The group loan system also set up system which inadvertently encouraged group leaders to become moneylenders by charging interest, taking

bribes, gifts or insurances from the women in order to cover the risk of accepting their loan applications.

Evidence also indicates that women's groups are often excluding the poorest and most disadvantaged women, particularly where better-off women want access to loans. Friction between women over access to loans was common in the DWCRA groups studied by the author. In WWF and many other group-based organisations, when a few defaults occur in any group, all members of that group were excluded from or placed last in priority for further loan taking. There were also serious cases of victimisation of poor women who are unable to repay. Since the neighbourhood loan group is the key structural feature of the organization, they were also potentially excluded from active participation in the Forum as well. In the Madras Unit covered by the survey whole groups of once organized women were rendered inactive. These inactive women were clearly the poorer members and had been excluded, rather than withdrawn themselves. In ASSEFA many cases of friction within groups were reported because of inequalities or because of personal feuds. In one village women's livestock loans being neglected in favour of men's crop loans. In another group ten better-off women had received dairy loans, strengthening their interest and commitment, but alienating poorer women who had initially been encouraged to join and open savings accounts but then had loan applications rejected (Copestake et al 1993).

It is clear there for that group-based microfinance is not necessarily in itself empowering. It may be completely ineffective. Even where there is initial enthusiasm, without sustained input and purpose wider than savings and credit, group meetings often become token meetings where people rush to give savings and loan repayments and then return home as soon as possible. There is little evidence of collective action or change in gender relations. At worst group based microfinance may lead to serious tensions between women if there are repayment difficulties or scarcity of credit. The poorest women are likely to be excluded by the same repayment pressures and scarcity of credit where groups are based on self-selection and unsupported by implementation of a clear policy of poverty-targeting by NGOs.

3: ESSENTIAL ELEMENTS OF A GENDER POLICY: RETHINKING 'BEST PRACTICE'

The evidence therefore indicates that some microfinance programmes do have a potentially significant contribution to a number of critical dimensions of a broader process of women's empowerment. However contribution to empowerment cannot be assumed to be an automatic consequence of access to micro finance services *per se*:

- contextual constraints at all levels have prevented women from accessing programmes, increasing or controlling incomes and assets or challenging gender subordination.
- contribution of micro-finance alone appears to be most limited for the poorest and most disadvantaged women who may be discriminated against or excluded altogether.

Credit is also debt. Microfinance programmes may be encouraging people to get even more into debt without contributing to livelihood sustainability. Availability of interest-bearing loans may undermine people's support networks and a willingness of relatives, friends and neighbours to give interest-free loans. Compulsory savings may be diverting resources from other more profitable and beneficial uses. Insurance provision may make people even more vulnerable at times of crisis rather than decreasing risk.

There has been little investigation of the possible wider impact of microfinance beyond direct beneficiaries. Microfinance programmes may have wider beneficial impacts on gender stereotypes and gender roles through demonstrating women's capacity for enterprise and collective action. Savings and credit in itself however may further disadvantage those who drop out from or excluded from microfinance programmes. They may be further disadvantaged within markets where they are less able to compete against those with access to credit. There is anecdotal evidence of contribution to inflation of dowry demands which disadvantaged not only women who are expected to access loans, but also those who are forced to continue reliance on moneylenders.

At the risk of resorting to instrumentalist arguments criticized above, empowerment remains essential to both household level poverty reduction and long-term programme sustainability, however these are defined. It is the assumption in what follows that micro-finance programmes like other development interventions using scarce development funds should be striving to maximize their potential contribution to empowerment rather than being complacent about very limited achievements.

Despite the inevitable complexities and shortcomings, evidence does suggest critical elements of a gender policy which would make micro-finance *more empowering for more women* in relation to these dimensions of empowerment as indicated in Box 6. These build on, but also further develop, elements from the feminist empowerment paradigm discussed above. There are many different ways of achieving household poverty reduction and financial sustainability. Some of these may reinforce women's empowerment, others may undermine it. There are many possible ways of addressing some of the potential tensions between empowerment strategies, household poverty reduction and financial sustainability. There are ways of doing this which would even further strengthen long-term programme sustainability and would further strengthen rather than undermine households and communities.

