Microfinance as a Policy Tool for Women's Empowerment

by

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Abstract

Microfinance has been extolled by donor agencies, development practitioners and policy makers as a tool for alleviating poverty and empowering women. Yet little systematic research has been done to assess the conditions and extent to which microfinance programs accomplish these goals. This essay provides an assessment of that research. Based on a comprehensive literature review of research from wide range of disciplines, I have synthesized evidence of impact of microfinance as a development intervention on the lives of women.

There are numerous factors that help and hinder the success of microfinance. As it is a market oriented approach, accessibility to the market plays an important role. The availability of basic infrastructure such as roads is essential for women to be able to sell what they produce. Furthermore, microfinance programs have been most successful when they that provide credit in conjunction with other financial services such as savings and loans or social development programs such as literacy classes, vocational and marketing training, and family planning.

Even though microfinance collateralizes social capital and makes credit accessible to the poor more than traditional banking institutions, some of the poorest women remain excluded, particularly those who might represent high risk in the eyes of other group members who evaluate the appropriateness of loans. Nevertheless, "Grameen Bank" style group-lending appears to be more successful than either individual lending programs or large group lending via "self help" groups.

In sum, microfinance in itself is not a panacea. It is contingent on both individual recipient attributes and socio-political and economic context. To achieve the goal of

empowerment, equal attention must be given to girls' education, skills development, formal wage employment and the legal and political rights of women.

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INTRODUCTION

Global inequality has been a focus of substantial research and theorizing for several decades. Several well established broad theories have been devised to explain the causes of this phenomena and to propose solutions to the problems of underdevelopment and abject poverty in poor countries. The earliest iteration of these perspectives, Modernization Theory, focused on internal constraints such as lack of capital, human resources, technology, and social norms and values that are seen as unfavorable to economic growth as are responsible for inhibiting development. The policy recommendations that generally flowed from that perspective emphasized capacity building in order to eliminate the internal constraints that hinder economic growth. In contrast, the alternate macro-theoretical account, Dependency Theory, has posited that developed countries are responsible for the continued impoverishment of the periphery via processes of unequal of industrialization. From this perspective, raising the standard of living in currently underdeveloped countries is not possible without altering the type and nature of relations between nations.

Since the mid-1980s, research has increasingly delineated the ways in which macro-level, gender neutral theories such as these provide only partial explanations for the problems of poverty, and that policy measures informed by these theories have proven insufficient at addressing issues of extreme poverty. Out of this latter body of research, microfinance, a community-based and market-oriented development mechanism, has emerged as a celebrated vehicle for alleviating poverty and empowering women.

In this essay, I provide an overview of research on microfinance as a tool to empower poor women. If focus on both the strengths and limitations of microfinance—exploring where and in what condition it works and where and in what situation it does not work.

Background

To commercial banks, the poor generally represent a high-risk category with a high probability of defaulting on loans, and generally lack the collateral commonly needed to secure a loan. As a result, the poor often turn to nontraditional and informal sources of credit like traders, moneylenders, and merchants who generally offer exorbitant interest rates, which perpetuates the cycle of financial exploitation. Microfinance, on the other hand, is a financial alternative for people in the lowest income bracket, and aims to promote economic development by breaking the poverty cycle through access to credit and fostering entrepreneurship (Barreto et. al, 2005).

Microfinance, developed by Professor Muhammad Yunus, was first implemented during the 1970s in Bangladesh. Inspired by the belief that the poor are hard working, entrepreneurial by nature and that a small amount of credit could create an exit out of poverty, Muhammad Yunus initiated this venture with 27 dollars from his own pocket. He later expanded his experiment through the creation of the "Grameen Bank" which provides other financial services such as insurance, savings accounts, and additional social programs. The program was so broadly and ostensibly successful that the United Nations declared 2005 the "Year of Microfinance" and Muhammad Yunus, along with the Grameen Bank, were awarded the 2006 Nobel Peace Prize. Thereafter, donor agencies and development agencies implemented microfinance in other countries as an effective strategy to combat against poverty, most of them funded by development agencies, government departments, INGOs and NGOs.

The "Grameen Bank" approach has not been adopted uniformly by microfinance programs worldwide. There are various models and designs of these programs. Some microfinance institutions follow "Grameen Bank" style of group borrowing and lending while others lend and borrow only from individuals. Similarly, there are “Self Help Groups” run by women rather than a central lending institution. In the latter model, a small sub-group of women carry out the responsibility of collecting savings and disbursing loans on behalf of group members without any external support. While in case of Grameen Bank, borrowers meet with loan officers at regular time intervals and receive necessary administrative support from these officers as well. In addition, not all microfinance institutions exist for the sake of helping poor women, especially those commercial microfinance institutions which are organized for profit. Finally, while some microfinance institutions focus only on lending, others provide other services such as savings and insurance facilities, or social development programs such as adult literacy, health and nutrition classes, marketing and vocational training, and contraceptives and family planning.

