
Impact of Microfinance on Women Empowerment: A Review Paper

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Abstract:

This paper aims at studying the neglected side of microfinance and its negative role in women empowerment without neglecting the positive impact.

Most of the borrowers of credit organizations are women as they are considered as better clients of microfinance institutions and they spend their money on basic needs. NGOs in underdeveloped countries mobilize people especially women for sustainable development. Women empowerment is a core subject of the time and microcredit is being considered helpful to deal with it. Empowerment involves control over resources, decision making and control over one's own life.

The focus of the microfinance institutions is to empower women at individual level. To attain this goal there are some limitations and flaws. Keeping in view the earlier research studies it was concluded that microcredit helps to empower women by generating income opportunities for women but it had also some negative impacts on women empowerment that should also be considered.

Key words: Women empowerment, microcredit, Microfinance institutions, Impact

INTRODUCTION

Early studies considered microcredit as a key tool to empower a woman. It is obvious that microcredit has positive impact on

women's empowerment but negative outcomes should also avoid. Earlier studies let us know that women have little control over their microcredit and all the decision are taken by their males. Rural Women face so many problems in accessing microcredit institutions. In 1996 a study was conducted in Bangladesh and it is concluded that access to women borrowers was impressive but the credit was being used by their male relatives.

Women have the responsibility of the loan repayment so they face the difficulty of heavier workload for repayment of loan. The research done on microcredit shows that microcredit facilitate the growth of business. Although it generated employment but not essentially increased income after interest payment. Sometimes it drags the client into the debt traps. For the success of a small business; microcredit is one of the factors that influence. It depends on growth of market and economy. A critical review of 58 papers in 18 countries concluded that microfinance not necessarily impact the well-being of poor people and the highest impact is of those studies that used the weakest designs.

Empowerment refers to the power of an individual or group while power means access and control over material and ideological resources. (Batliwala, 1994).

Empowerment means both internal and external changes within an individual sense of self sufficiency and social status. (MKNelly & McCord, 2001).

Microcredit and enterprise development are considered as an effective mean of poverty eradication for poor women. (Zaman, 2001) concluded that microcredit plays an important role in reducing poverty through asset, income and control.

Many researches recommended that women access to microcredit empower women by increasing their self-sufficiency and decision making power.

(Gibbons,1992) concluded that credit is not a magical ingredient that empower women but it has positive, negative and neutral impacts depending upon the borrowers.

In underdeveloped countries, gender differences prevail and women ownership does not recognize culturally and legally. Legal system does not support women for the ownership of property. Women do not have control over their assets and they face difficulties in getting opportunities.

Microcredit importance was highlighted at the first microcredit summit in Washington in 1997. In 2006, Muhammad Yunis was awarded by the Norwegian Nobel Committee for his efforts to create economic and social development. (Daley- Harris, 2007)

Impact of credit on women has been a debatable subject. Some consider its positive impact on gender equality, women empowerment and well-being of poor and other thought it to impact negatively. (Hulme, 2000). Microfinance is considered to eradicate poverty by fulfilling the basic needs of its participants and their families, improving income, employment, children's schooling and nutrition. (Khandker, 1998, Pitt et al., 2006).

To access microcredit may enhance women's economic independence, increase self-esteem and household status. (Goetz and Gupta, 1996, kabear, 2001).

THE OBJECTIVE OF THE PAPER

To review the previous researches to highlight the dark side of microfinance and its impact on women empowerment and suggest recommendations to deal with the issue.

LITERATURE REVIEW

In India a study was conducted and it showed that women may be forced by their males to join credit organizations and indebt themselves.

In Andhra Pradesh India microfinance institutions are considered for indebting poor with high interest rates and their forced method to recover that credit. Even though villagers are not aware of the consequences of taking multiple loans and the interest rates they were being charged.

Nicolas Kristof concluded after conducted his study in India and Manila that there is no proof of microcredit impact on women empowerment.

A study of microcredit programs in Bangladesh 2008 showed that women role in microcredit is just as collection agent for their males. Men spend the money and women are responsible to pay the loan. Women lose control over loan with the increased amount.

Tazul Islam emphasize on positive impact of microcredit on enterprise development, household income, education, health and nutrition. He also argues that Grameen Banks clients are moderately poor or vulnerable poor but does not reach the poorest. Poor who join the banks microcredit program, a majority of them drop out immediately and other drop out in later loan cycles when repayment amount exceeds their capacity.

In the US, almost 60 percent of the borrowers were capable to hire others and 70 percent improved their wellbeing after expanding their business through microcredit. Reports showed that each domestic microcredit loan creates 2.4 jobs. Wages of this business are 25 percent higher than minimum wages.

Small business owners in US are allowed to make their business as a primary source of income. 67 percent participant

of microloan programs showed a noteworthy increase in their income.

A journalist Tom Heinemann's film, *The Micro Debt in Bangladesh* declares little impact of microcredit on poverty. It also highlighted poverty of Sufiya Begum, the original borrower of Grameen in village Jobra. Norwegian Foreign Ministry, investigated thoroughly the alleged issue in December 2010 and mentioned it to be false.

Milford Bateman mentioned in his publication *Why Doesn't Microfinance Work?* That microcredit offers only misconception of poverty eradication. He calls it a game of chance, a few can manage decent living. Negative are overlooked by considering these few temporary positives. He also argues that the reality is now faced by international development community.

Professor Anu Muhammad of Jahangirnagar university in Bangladesh, a Marxist and critic of microcredit claims after various studies that one cannot find more than 5-10 percent people who could change their economic conditions through microcredit.