Underlying vision

Increasing the contribution of micro-finance to women's empowerment will require firstly a shift in the underlying vision of many micro-finance programmes. There have undoubtedly been considerable advances in recent years in increasing women's access to micro-finance. There have been a series of manuals produced by donors (eg Binns 1998, UNIFEM1993,1995) and many of the original

recommendations in the financial sustainability paradigm are designed to facilitate women's access (Otero and Rhyne 1994).

BOX 6: ESSENTIAL ELEMENTS OF AN EMPOWERMENT AGENDA

DEFINITION OF EMPOWERMENT: *the process through which women achieve equal rights, power and resources.*

UNDERLYING PROGRAMME VISION TO FOCUS ON EMPOWERMENT

- *women's equal access to financial services to be seen as a human rights issue* and an integral part of any mainstream regulatory and policy framework
- *separation of gender from poverty concerns* with explicit strategies for addressing gendered resource and power inequalities within households and communities and explicit strategies for the most disadvantaged women
- *from 'women' to 'gender'*: women's empowerment requires not only strategies targeting women but also strategies targeting men
- *gender policy to focus explicitly on women's empowerment* throughout programme design
- *from compartmentalized interventions to integrated and interlinked strategies* including attention to reproductive work, social welfare and empowerment as integral parts of any 'economic' intervention

MICRO-FINANCE PRODUCTS to be flexible to women's aspirations and strategies and promote empowerment eg.

- repayment schedules and interest rates to maximise impact on incomes
- registration of assets used as collateral or purchased with loans in women's names or in joint names and applicable in both loans for women and men
- incorporating clear strategies for women's graduation to larger loans
- 'multiple choice' options based on participatory consultation including loans for new activities, health, education, housing etc
- range of savings facilities which include higher interest deposits with more restricted access
- loans to reinforce and strengthen male responsibilities for household well-being, including that of their wives and daughters e.g. loans for daughter's education

NON-FINANCIAL SERVICES: to include explicit attention to gender, in particular:

- integration of gender awareness into all training programmes and design of all non-financial services for women and men
- gender specific services for women eg training/mutual learning for women to increase organizational as well as business skills, legal aid support.
- services for both women and men: services to reduce burden of unpaid domestic work, including childcare.

GROUP FUNCTIONS AND STRUCTURES

- as a structure for mutual learning and information exchange
- as a basis for collective action by women
- organizing male support for change in gender relations.

ORGANIZATIONAL GENDER MAINSTREAMING to provide the organizational context for a focus on empowerment

- *equal opportunities policies for staff* as a human rights issue, to set an appropriate example to programme participants and to increase programme effectiveness in reaching and empowering women
- *gender and empowerment awareness for men and women* to include an empowerment perspective throughout the programme interactions with programme participants including all conditions of micro-finance delivery, all routine training and advice for both women and men and complementary services and all group activities
- *concrete incentives for women's empowerment in programme implementation* including incentives for women themselves, for male participants and male and female staff
- *integration of empowerment indicators* into existing programme MIS

INTER-ORGANISATIONAL LINKAGES: to increase contribution to empowerment and decrease costs of individual empowerment strategies

- *linking with other service providers* eg women's legal aid, training, gender research
- *networking with other organizations* challenging gender inequality, including women's own grassroots organizations and those of men

Although women's equal access to all micro-finance services is essential, providing an adequate and non-discriminatory regulatory framework needs to be seen as a fundamental human rights issue, and an integral part of fulfilling the demands of the Micro-Credit Summit Campaign, rather than the end aim of gender policy itself. Moreover, even this narrower aim of increasing access itself requires more critical examination of underlying assumptions about gender differences in rights, responsibilities and roles underlying definitions and policies aimed at the 'household', 'community', 'entrepreneur', 'farmer' to explicitly include women's concerns in 'malestream policy'. These assumptions affect women's access to programmes and the degree to which they are able to benefit. Consideration must also go beyond access to particular types of microfinance to include independent and autonomous access to all financial services, including individual access to large business loans and mainstream savings, pensions and insurance provision. Interventions must therefore include action to address discrimination in mainstream formal sector financial provision.