The fact that many microfinance programs have been instituted specifically to help women is significant. According to the 1996 U.N Development Report, 70 percent of the world’s poor—about 900 million people—are women. Lack of inheritance rights and discriminatory laws, lack of assets, and low level of education coupled with social norms and values constraining women’s mobility and choices have exacerbated the feminization of poverty. Thus far, microfinance is the only development intervention tool that has been specifically focused on women.

Microfinance as poverty alleviation tool

In the post war period, farmers' lack of access to credit was identified as a main obstacle to the development of impoverished rural areas, leading to the establishment of subsidized government lending schemes and rural co-operatives throughout the developing world (Hulme and Moore, 2006). A large number of developing countries’ governments from the 1950s through 1980s used subsidized credit through banking as the foremost option for poverty alleviation (Hulme and Moore 2006, Morduch 1999). Many of these efforts failed, however, either because of mismanagement and corruption, or because of governments were too cash poor to continue subsidizing lines of credit.

While micro-credit is also a component of the micro-finance movement, credit in the latter model is usually coupled with other financial services such as saving plans and insurance programs. These programs help buffer economic shocks to recipient families, and increase the rate of loan repayment overall. Indeed, as Baneerjee and Duflo (2007) argue, “one reason why many of the poor respond so well to microcredit is not necessarily because it offers them credit, but because once you take a loan and buy something with it, you have a disciplined way to save- namely, by paying down the loan”. The group liability component of many micro-finance programs also works as collateral and provides security against the loans taken.

In addition to bundling micro-credit with other financial services and supports, programs increasingly include additional programs intended to alleviate poverty and empower women. These programs, known as “credit plus”, envision themselves as having dual and mutually inclusive goals of microfinance and social development. These programs are reputed to be so successful and widely adopted (in principle at least) that it is now difficult to find a poverty reduction strategy that does not include micro finance as an element of national development” (Hulme and Moore, 2006), or a way to increase consumption (Morduch, 1999), as well as reduce poverty through increasing household income (Schroeder, 2009). At the individual level, microfinance has been associated with improving individual’s ability to work, earn, save and invest; while at the macro level, it has been associated with increasing employment, developing entrepreneurship and creating conducive environment for the private sector to flourish (Bhatt and

Tang 2001). Cross-national research shows a negative association between the gross of microfinance loans portfolios and incidents of poverty (Imai et. Al, 2009).

Although one randomized trial-based research project concluded microfinance had no appreciable effect on alleviating poverty (Duflo et al 2009) and one study at least has made the case that microfinance programs promoted by large financial corporations are exploitive (Young 2010), most research argues that the effects of micro finance are positive. Still, comparing results across studies is often difficult. Definitions of what constitutes poverty or "extreme" poverty vary, as do the sets of variables included in analyses as co-contributors to poverty or as constraints experienced uniquely or primarily by women. Nor do studies consistently account for substantial differences across sub-groups of women, the poor and extremely poor. Moreover, while microfinance has been hailed as a panacea to the world's intransigent poverty, among the poorest of the lack of credit is often not the only problem. As Bhatt and Tang (2001) note, the lives of the ultra-poor are characterized by a plethora of challenges, including lack of marketable skills, discrimination, social exclusion, isolation, or chronic illness that are not readily remedied by the availability of credit alone. Moreover, the poorest of the poor are often risk averse and have few economic opportunities – making productive use of credit less likely unless it is bundled with programs that enhance literacy, health, and ability to save (Bhatt and Tang, 2001; Weiss and McKernan, 2002; Montgomery, 2005).

Microfinance as Women Empowerment Tool

Women constitute the majority of microfinance clients. Formal banking institutions tend to favor men, mainly because men run the larger business and have control or ownership of the assets which are required by banks as collateral. Microfinance makes credit accessible to women in part because women are more likely to run small businesses in the rapidly growing informal sector of the economy (Morduch et. al, 2005). In spite of some cultural biases against women's financial responsibility or business acumen, repayment rates among female borrowers are typically higher than male borrowers. Explanations for this trend suggest that women tend to be more risk averse, more susceptible to peer pressure or to public humiliation and so are more conservative in their initial investments – allowing them to be in a stronger position as they repay their loans. Unlike men, women are also seen as having more limited alternative additional loans outstanding, making allowing them greater success in loan repayment. Finally, women are also described as less argumentative, and to that extent, appear as more attractive, less expensive recipients of loans by institutions (Armendariz and Rome, 2008). For these reasons, microfinance has been characterized as successful for *lenders* because of the high rate of loan repayment.

More importantly, microfinance has been characterized as a success in terms of alleviating poverty among recipients. When women receive loans that result in higher incomes, earnings tend to be spent on better health services, nutrition and the welfare of other family members, especially children. In one of the first empirical studies on the impact of microfinance using cross-sectional data, Pitt and Khandaker (1998) found that for every 100 taka borrowed in Bangladesh, women spent 18 takas for household welfare (nutrition, health and household tools) as opposed to male borrowers who spent 11 takas out of each 100 takas for household welfare. In addition to these direct benefits, loans that result in informal sector employment indirectly contribute to increased use of contraceptives and a reduction in the fertility rate because of the opportunity cost represented by each additional child (Morduch, 1999).

