

EMPOWERING WOMEN THROUGH MICRO-CREDIT:

CHAIR PERSONS INTRODUCTION TO MICRO-CREDIT SCHEMES

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What is micro-credit schemes

Micro-credit schemes are non-bank financial institutions that have provided a new paradigm for thinking about social and economic development (Murdock, 1997).

Formal Financial Institutions

Formal financial institutions have disenfranchised the majority of the poor especially women because they lack acceptable collateral security, lack personal savings to guarantee loans and a myth that the poor are not credit worthy since they lack credible repayment histories at the banks.

What do Micro-credit Schemes offer

They offer small loans to the poor to either initiate or expand income-generating activities in order to improve their livelihood. Micro-credit schemes, have developed unique characteristics in terms of unconventional approaches, organizational and lending procedures that have resulted in high rates of repayments, savings mobilization and the ability to nurture a culture of commitment and self-reliance of poor people especially among women.

How are schemes operated

Micro-credit schemes practice the opposite of conventional banking. For instance, while banks lend to the rich, they lend to the poor and mostly women. While banks grant large loans and deem small loans to the poor as risky, they lend small loans; require no physical collateral and are illiterate-friendly with less paper work and convenient repayment schedules. It is these qualities that have gained them worldwide recognition and support especially during the early 1990s. Success stories of individuals and micro-credit schemes, the world over, with their high repayment records and innovative strategies seem to indicate that the poor could be bankable and could develop their God-given potential when given the enabling environment and resources. Micro-credit schemes espouse the assumption that lack of capital, business management experience and training are the main barriers to the economic progress of the poor. They also limit the growth of potential micro enterprises. For this reason, most micro-credit schemes incorporate training and business management skills as critical inputs for the effective implementation of such schemes

Global support

The World Summit for Social Development, held in Copenhagen, emphasized the importance of improving access to credit for small, rural or urban producers, landless farmers and other people with low or no income, with special attention to the needs of disadvantaged and vulnerable women. The United Nations recognized the important role that micro-credit and microfinance can play in the eradication of poverty, promotion of gender equality, the empowerment of vulnerable groups and in the development of rural communities. It thus challenged both Governments and the international community to ensure greater access to financial services by the poor. In respect of this the then United Nations General Secretary, Kofi Annan, made an advocacy statement challenging governments to address all constraints that exclude a lot of people, especially women, from getting access to financial services in his observation

Effects of poverty and lack of access to credit

Poverty and the lack of financial support to expand or sustain their sources of livelihood made the majority of poor women, especially those in rural areas, socially and economically disempowered. When a woman realises her hopelessness and inability to make strategic life choices she may coil into a state of voicelessness, of low need for achievement, a feeling of social alienation and powerlessness. It is important to note that when women are economically disempowered, children are the worst affected

Positive effects of access to credit

A reversal of this situation is precisely believed to be the role of micro-credit, where women could be economically and socially empowered to contribute effectively towards the development of themselves, their children and the society at large. This role according to Yunus (2000) is also essential to global economic and social development in the coming decades. Micro-credit programs are believed to engender self-confidence, self reliance and a culture of independence such that women are able to believe in their own agency to significantly improve upon their lives through access to small loans. They retrieve poor families from depths of deprivation and despair into hope, self-esteem and a sense of dignity. Again, their record of high repayment and growth trajectory seem to suggest that micro-credit has potential for the empowerment of the poor and thus gaining increased popularity and support through micro-credit summit campaigns

The problem

Despite the increased support for micro-credit, there seem to be an ongoing debate in academic literature as to the effectiveness of micro-credit in the empowerment of women. The dilemma is whether access to micro-credit per se has an explicit ability to empower women considering its size and procedures. If they do, in which ways do women get empowered? What sorts of women get empowered? What are the perspectives of women participants themselves about the schemes; and finally, given the many social and economic factors that affect Ghanaian women especially those living in the rural areas, does mere access to micro-credit offer potential for their empowerment? Indeed, the question about the relationship between micro-credit and women's empowerment has been debated by two different schools of thoughts.

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Two schools of Thought

However over the years the debate as to the actual effectiveness of micro-credit alleviating poverty has continued essentially focussing on two issues namely: whether micro-credits really reach the 'hard core poor' and whether they are able to successfully integrate financial sustainability with outreach.