There is also a need to clearly separate women's empowerment issues from household poverty reduction. Significant and sustainable household poverty reduction requires women's empowerment. However firstly, increases in household income do not necessarily lead to women's empowerment, even where women are major contributors. It is not therefore sufficient to target policies solely at the household level, programmes also need to address inequalities within the household. Secondly, differences between women mean that empowerment strategies do not necessarily reach the poorest women and/or may be differently defined by them. 'Women' cannot therefore be treated as an undifferentiated category and specific strategies may be needed for the poorest and most disadvantaged women.

Any empowerment strategy must include not only strategies targeting women, but also strategies targeting men. Much of the impetus for the current emphasis on targeting women and microfinance has been because of perceived or actual male 'irresponsibility' in savings and loan repayment. However the switch to female targeting and the perception that group-based loans (as opposed to individual loans where men still predominate) and savings are 'a women's affair' may decrease men's sense of responsibility for the household and increase pressure on women. As discussed above, female targeting may simply make women responsible for repayment of men's loans and household savings, which may come from their own basic consumption expenditure and also make them very vulnerable in cases of marital breakdown. The possibility of negative effects of targeting women does not however mean that increasing women's access to credit and savings should stop. As stated above this is a fundamental human right. It means rather that programmes need to acknowledge the potentially negative effects on gender relations of targeting women and consider ways in which men's co-operation in a process of change can be promoted and how micro-finance provision for men can also be a mechanism for challenging gender inequality. This is obviously a difficult balance to achieve without diverting scarce resources and energy from women and women's networks. As far as possible it needs to be done through reconsideration of 'malestream policies' rather than separately funded initiatives.

The underlying vision for gender policy needs to go much further than either access or household-level poverty alleviation. It must focus on strategies which positively empower women and transform gender relations for equitable development processes and outcomes. In view of the interlinked and mutually reinforcing nature of different dimensions of gender subordination, an empowerment approach needs to take a holistic view, integrating productive and reproductive work and welfare concerns. However, as discussed below, this holistic approach can take many organisational forms. It does not necessarily imply that any one organisation must itself provide an infinite range of integrated services or support. It requires:

- ***a strategic examination of all aspects of programme design from an empowerment perspective*** and identification of ways of mainstreaming empowerment questions in policies for both women and men including:
 - design of microfinance products
 - non-financial services
 - group functions and structures
- ***an organisational gender policy*** to ensure that the capacity and incentive exists to mainstream

empowerment throughout all interactions between programme staff and programme participants

- **linking with other organisations** providing essential services and challenging gender inequality at different levels.

Some ways forward based on existing programme experience are discussed in detail in what follows.

Rethinking Micro-Finance Products: from Technical Replication to Participatory Evolution

The design of microfinance products has conventionally been seen as a technical issue, based on access and financial sustainability concerns. Microfinance products have often been extremely rigid, based on replication or at best adaptation of methods from elsewhere. Debates on design of loan products have mainly focused on mechanisms to ensure loan repayment, setting interest rates sufficiently high to cover costs and the financial sustainability implications of different methods of loan repayment schedule. In regard to savings and insurance, the main concerns have again been on access and financial sustainability rather than returns on savers' capital. In SHGs, although conditions are decided by members, they generally follow closely simple guidelines imparted in group formation training. Recently, however, there has been an increasing recognition that the design of microfinance products has significant implications for programme impact. There has been increasing emphasis on 'market relevance' and market-research for product design (Woller 2002).