Still, even with these associated benefits, the question remains – in what ways and to what extent does microfinance contribute to the empowerment of women. Given that the World Bank has identified empowerment as one of the key constituent elements of poverty reduction (World Bank 2002), it is clear that greater attention should be given to this question. To date, research has focused on the how marketing and vocational skills acquired through microfinance training institutions prepare women to enter into the market and become financially independent while regular group meetings increase their level of awareness. Sometimes, group members help each other beyond income generating activities. They act in groups to solve problems, which make them confident and less vulnerable (Swan and Wallentien, 2009), and shift from male-decision making to more bargaining and sole female decision making, especially among women who have been members of a group for a longer period of time or groups in which more attention is given to developing social intermediation (Holvoet, 2005). Other comparative work, however, finds little difference in empowerment between women in villages with and without microfinance programs. Measures of empowerment were higher among residents of villages where microfinance programs were available than in villages without microfinance, but for residents overall, not specifically among borrowers (Rahaman et. al 1999) – suggesting that microfinance affects the broader community perhaps as much (or as little) as it does individual women borrowers. Similarly, other studies argue that it is not microfinance itself that is significant in the short run (Duflo et al 2009), but rather the degree to which development efforts simply shift the burden of family planning, nutrition, or financial responsibilities from men to women (Isserlis, 2003). , or challenge traditional roles of men as breadwinners in ways that actually give power, and not simply more responsibility, to women.

Analyses which argue that challenging men's breadwinning responsibilities shifts power and not just responsibility to women base those arguments on the idea that employed women are better able to engage with husbands around a wide array of issues, in addition to household finance (Armendariz and Rome, 2008). Yet in one study of middle and low income countries, Watt and Vyas (2009) found microfinance was inconsistently associated with incidence of domestic violence. In some cases they found an inverse correlation between the availability of microfinance and intimate partner violence, while in other cases they found a positive association between the two. In the latter case, these researchers conclude that risk to women is increased when access to finance is seen as an unsettling shift to gender power relations within the household. Studies on violence and microfinance involvement in Bangladesh by various researchers provide similarly mixed results. Overall then, research on the effectiveness of microfinance on alleviating poverty or empowering women remains mixes. Some of these diverse findings may be the result of analyses based on a small number of individual case studies or on anecdotal evidence. Some even make the case that based on the diversity of findings, microfinance itself is simply the latest fad in development work – a buzzword that has received attention disproportionate to its real effects.

Given the breadth of conclusions and range of debates within the literature on microfinance (Mordoch 1999), the following section focuses on a systematic analysis of the variables, factors and measures utilized in a sample of studies, with the goal of better understanding the source/s of these divergent findings as well the overall impact of microfinance itself. As outlined above, the literature on microfinance ranges from studies claiming its efficacy in poverty alleviation and women's empowerment to research questioning its basic premise as a vehicle for alleviating women's poverty. At the very least, there is a lack of consensus among researchers whether or not microfinance does really help women in a given context. To help organize and focus this analysis, I draw on a type of meta analysis – a systematic summary of methods and findings in order to better assess the a range of conclusions within this research and their implications for public policy.

METHODOLOGY

Altogether, twenty studies on the impact of microfinance were selected for this analysis. Not all of these studies have women empowerment as their focus, or solely focus on microfinance as affecting empowerment. Each study, however, focuses on developing countries in which women are substantially subordinate to men. A number of these take as their subject women in South Asia (India and Bangladesh) in which women make up almost half of the world's borrowers. Studies selected for analysis were published in the 15 years between 1995 and 2010. As my analysis will show, they employ a range of methods to measure and analyze the impact of microfinance on women's empowerment. Some of them have relied heavily on statistical tools while others are dependent on qualitative methods. Also some of them are essays based on field visits and ethnographic studies. Despite variations in terms of numbers of issues among and between these studies, this systematic analysis of their methods and findings allows us to identify key disagreements as well as common threads among them. Evidence from a case study in Andra Pradesh is then presented as a way to illustrate some of the main areas of agreement and disagreement within this literature, as well as highlight how contingent factors play an important role in determining the success or failure of microfinance, as well as how the objectives with which a program begins seem to predict its outcomes.

Grameen Bank in Bangladesh was established with the single motive to help the poor and root out the poverty while "Self Help Groups" in Andra Pradesh, India were initiated for several political and economic reasons. The construction or design of the program matters too. In "Grameen Bank" women borrowers get administrative support while "Self Help Group" borrowers lack adequate administrative support and other social development programs that would help them to face other pressing problems in the lives like illiteracy, poor nutrition and health, and would enable them to make productive use of loans. To sum up, the case study of Andra Pradesh uncovers variation in program implementation prevalent in microfinance world and substantiates what most of the literature in systematic meta analysis has to say about role of contingent factors and other pre-requisites for the success of microfinance.