German journalist Kathrin Hartmann visited Kurigram District in Bangladesh in 2012 and met women trapped in debt and enforced to repay loan with brutal methods including the forced sale of livestock and land. She also mentioned the peer pressure in group lending. Families have to cut down on food expenses and their children drop out of school to earn money.

The Grameen Foundation USA suggested after reviewed many studies in 2005 that women are getting empowerment and it is same in the case when women take credit but do not use it themselves. Women and their families even then get benefited if the loan had used directly their males.

The economist Jonathan Morduch of New York University mentioned in 2008, that the research on microcredit still have gaps, such as debt traps and use of loan for consumption.

Highest interest rate charged to borrowers has been criticized. The sample of 704 microcredit institutions submitted reports to the Micro Banking Bulletin in 2006 was 22.3 percent annually. Rates charged to the clients are higher annually, include indigenous inflation and debt costs on these institutions.

M Saifur Rahman the former Finance Minister of Bangladesh mentioned in 2005 that some of the microfinance institutions charge highest interest rates. In 2008 a study showed that some loan recipient sink into a debt cycle to pay interest of one institution by taking loan from another.

Muhammad Yunus is in the view that there should be penalties for those institutions who charge interest more than 15 percent.

Goetz and Gupta (1996) mentioned that most of the women's loans are directly controlled by males while female clients are responsible for repayment. For the repayment women have to cut their expenditures on basic needs as men invest badly or not willing to pay loan. So women lose control over their loan and sometimes abused by the microfinance institutions to reduce transaction costs. It increases tension and pressure among household members. (Rahman, 1999, Kabeer, 2001).

There is little change in the division of labor resulting from women's access to loan as women are doing traditional household work like poultry farming, tailoring. (Kabeer, 2001). This tradition work increases burden on women, require hard work and low returns.

Holvoet (2006) conducted a survey and mentioned that husband alone make financial decisions. With the increase of loan size, women lose control over their loan because women invest in small scale business like poultry, livestock. (Goetz & Gupta, 1996).

Gender differences and women contribution at household level considered as secondary and little. When we analyze women borrowers we should also consider the other

facts that who has control over it and who owned the income. These facts are not found and need to be studied and documented. In this way microcredit institutions and policy makers may get aware for required interventions.

It is thought that credit program for women generate positive changes by increasing women status at household level. (Swain & Wallentin, 2008). This assumption is based on the economic independence but this is not always helpful. It is difficult to get benefit without challenging social and cultural norms that prevent women to get benefit from credit.

Microfinance institutions charge high interest rates, as Banco Sol of Bolivia charges high interest from 12 to 24 percent. Grameen bank charges 20 percent annually that's 8 percent higher than the commercial banks. (Rahman, 1999).

Empowerment is viewed differently in different societies and one activity that is considered as empowerment in a country but not in other country. Mobility of women in public places is a sign of empowerment in Bangladesh, but in Vietnam it's a normal action.

Women empowerment is a multidimensional phenomenon and income is not enough for women empowerment where inequalities prevail. (Mayoux, 2002).

CONCLUSIONS

It is obvious from the analysis that micro credit has both positive and negative impact. It is a diverse and complex phenomenon. The role of the government is important for poverty eradication. Necessary inputs and planning is required for development interventions and to get expected outputs. Microcredit alone is not sufficient to tackle all the problems. So there is need of comprehensive, long term and sustainable policy to cope the situation of poverty and gender inequalities. All stakeholders should be involved in the planning. Different countries have different cultural, social and economic

conditions. Women also face difficulties in accessing credit. Some microcredit programs may be successful in one region but not in the other region of the country, So the ground realities should be in mind while developing policies.

The positive role of microcredit is the increase ability of women's decision making and self-confidence, increased gender relation, improved social status and self-sufficiency. Whereas negative impact of microcredit gender discrimination, increased work load and other responsibilities.

RECOMMENDATIONS

The present study highlights the dark side of microfinance on women empowerment. It is a broad subject that has both positive as well as negative impact so there are some recommendations on the basis of the review of research findings;

The main objective of micro finance policy should be an easy access of microfinance to the poor, especially women who are unable to take loan from traditional institutions.

Policy should be developed keeping in mind the ground realities on the basis of cultural, legal and geographical conditions and differences.

Interest rate should be minimized by these institutions and making credit available to the poorest of poor.

Capacity building of women clients is very important. Women should be trained before getting credit so they can use it for the productive purpose it has been taken. This may be helpful to access better jobs and income generating activities and to promote gender equality.

Awareness programme for males regarding gender inequality should also be managed that would also support women to get empowerment

There is a need for check and balance. Proper Monitoring system should be available for proper utilization of the credit. Credit should be used for productive purpose.

Amount and period of loan is also important so it should be considered before giving loan.

Awareness regarding microfinance and its positive impacts is necessary to improve activities about women empowerment.

Gender discrimination should be demolished at policy level and more employment opportunities should be given to women.

Women prefer these microfinance institutions because they do not have to pay collateral. Therefore, it is suggested that microfinance programme should be encouraged for poverty alleviation and to empower women.

Women community organizations should be utilized for the strengthening of the micro enterprise network. They should be encouraged for linkages development between women and other local networks and institutions as a whole.

Access to market should be made easy that can positively encourage client's attitude. Women can influence men by helping them to accept economic opportunities for women.

Develop a legal framework and policy to protect women legal rights, their education, ownership and property.

The provision of microfinance services should be simple and easy to support the poor section of the society and to empower women.

It is suggested that researchers should be motivated to take up work in this field to identify some other factors that influence women's empowerment.

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