This focus on product design must also include attention to gender concerns. In many programmes the design of loan products is inappropriate to women's needs and do not allow women to make maximum use of loans. The almost universal assumption that women need small loans with rapid turnover and easy access savings serves to limit women to particular types of activity and is insufficient for increasing control over assets like land and other productive resources. Common examples include:

- loans being issued at the wrong time of year either because of delay on the part of programmes or because of rigidity in group systems of rotation of loans. This is a prime cause of repayment problems.
- savings products which require women to declare savings levels in front of neighbours, thus exposing them to predation of husbands and other family members. This is a prime cause of women's failure to save with microfinance programmes rather than in personal bank or Post Office accounts.
- In many mixed sex programmes, whether based on group or individual loans, discrimination against women accessing larger loans persists.

Market research needs however to go beyond identifying potentially profitable products. If it is to contribute to sustainable livelihoods and empowerment goals it must identify those products which most adequately meet the needs of women clients and which help them challenge gender inequalities in the household, market and community. Some of the questions which must be asked are indicated in the Checklist at the end of this book.

Rethinking non-financial services: from minimalism to 'joined up' development

A key element in the recent promotion of microfinance has been the encouragement of separation of microfinance from other types of development intervention. This has been justified for a number of reasons:

- disappointing findings of impact in areas like enterprise training in the mid-1990s led many commentators to say that such training was not cost-effective
- lack of focus in many integrated interventions which made both assessment of performance and cost-effectiveness problematic
- assumptions of role conflict for extension workers between 'hard-nosed debt collection' and sympathetic development work
- the need to separate accounting so that the financial sustainability of the microfinance component can be assessed without the dangers of inefficiencies and microfinance being hidden in other types of intervention

The separation of microfinance from other development interventions has however in many cases led to cutting of other services, or their reduction from ongoing support to one-off trainings. It has seriously decreased the amount of time which extension workers spend with programme participants and undermines any long-term, cumulative support for change.

Although there is certainly the need for innovation and improvement in non financial services, including enterprise and gender training as discussed in this volume, this does not mean that such services are not needed. There are also definite advantages in combining microfinance with other interventions in terms of:

- cost-effectiveness through reducing time and transport costs for both programme staff and participants when one meeting is used for both savings and credit and other development work
- higher potential levels of impact of ongoing training compared with one-off separate trainings. All the evidence indicates that ongoing mentoring is much more useful for very poor women than one of enterprise training. Gender awareness needs to be linked with strategic actions over a long period of time in order to be effective.

This does not mean a retreat into those previous models of integrated development which lacked a clear focus or hid inefficiency in micro-finance delivery behind vague and unsubstantiated claims of poverty alleviation or empowerment. This was by no means true of all integrated programmes. There are many ways in which all the perceived shortcomings of earlier approaches to integrated development can be addressed without completely separating microfinance from other interventions.

What is needed therefore is not separation of microfinance from other types of development intervention but a clearer and more strategic approach to how micro-finance can be best combined with other interventions as a 'joined up' strategy for development through:

- identification of the range of needs of programme clients in relation to poverty elimination and empowerment
- identification of the specific contribution of different components of the microfinance programme and how these might be themselves better integrated: microfinance products, core organisational training, staff extension and group formation
- identification of ways in which programmes can link with other interventions of the same organisation and/or potential partner organisations

Once this has been done it will then be much clearer which particular services are most impact- and cost-effectively provided as part of an integrated micro-finance package delivered by the programme directly through the micro-finance groups eg loans and savings for particular purposes, extending existing training, greater investment in group capacity building, input of staff time for which some ongoing and separately budgeted subsidy may be needed. It will also be clearer which services are best treated as a separately funded and independent project or programme or provided by collaboration with other specialist organizations.

Rethinking institutional strengthening: organisational gender mainstreaming

Organisations which do not themselves internally promote gender equality cannot be effective in contributing to gender equality amongst their clients. There is overwhelming evidence that micro-finance programmes without an organisational gender policy are much less likely to reach women. They are even less likely to be able to household level poverty and empowerment.