In this analysis I address three related questions. First, does microfinance live up to its promise of empowering women? Second, what are the factors constricting the potential of microfinance as a tool to liberate women and improve their overall situation in the society? Third, what are the recurrent contested issues within the microfinance literature?

Conceptual and Methodological Debates

i. Variation in Concept and Definition of Empowerment

Empowerment by itself is a broad term. Put simply, empowerment means the ability to bring changes and make choices in life. But what kinds of changes and what kinds of choices determine empowerment? What agencies and parameters demonstrate empowerment of women? There is a range of perspectives within the microfinance literature in terms of definition and measurement of empowerment. Some researchers use one indicator to test the impact of microfinance on empowerment while others depend on testing several indicators to derive an outcome. Overall there is no consensus around which indicators are the more valid or reliable measures for empowerment.

As shown in Table 1 below, indicators of empowerment range in both substance and number across studies in South Asia. Some studies used only one indicator to derive the results, while others have employed a numbers of indicators to capture a broader picture of empowerment including socio-economic and political empowerment. The study by, Goetz and Gupta (1996), for example, relies on control over loans as an indicator of empowerment, while in the same context of Bangladesh, Pit et. al. (2006) employed eight indicators for the same purpose. Interestingly, most of these indicators in the research highlighted in this table are related to the financial or economic empowerment of women. Very few indictors reflect socio-political empowerment.

Table 1: Indicators of Empowerment in a Sample of Studies in South Asia

Nathalie Holvoet (1995)	India	Expenditure, money management, kinship and family matters, agricultural business, cottage industry
Goetz and Gupta (1996)	Bangladesh	Control over loans
Hashemi et. al. (1996)	Bangladesh	Economic security, ability to make small purchase, involvement in major household decisions, relative freedom from domination within the family, political and legal awareness, involvement in political campaign and protest, mobility, composite indicators of all of above indicators
Pit et. al. (2006)	Bangladesh	General economic power and access to funds, ability to spend money independently to make household purchases, ability to borrow from informal sources, mobility and network, transaction management, activism, household attitudes, husband’s behavior, fertility and parenting and all of above indicators

The degree to which the effects of microfinance on women's empowerment is described as positive or negative in the research above, varies depending on the questions asked and types of indicators used. Generally, negative impacts are reflected in the studies that resort to process of empowerment like control or management of loan while positive impacts are usually observed in the studies that rely on outcomes indicators like decision agency, individual or family well being that are associated with credit programs (Kabeer, 2001). Also, biases and pre-conceived notions of empowerment matter a lot. For instance, joint decision making in microenterprises and income in the household are interpreted by Hulme et. al (1996) as domination in disguise by males (Kabeer, 2001). Thus, Kabeer (2001) argues that emphasizing individualized notions of empowerment is not relevant in countries where intra-household relationships are based on co-operation rather than conflict. Therefore, empowerment should be conceptualized on the basis of socio-economic context of the given place. Also empowerment takes place in various ways in various socio-economic constraints. The inability to conform to a certain indicator does not mean that there is no effect of microfinance at all.

Creating a universal indicator of empowerment is clearly problematic. Not only do definitions of power vary across settings, but empowerment itself is a dynamic, multi-faceted and multi-dimensional process that may be expressed differently in different socio-economic contexts. For example, mobility represents empowerment in case of Bangladesh, but not Cameroon where a system of "purdah" is not practiced.

ii. Variation in Study Methodology

Another variation within the literature selected for review is found in the method of data collection and analysis. Some studies rely on heavy statistical analyses while others depend on in-depth interviews, field visits or ethnographic studies. Conflicts emerge regarding which methodology captures the impact of microfinance of women the best. Researchers are divided among two different types of studies. For example, Kabeer (2001) argues that it is necessary to derive results of microfinance intervention on the basis of accounts provided by individual participants. This is because of the fact that each individual might experience empowerment in different ways. Assessing the impact with pre-conceived notions of empowerment distorts the real picture. Empowerment is an individual realization. It is an entirely subjective phenomenon. The experience of empowerment to each different individual might be different from another. Thus, it is better to measure and analyze empowerment on the basis of personal testimonies given by participants, and on the basis of how development intervention like microfinance has changed their lives rather than the point of view of outsiders (Shetty, 2010). Kabeer (2001) articulates that many dimensions of women's empowerment are not quantifiable and hence are not measurable.

While some qualitative researchers argue that quantitative studies are inherently invalid, other researchers are quick to point out the limitations of qualitative analyses—arguing that anecdotal or observational studies that do not possess the ability to reflect on what is the real impact of microfinance on women empowerment (Schroeder, 2009).

iii. Variation in Assessment of Social Capital

The aspect of microfinance that is most readily credited with its success is its utilization of social capital. The social capital of women substitutes other kinds of collateral as required by commercial bank. The group members monitor and screen their members, helping to keep the cost of microfinance low and to minimize the risk of loan default. However, in a heterogeneous society, the selective nature of the group allows room for the exclusion of people from the poor and disadvantaged groups like “dalits” or “untouchables” who are among the poorest of the poor and thus the ostensible target of microfinance. Furthermore, excessive monitoring and screening of prospective recipients leads to polarization and conflict, and threatens the stability and cooperation of women in the society (Parmer, 2003).