More recently, however, the focus of the debate has been extended to the possible potential of micro-credit for women's empowerment given that the amounts of loans are usually very small with high interest rates and high illiteracy level among rural women. .

While some hold positive views about the relationship, others have negative views.

Positive Views On Micro-Credit

- micro-credit has implications for women's economic and social empowerment, which in turn, has implications for their overall empowerment and improvement in their children's

well-being. Chowdhury & Bhuiya (2001), Bangladesh – that MC led to increased investment in Children's education

- women participants in credit programmes were more conscious of their rights, better able to resolve conflicts, and have more control over decision making at the household and community levels (Chen, 1992).
- credit to women has positive effects on increases in women's asset holdings (except land) and is a significant determinant of total household expenditure according to Pitt and Khandkar, (1995) Hashemi et. al.(1996)-Mc led to increased physical mobility, ownership & control of productive assets & decision-making & self worth (Kabeer (1998)
- changes in gender Power relations in favour of women and enhances control over their basic welfare needs such as health, nutrition and education Cheston & Kuhn(2002), that 68% of women made major decisions at home –(F. planning, buying & selling property & negotiating children's marriages – which were traditionally men's duty
- Increases household income.
- Leads to women's autonomy, enhanced self-worth and self-confidence.
- Significant reductions in domestic violence against women have been observed Schuler et. Al. (1994/97)- that MC led to reduction in domestic violence and increased contraceptive use in Bangladesh
- Increased want of better life for children and encouragement for girl-child education due to increased income, are also reported
- . Other reported benefits include discouragement of early marriage, changed or improved diet patterns, improved status and participation in public life and in decision-making (Navajas, S. et al (2000); Kabeer, 2001; Uprety, 1990; Buvinic, 1989; UNFPA Report, 1992).

Negative Views

- Goetz & Gupta (1994) used managerial control over loans as indicator of empowerment and concluded that majority of the women lacked control of the loans, but, had responsibility of repayments – interpreting this as wide spread loss of control hence disempowering
- Ackerly (1995) – found that MC could not alter patriarchal structures & gender relations, thus, women had no /little control over loan use & benefits
- Kerr (2002) – MC, on its own, can increase women's disempowerment through higher debt burden & unnecessary hardship
- that tasks required by MC are often difficult & affects their health & products have little market potential

- micro credit is no better than ‘nothing’. The tasks required from women were often difficult to perform, their products have little market potential and the implementing agencies have no technical competence (Buvinic, 1989; Kerr 2002; Navajas, S. et al 2000).
- Again, they think that in so far as socio-cultural factors militating against women (*such as 'women seeking the consent of husbands before taking loan and patriarchy'*) still persist and are perpetuated by society, women do not benefit from such schemes.
- In support of this, Kerr (2002) has argued that on its own, micro-credit can sometimes increase women’s disempowerment through higher debt and work burden since credit by definition is a liability.
- Furthermore, the pessimists believe that the optimists fail to control for what would have happened in the absence of such micro-credit schemes and also fail to measure the opportunity costs of women clients' time (Buvinić, 1989; Navajas, S. et al. (2000).

A review of the literature, however, suggests that there is still little primary data to support the view that micro-credit leads to women's empowerment especially at the grassroots level in the Ghanaian context. This is because most of the organizations dealing with micro-credit have not developed a method for tracking changes in levels of women's empowerment as a result of their access to micro-credit. As Malhotra et al. (2002) noted they just assume that women's empowerment is an implicit outcome.

What the Presenters hope to offer

Today the Minister of women and children’s affairs will enlighten us on Government efforts at providing Micro-credit to women at the National level We will be informed about the challenges and prospects of granting Micro-credit to women. This will be followed by the challenging issues at the micro-level and the institutional level in Sessions 2. The presenters have conducted research into specific issues of Micro-credit :-

The social and economic empowerment of women
 The financial institutions and micro-credit
 Experiences of women in micro credit.

We also have a representative of GAWE to share practical experiences of Ghanaian women.

In Session 3, we shall review Governments Efforts at planning for Women and Children and also find out how far Ghana has been able to meet the challenges of the Millennium Development Goals especially in relation to Women and Children.

We hope at the end of the sessions a Resolution will be sent to Government through the offices and services of the Hon. Minister for Women and Children.