Organisational gender policy, however, means more than simply introducing equal opportunities targets for employment of female staff. Achieving these targets in itself requires changes in institutional cultures and recruitment procedures. Moreover in order to translate equal opportunities policies into empowerment on the ground, there is a need to reform the content of many work roles, training and promotion procedures and decision-making and incentive structures.³²

ELEMENTS OF ORGANIZATIONAL EQUAL OPPORTUNITIES POLICY

recruitment and promotions procedures

- equal opportunity policy stating equal rights at work
- gender awareness included in job descriptions and as key criterion for job recruitment and promotion criteria
- balanced representation of women and men in senior management positions at headquarters and in the field
- proactive hiring strategies to recruit women into senior management positions, advertising through channels likely to reach more women and encouragement
- proactive provision of training for women to move from mid- to senior- level positions

training and incentives

- training for all male and female staff in gender awareness, sensitisation, planning and analysis
- follow-up training with specific tools and methodologies for institutionalising the integration of gender concerns throughout the organisation
- incentives for implementation of gender and empowerment policy

family friendly work policies

- flexible working arrangements including flexitime and flexiplace, part-time and job sharing working arrangements, encourages of men and women employees to take advantage of flexible work arrangements, including senior managers
- maternal and paternal leave policies
- childcare and dependent care leave and support

structures for participation by all staff in decision-making

³²For a discussion of some of the issues see Goetz, 1992, ed 1997; Macdonald et al, 1997.

incentive structures for achievement of poverty and empowerment targets

Sources: builds on Opportunity International's gender policy in Kennedy 1997.

SECTION 4: BEYOND BLUEPRINTS: CHANGING THE AGENDA

Thus there are a range of ways in which empowerment can be more fully integrated which would strengthen, rather than undermine, financial self-sustainability and household poverty reduction. What is of concern in the current rapid expansion of female-target microfinance, is not so much inherent tensions between women to empowerment and financial sustainability or household poverty reduction per se, but that women's empowerment is often not considered at all as part of the process of policy decision-making at either programme or donor level. This means that the particular policies implemented for household poverty reduction and financial sustainability are frequently those which undermine women's empowerment. Synergy between these different goals can only be achieved if the vague rhetoric of empowerment and participation and assumed links with existing micro-finance 'Best Practice' are critically questioned. Empowerment concerns must be center-stage as an integral part of policy and programme design and funding decisions. Making empowerment a reality for most women in microfinance programmes will require acknowledging the levels of resources and energy required to develop cost-effective innovations. It will also require acknowledging the potentially conflicting interests within households and communities which will need to be addressed.

There are however, no blueprint models. Women need a diversity of provision. They have a range of individual needs for different types of savings, loans, insurance and pensions provision for different purposes or different situations. There are a range of micro-finance models in which elements of this empowerment strategy could be implemented to increase contribution to empowerment, from mainstream banks and financial service providers through large poverty-targeted banks to smaller micro-finance programmes providing savings and credit to members of women's movements and labour organisations. Even archetypal private banks like Barclays and others, particularly in the North, have Equal Opportunities Policies and social lending of various types. There is therefore no reason why MFIs and NGOs should not be required to do the same as an integral part of their 'Institutional Action Plans' rather than a marginal add-on afterthought, particularly in view of their claim to development funds.

There are also significant differences between women in different contexts and from different backgrounds. There is a need for more consideration of the gender dimensions of current attempts to increase the range of target groups reached by microfinance. For example agricultural labourers do not have a steady source of income, nor do they necessarily want to set up micro-enterprise and may not have access to land for agricultural investment. However there is a need for savings, particularly for women, to prevent cash earned at harvest time being squandered on drink, gambling and prostitution. Labourers also have a need for loans for smoothing out fluctuations in prices of basic foodstuffs and consumption expenditure, house improvements etc to decrease their dependent on moneylenders and increase their bargaining power and wage labour market. They therefore need microfinance services adapted to their needs. Women in unstable relationships may be denied membership of microfinance groups either because of mistrust or because such groups are too public which puts them at risk of violence and also makes them a bad credit risk. These women need confidential savings and credit facilities, possibly on an individual level.