Given these dimensions and various expressions of social capital, it is important to consider more carefully how social capital is constructed. "Trust, norms and networks can inhibit as well as support production and income generation, and livelihood strategies are embedded in culturally situated notions of acceptable enterprises” (Maclean, 2010). Moreover, in some circumstances microfinance may contribute negatively to social capital rather than build upon it. It might improve the social capital of a particular individual, or worsen the relations among members due to excessive monitoring and interference from group on individual activities, or by focusing social capital on income rather than contributing to a network of subsistence and production (Maclean, 2010). There are also downsides to social capital, which restricts the potential of people living in the society (Mayoux, 2001).

ANALYSIS: SYNTHESIZING FINDINGS FROM PREVIOUS RESEARCH

Mayoux (2001) summarizes three major paradigms in microfinance. These include the poverty alleviation paradigm, the women empowerment paradigm, and the financial sustainability paradigm. Despite various conflicting issues surrounding microfinance, three-fifths of the research concludes that microfinance empowers women (see Table 2 below).

Table 2: Findings of Empowerment and Disempowerment in Studies on the Effects Of Microfinance on Women (1995-2010)

Author	**Disempowerment**	**Empowerment**
Ackerly (1995)	0	1
Duflo (2010)	0	0
Holvoet (1995)	1	1
Hashemi et. al. (1996)	0	1
Hulme et. al. (1996)	0	0
Garikipati (2008)	0	0
Goetz and Gupta (1996)	0	0
Kabeer (2001)	0	1
Kabeer (2005)	1	1
Kantor (2005)	0	1
Mayoux (2001)	0	1
Mayoux (2000)	1	1
McLean (2010)	0	0
Osmani (2007)	0	1
Pit, et. al. (2006)	0	1
Rahman, et. al. (2006)	0	0
Rao (2008)	0	0
Schuler and Rottach (2010)	0	1
Shetty (2010)	0	1
Young (2010)	1	0
Totals	**4**	**12**

Within these Mayoux goes on to specify three dimensions or subcategories of empowerment: economic empowerment, increased wellbeing, and social and political empowerment.

i. Economic empowerment: Economic empowerment focuses on the ways in which microfinance programs help women become economically active and self-reliant. At this level, empowerment is understood as a characteristic of individuals who come to have greater control and decision making over saving and credits.

ii. Increased well being: The economic independence or source of income generated by women through credit leads to individual well being of a woman borrowers as well as household level welfare. Credit plus programs such as health, nutrition, and trainings are introduced along with credit in order to enhance the skill of women and help them accelerate their welfare. The household level welfare is the key concern in poverty alleviation paradigm in microfinance programs. In the financial sustainability paradigm and feminist empowerment paradigms, improved wellbeing is an assumed outcome from increasing women's economic activities and incomes.

iii. **Social and Political Empowerment:** The income generation linked with increased skills, mobility and networks paves a pathway for social and political empowerment. The following table enlists the numerical summary of the literature regarding whether—microfinance has positive or negative impact on women empowerment.

Each of these subcategories of empowerment is evident in the research reviewed for this analysis. Table 3 below presents a summary of the findings of this research, specifying whether or not the conclusions of the studies indicate positive associations between microfinance and the particular dimension of empowerment employed.

Table 3: Dimensions of Empowerment

Author	**Economic Empowerment**	**Well-Being**	**Social and Political Empowerment**
Ackerly (1995)	1	1	1
Duflo (2010)	0	0	0
Holvoet (1995)	0	0	0
Hashemi et. al. (1996)	1	1	1
Hulme et. al. (1996)	0	0	0
Garikipati (2008)	0	1	0
Goetz and Gupta (1996)	0	0	0
Kabeer (2001)	0	0	0
Kabeer (2005)	0	0	0
Kantor (2005)	1	1	1
Mayoux (2001)	0	0	0
Mayoux (2000)	1	1	1
McLean (2010)	0	0	0
Osmani (2007)	1	1	1
Pitt, et. al. (2006)	1	1	1
Rahman, et. al. (2006)	0	0	0
Rao (2008)	0	0	0
Schuler and Rottach (2010)	1	1	0
Shetty (2010)	0	1	0
Young (2010)	0	0	0
Totals	**7**	**9**	**4**

Among studies that define empowerment in terms of control over economic resources or individual economic empowerment, half of them conclude that microfinance empowers women. Studies that define empowerment in terms of individual or household wellbeing are much more likely to conclude that microfinance is empowering to women—with two-third of the research drawing that conclusion. Whereas only a quarter of the research that characterize empowerment as social and political influence conclude that microfinance empowers women.

Disempowering Effect of Microfinance

In spite of these largely positive findings, a handful of studies find a negative or no association between microfinance and women's empowerment. Mayoux (2000) and Young (2010) defend the argument that encouraging women to become involved in micro enterprises is exacerbating the situation of already burdened women as it results into excessive workloads, exhaustion and fatigue. It also reinforces the gender ideology instead of correcting inequality between genders. Likewise, friction in domestic relationship is created due to shake in traditional gendered relations in the household as women start bargaining for shift in those roles. Also, men feel their traditional role as breadwinner is being threatened which also fuels conflict and domestic violence within the household. Furthermore, involvement of big financial institutions and capital movement across the globe into programs like microfinance is allowing the former to prey on the poor. In other words, commercial microfinance institutions are sapping the poor women instead in the name of poverty alleviation and empowerment (Young, 2010).

When a woman becomes a conduit for loans to her husband, it does very little to empower herself. And she is also denied any benefit from the profit of business or any sort of micro enterprise initiated by men using the loan borrowed by women. However, the brunt of the payment falls on the woman. Moreover, both marriage and inheritance laws often favor males, so that sons inherit, while daughters do not, and assets transfer to husbands when women marry. She becomes her husband's property. In the given social arrangement, microfinance does little to help women.

Contextualizing the Findings of Research on Microcredit and Women's Empowerment

Microfinance is neither a magic wand nor a magic bullet. Although microfinance programs can provide a basis for improving women's wellbeing, microcredit – whether government or commercial or non-profit based – cannot provide the entire range of resources women need. Its relative success depends upon, among other things, the broader political and social context in which the programs are located.

. States themselves are critical for creating a favorable economic environment by making investments in social infrastructure such as health and education and developing physical infrastructure such as roads, electricity and transportation. Because many of these institutions and networks are underdeveloped in poorer countries, researchers argue that there is a danger in focusing on the volume of microfinance alone, without addressing the larger package of infrastructure necessary for economic development. Focus should be given to expenditures on health, education, and job creation, rather than simply maximizing the amount of private debt offered to poorer households (Kabeer ,2005, Kantor,2005 and Young, 2010). Education is particularly important (singled out by one quarter of the studies reviewed above), as a source of empowering women and girls Rahman et. al (2006). Here, microfinance is best seen as an ally of governmentin providing resources and opportunities.

Half of the studies reviewed above make the case economic context plays a substantial role in predicting the overall effectiveness of microfinance programs. A favorable economic context promotes entrepreneurship among women by providing opportunity to sell what they produce with credit. In the absence of access to market, borrowers cannot invest, produce, sell and earn. Similarly, infrastructure such as roads and reliable transportation are argued to be essential in enabling producers to have access to the market. In the absence of markets or lack of access to market, credit may actually become a burdensome liability rather than empowering resource. Economic opportunities, vocational and marketing skills are other factors that shape the relative effectiveness of microfinance among women (Kabeer, 2005, Hashemi et. al 1996).

Previous research also points to the importance of social and cultural barriers that shape the effectiveness of microcredit. Half of the studies cited above emphasize the role of by socio-cultural factors in mediating the effectiveness of microfinance programs. Gender stereotypes or the stigma attached to market work may limit women's access to markets typically dominated by men and prevent them from attaining financial independence from husbands (Osmani, 2007). Microcredit programs that exclude men appear to be less successful in channeling benefits to women than are programs that include men as participants along with women (Mayoux, 2000, Schuler and Rottach 2010). Gender norms vary widely within as well as across cultures, so that local norms around women's economic activity may or may not articulate with norms around women's subordination within households. Schuler and Rottach (2010), for example, found that mothers and mothers-in-law who had long histories of microfinance involvement and described themselves as economically empowered, were nonetheless unable to prevent early marriage of their daughters even though they wanted their daughters to continue with their studies. Nor were these women successful in urging daughters and daughters-in-law to limit early childbearing through the use of contraceptives because of the common belief among young married men that early childbearing would keep their wives in the marriage and discourage them from running away. In other examples, patriarchal control over household assets is argued to limit the benefits women gain from participating in microcredit (Kabeer, 2001, Schuler and Rottach 2010), so that while microcredit may help the poorest of the poor, the relative advantage it provides to women overall is limited (Garikapati, 2001).

As the availability of microcredit reshapes cultural expectations around women, women's own aspirations and attitudes towards other types of work may shift. Some types of work (field work, for example) may be seen as undesirable and households may sacrifice and struggle to repay loans in order to retain symbols (owning a cow) of having moved into the entrepreneurial class (Wendy and Olsen 2010). Cultural attitudes toward debt itself also change, creating conditions in which individuals or households begin to see debt as normal and inevitable for those whose aspirations are greater than their current resources. Credit that is too easily accessible, some argue, create a culture of revolving debt or a "debt trap" wherein families take new loans to repay existing ones and never move beyond indebtedness. Because of the risks associated with easy credit and revolving debt, the large majority of studies (80% of those reviewed here), argue that credit alone is not sufficient for empowering women. Instead, they argue, microfinance in conjunction with additional services, or "credit plus" programs, are most successful (Ackerly, 1995, Holvoet, 1995, Goetz and Gupta, 1996, Kantor, 2005, Garikipati, 2008, Shetty, 2010). The "plus" programs generally involve social development services such as health, nutrition, literacy, and technical or vocational training for women (Shetty 2010).