BOX 7: BEYOND BLUEPRINTS: TOWARDS A DIVERSIFIED AND INNOVATIVE MICRO-FINANCE SECTOR**ALTERNATIVE PROGRAMME MODELS**

- *gender mainstreaming in 'mainstream' banks and financial service institutions and regulatory frameworks*
- *integrated programmes for empowerment* where micro-finance is one of a number of other interventions (including empowerment programmes, labour Unions, health programmes, literacy programmes)
- *interorganizational collaboration* where programmes link with other programmes to give clients/members a greater range of micro-finance and complementary services, pool resources to benefit from economies of scale, exchange information and increase the impact of lobbying

INNOVATIVE PROGRAMME METHODOLOGIES

Service design

- ways of devising loan packages which enable women to enter more lucrative industries, encourage diversification of activities and increase women's control over income
- innovative and cost-effective participatory training which enables women to enter more lucrative industries and encourage diversification of activities
- ways of integrating micro-finance with other services eg literacy, health, girls education, infrastructure development and new technology development

Participatory learning

- methodologies for participatory learning at grassroots level
- ways of integrating empowerment into programme-level monitoring and evaluation

Participatory management

- innovative structures for participatory management
- most effective methods of gender awareness training for men, women and staff and organization to bring about change

Participatory Action

- most effective methods of gender lobbying, advocacy and inter-organizational networking on gender and empowerment issues

REACHING THE MOST DISADVANTAGED WOMEN

- women labourers: homeworkers, agricultural labourers, low income industrial workers, bonded labour, migrant labour
- women in difficult household circumstances: women at risk of violence, women in unstable relationships
- very young people, the disabled and elderly
- women in remote areas

Mainstreaming an empowerment approach in micro-finance will inevitably involve a significant change in attitude, changes in working practices and challenging vested interests. Flexibility to women's needs and deciding the best ways of combining empowerment and sustainability objectives can only be done on the basis of extensive consultation with women, research on women's needs, strategies and constraints and a process of negotiation between women and development agencies. It therefore inevitably requires a more comprehensive framework for women's participation at all levels as discussed elsewhere in this book.

Crucially there is a need for changes in donor priorities, practices and organisational relationships. Financial sustainability 'Best Practice' guidelines have certain attractions for donors because they provide quantifiable outputs (measured in thousands of beneficiaries and their five-member households) and enable simplified accounting. This simplified quantitative approach is however now under increasing scrutiny in the light of findings of impact assessment. Moreover, competition for funding between different divisions within donor agencies is increasingly based on performance assessment in relation to international development targets. This means that microfinance will increasingly need to justify its share of aid budgets in terms of its contribution to poverty reduction and gender goals in competition with other interventions like female education and reproductive health. There is a need to develop a viable set of indicators for empowerment which can be used alongside those of financial sustainability and poverty targeting. A broad checklist of some of the questions which would inform these indicators is given in the checklists at the end of this book.

Finally there is also a need to acknowledge the limitations of micro-finance. As discussed above, financially sustainable minimalist micro-finance has been promoted as the human face of structural adjustment policies which seriously disadvantage women, decrease public sector availability of complementary services and remove any existing welfare nets for the very poor. Although it is true that millions of poor people require access to financial services, such services are only likely to address poverty if they are part of a broader agenda for women's empowerment and poverty elimination. It is crucial therefore that micro-finance programmes are adequately supported to build on their considerable organizational strength, reaching thousands of women and men, to challenge gender inequality and economic injustice. It is also crucial that microfinance programmes are conceived as a complement to, rather than substitute for effective policies to transform national and international economic and political inequalities.

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