Finally, while most research focuses on poverty alleviation, women's empowerment, and financial sustainability, only limited number of studies attempt to explore the relationships among these three paradigms. For example, efforts to make microfinance institutions financially self-reliant may hinder achieving success in terms poverty alleviation and women's empowerment. The preoccupation of donor agencies on financial sustainability (Goetz and Gupta

1996, Mayoux, 2000) has led to increased focus on repayment rates, and reduced attention on the productive use of loans and other positive effects credit on women. With the intent of keeping the cost of programs low, complementary services such as literacy, education, vocational and marketing training are reduced. Whether or not microfinance should focus only on credit or should also invest in social development programs has become a seriously debated issue. While most agree that financial sustainability and social development outcomes are both essential parts of microfinance programs, there is need for more research on whether or not these two aspects are in conflict or are complementary, and what can be done to incorporate them in balanced and successful microcredit programs.

Economic and Political Context in the Case of Andra Pradesh

In this next section I explore the connection between economic, cultural and political contexts and microfinance success using the example of Andra Pradesh – one of two cases cited in the literature above in which politics and local economic context were systematically analyzed.

Following the recommendations of the International Monetary Fund, both central and state level governments in India adopted a slate of neo-liberal economic reforms. These reforms were intended to reduce fiscal deficit and create an environment conducive to capital investment on the part of larger corporations in order to develop the private sector and reduce government responsibility for creating jobs, developing infrastructure and providing services. Following the enactment of these policies, the state of Andra Pradesh emerged as one of the top states in India for siting investment by multinational corporations (Young, 2010).

Critics argue that these economic reforms were popular among investors and financial institutions but did little to help people in sharp contrast to what was expected. Farmers in rural areas suffered, as the state reduced its expenditures on public services like water, electricity, fertilizers and credit. The privatization of public utilities created both unemployment and higher prices for many basic goods.

Within this context, microfinance was introduced as a way to increase employment in the informal sector at a time when formal sector employment was shrinking. Programs proliferated, so much so that Andra Pradesh now has one of the highest microfinance programs per capita in India, perhaps the world (Olsen and Morgan, 2010; Young, 2010). Much of this growth took place between 1995-2005 when Chandra Babu Naidu was the chief state minister. Naidu came into power after local women's protest against state sponsored sale of alcohol. Women electorate played significant role in electing him to the office. As he entered office, both the local and national governments adopted the liberalization policies advocated the International Monetary Fund. Driven by these neo-liberal policies, state expenditure in the rural agriculture sector shrank. This put the popularity of Naidu in the rural areas of country in peril (Young, 2010), and threatened to undermine his support among women because he was not willing to respond to the state's financial crisis by banning the sale of alcohol as promised.

Instead, Naidu turned to microfinance. Microfinance was seen as an efficient way to shore up support among both rural and women electorates. Women were the hardest hit victims of jobs loss. Women also bore the direct brunt of the price increases in basic goods and services as a result of the economic liberalization policies adopted by the state. The self-organized and self-regulated "Self Help" groups his policies promoted turned out to be a reliable option for not losing the women voters for Naidu and his party. Thus, while other regions had similarly suffered the effects of economic liberalization, Naidu's Telugu Desam Party recognizing the importance of women as an electoral constituency (Suri, 2002 and Rao 2008), and rallied an electorate through facilitating the proliferation of microfinance "Self Help Groups". The policies also gathered support of rural voters who were frustrated due to a rise in prices of fertilizers, seeds and other agricultural inputs. Supporting the development of microfinance programs in these rural areas helped restore political support among rural farmers.

With support from the World Bank (Rao, 2008) the number of microfinance programs supported by the government rocketed from 10,000 in 1995 to 365,000 in 2005. As nongovernmental organizations and profit oriented microfinance institutions began microcredit programs of their own, the number of microfinance institutions grew even further. Commercial microfinance institutions in the state also began to appear – supported through funding from large cities' based banking institutions (Young, 2010).

RECOMMENDATIONS AND CONCLUSIONS

Credit has been adopted as an instrument to help the poor and alleviate poverty in the past. Credit is also the core of the microfinance programs as well. Still, microfinance distinguishes itself with its innovative design and minimizes the risk of loan defaults through collateralizing the social capital, compulsory saving and insurance services. In recent times, it has been crowned as the best poverty alleviation and women empowerment policy. It has become an integral part of development agencies and has been triumphant at attracting attention of bilateral and multilateral donor agencies.

Women are the main target of microfinance programs for various reasons. Mayoux (2001) succinctly articulates that targeting women contributes a major function in addressing gender, poverty and financial efficiency concerns. There are a number of studies that accentuate the extraordinary role of microfinance at alleviating poverty and empowering the status of women. In the mean time, there is no scarcity of literature whose conclusions run counter to these claims. Thus, on the basis of in- depth analysis of literatures punctuating both conflicting sides of the stories of microfinance; the following recommendations are advanced that are likely to be helpful to policy makers and individuals interested in the prospects and constraints of microfinance.

First, microfinance is extolled as the best tool designed to achieve the twin goals of poverty alleviation and the empowerment of women. However, empowerment is such a broad term, and measuring empowerment has become a great challenge to researchers aspiring to testify whether or not microfinance empowers women. Furthermore, as pointed out in the analysis section, the type and nature of indicators used in research determines the positive or negative conclusions at the end. Indicators that delineate empowerment in one region or socio-economic context might not reflect the reality of other regions or societies. In other words, variables that dictate empowerment in one socio-economic context might not reflect empowerment in different setting. Thus, policy makers need to be attune to how a researcher is measuring empowerment in order to offer policy recommendations based on valid and reliable measures.

Second, microfinance is not a panacea; it is not a magic wand for solving either poverty or gender disparity. Poverty is more than a lack of income or ownership of assets. There are various institutional barriers such as inequality, segregation based on race and ethnicity, caste system, and lack of access to education that perpetuate poverty from one generation to another. Keeping those constraints in mind, poverty alleviation programs should be multifaceted and dynamic in design and implementation. As Ackerly (1995) argues, programs should focus their efforts on increased market activity and complement those efforts with non market related means of changing the institutional environment in order to empower borrowers (Ackerly, 1995). The government occupies the central role in lifting the barriers through various programs, policies and public expenditure in development of socio-economic infrastructure. Likewise, the development of physical infrastructure creates a more favorable environment for growth of the informal sectors of the economy, and self-employment opportunities for women become both more feasible and more profitable. To be precise, microfinance can be one of the several aides to government efforts in addressing poverty and gender issues but not the solution in itself.

Third, microcredit is the core of microfinance institutions. As suggested by most of the studies in analysis above, credit alone is not sufficient to achieve desired goals. Microfinance institutions become more effective in uplifting the status of women if credit is combined with various financial and other additional social development schemes. The credit plus measures or additional programs incorporated by microfinance institutions such as literacy, vocational and marketing training, and nutrition and health awareness provide better means for women to enhance their lives and bring positive changes in society.

Fourth, the role of government in particular is very important in terms of alleviating poverty and changing the lives of women. Similarly, democratic institutions and efficient administrations are crucial. The government should provide basic infrastructure such as roads, health and education, services that are preconditions to economic growth and a necessary environment within which the poor may borrow, invest and earn. Likewise, government should facilitate access to formal employment, political quotas, and scholarships for poor and girl children, as these opportunities can be decisive in determining status of women in the society.

Therefore, government retains critical responsibility while creating conditions which in which microfinance mediates the movement of individuals and families out of poverty.

Fifth, it is equally important to observe the construction of social capital in any society to understand how microfinance might affect that capital and society. Program design and implementation should be in a manner that allows opportunity to establish and strengthen networks so that women as a group benefit from their individual successes. It is also necessary to recognize the limitations and possible negative effects of social capital. Social capital of one group may be enhanced in a way that limits the development of social capital in another group as in the case where strengthening men's social capital comes at the expense of reinforcing gender subordination (Mayoux, 2001).

Sixth, the design and implementation of programs matter. Grameen style borrowing and lending has been remarkably successful in part because of the smaller scale relative to "Self Help Groups" Borrowers in "Self Help Groups" struggle with several constraints in the absence of any external support. For instance, in order to keep the accounts and records of saving and loans disbursed, the women borrowers have to depend either on their sons or husbands as they do not know how to read and write. At the same time, they do not get access to opportunity to learn how to read and write while Grameen borrowers get this opportunity easily.

Seventh, it is true that microfinance provides access to credit for the poor without any form of assets or collateral. However, the poorest of the poor who represent high risk might be excluded by relatively well off borrowers in programs. This factor must be taken into account while implementing the program intervention.

Eighth, the preoccupation of donors with financial sustainability and consequently too much attention on the repayment rate is exerting negative pressure on women. This narrow focus overshadows other development programs that can be implemented simultaneously along with borrowing and lending. It is matter of debate whether or not credit programs should focus on being financially self-reliant in order to get rid of donor dependency, or should concentrate on both credit and other social development programs.

Finally, there is a need for further research on whether credit alone is effective or if credit plus other programs achieve better results. What can be done to make a program financially self-reliant and achieve other development goals simultaneously? The unique design that makes these two elements mutually exclusive and relieves the compulsion of making the choice of one over the other would be helpful. Hence, efforts must be concentrated on innovation of such outstanding design of the program.

In conclusion, empowerment is a long and time consuming process (Goetz and Gupta, 1996). It can result via multiple dimensions and through multiple routes (Kabeer, 2001). Therefore, it is not reasonable to expect quick outcomes from microfinance intervention. Nor is microfinance guaranteed to be successful in all places and societies. There are inherent limitations to market oriented development tools like microfinance. It is contingent on existing socio-economic institutions. Yet, it is essential to realize that while there are other far more radical approaches to structural change than those associated with microfinance, these may not address the everyday practical needs of the poor as effectively as microfinance (Kabeer, 2005).

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