

## NOT ONLY REACHING, BUT ALSO EMPOWERING WOMEN: WAYS FORWARD FOR THE MICRO-CREDIT SUMMIT'S SECOND GOAL

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Since 1997 not only 'reaching' but also 'empowering' women has been the second theme of the Micro-credit Summit Campaign. In the 2006 State of the Campaign Sam Daley-Harris<sup>2</sup> argues for the importance of women's empowerment to achieving the Millennium Development goals and empowerment 'at the centre of human progress'. He concludes the same section with:

*'We must improve microfinance where it fails to live up to its promise, not write it off as a failed, over-hyped fad. What is also needed is a powerful vision for outreach and impact, a vision that is clearly laid out in bold goals.'*

Micro-finance programmes not only give women and men access to savings and credit, but reach millions of people worldwide bringing them together regularly in organised groups. Through their contribution to women's ability to earn an income, micro-finance programmes can potentially initiate a series of 'virtuous spirals' of economic empowerment, increased well-being for women and their families and wider social and political empowerment. Micro finance services and groups involving men also have potential to question and significantly change men's attitudes and behaviours as an essential component of achieving gender equality. Gender equality and women's empowerment in turn are essential and integral components of pro-poor development and civil society strengthening.

However evidence indicates that empowerment is not an automatic consequence of micro-finance per se, but depends on the degree to which women's needs and interests and gender equity are reflected in programme vision and design. This paper reviews the degree to which the Micro Credit Summit and CGAP policies live up to their stated ideals in relation to women's empowerment. It argues that, despite significant advances in recent years in addressing the challenges of both commercialisation and poverty reach, gender continues to be marginalised, with potentially serious consequences for women and for programmes themselves. The final section of the paper outlines a possible Plan of Action for mainstreaming gender equity and empowerment in the micro-finance movement.

### **GENDER AND MICRO-FINANCE: APPARENT CONSENSUS**

A concern with gender issues in financial services is not new, nor is it a donor- or Western-led agenda. From the early 1970s women's movements in a number of countries became increasingly interested in the degree to which poverty-focused credit programmes and credit

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<sup>2</sup> Daley-Harris 2006 <http://www.microcreditsummit.org/pubs/reports/socr/2006.htm>

cooperatives were actually being used by women<sup>3</sup>. The problem of women's access to credit was given particular emphasis at the first International Women's Conference in Mexico in 1975, leading to the setting up of the Women's World Banking network. In the wake of the second International Women's Conference in Nairobi in 1985 there was a mushrooming of government and NGO-sponsored income-generation programmes for women, many of which included savings and credit. A number of international workshops at the end of the 1980s attempted to bring together the experience of government and NGO programmes.<sup>4</sup> Then in the context of the rapid expansion in the 1990s evidence of women's higher repayment rates and higher levels of expenditure on family well-being were used by gender lobbies within donor agencies and programmes to argue for targeting women in micro-finance programmes.

Targeting women has been widely acclaimed as 'a good thing' by donors and NGOs of widely different political persuasions. Donors and micro-finance providers have produced manuals outlining ways of increasing women's access to micro-finance<sup>5</sup>. Female targeting has been based on a number of apparently mutually reinforcing arguments<sup>6</sup>:

- **Efficiency:** Women have often proved to be better savers than men, better repayers of loans and more willing to form effective groups to collect savings and decrease the delivery costs of many small loans. Targeting women therefore improves the financial sustainability of micro-finance programmes.
- **Poverty reduction:** Specific attention to women in poor households is seen as essential to achieving the poverty reduction goals of the Micro Credit Summit Campaign. Women are generally poorer than men and hence form the majority of the target group for poverty-targeted micro-finance. They also tend to invest additional earnings in the health and nutritional status of the household and schooling for the children. This means that targeting women has a greater positive impact on child poverty reduction.
- **Gender equality and empowerment:** From 1997 not only 'reaching' but also 'empowering' women has been the second theme of the micro-credit summit campaign. Access to financial services have been seen as a human right to be enjoyed by women as well as men. In addition to the contributions of rural finance to sustainable livelihoods, targeting women has been seen as contributing to a series of 'virtuous spirals' of women's economic empowerment, increased wellbeing and women's social and political empowerment.

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<sup>3</sup> In the early 1970s SEWA identified access to credit as a major constraint on women's economic activity. In 1981 a conference held in Nairobi by ACOSCA aimed to form a network of leaders who would work to make credit unions more representative to women's needs and to make country-specific plans. They recommended an programme of information for women, research on women in credit unions, financing of labour-saving technology for women and child-care facilities and increasing women's representation on decision-making bodies.(Mbogo 1989) . For an overview of selected programmes in Kenya, Malawi, Sierra Leone, Zambia and Zimbabwe see FAO 1988.

<sup>4</sup> See resulting publications: Berger and Buvinic eds 1989 and Grown and Sebstad eds 1989.

<sup>5</sup> Early Manuals included IWTC 1981, 1982 and Hillhorst and Oppenoorth 1992. More recently gender Manuals for micro-finance have been produced by UNIFEM 1993, 1995; Binns 1998..

<sup>6</sup> 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. Targeting 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)

In many cases all three arguments are used simultaneously. For example in the section on the Microcredit Summit Campaign goals webpage in the section entitled ‘Why target women?’ it is argued:

*‘1.2 billion people are living on less than a dollar a day. Women are often responsible for the upbringing of the world’s children and the poverty of the women generally results in the physical and social underdevelopment of their children. Experience shows that women are a good credit risk, and that women invest their income toward the well being of their families. At the same time, women themselves benefit from the higher social status they achieve within the home when they are able to provide income.’<sup>7</sup>*

## **VIRTUOUS SPIRALS: EMPOWERMENT POTENTIAL OF MICRO-FINANCE**

There is evidence to support all three arguments. Firstly many programmes have increasingly targeted women for efficiency reasons, including experience of higher repayment rates. The reasons for higher female repayment rates are unclear. In some programmes this seems largely due to the types of loans accessed by women compared with men – smaller group loans have higher repayment rates than individual loans regardless of gender of the borrower. In some cultures women are much more vulnerable to social shame than men, and so are much easier to pressurize into repayment. Women are also more likely to be found around the home during the day when credit officers call.<sup>8</sup> Women themselves often claim that women are better financial managers and generally more reliable than men. Programmes in Africa studied by the author also claimed that women were better savers and directed all their savings promotion to women, seeing men as too irresponsible.

Secondly women are both disproportionately represented amongst the poor and research in a number of cultures has shown that women use their incomes for household expenditure more than do men. The 1995 UNDP Human Development Report estimated that 70% of the 1.3 billion people living on less than \$1 a day are women.<sup>9</sup> A number of studies in Latin America, Africa and South Asia have shown that women spend a greater proportion of their income on household wellbeing than men.<sup>10</sup> Again precise reasons for this are unclear. But women in most cultures are allocated the main responsibility for caring for children which then also extends to their use of any income they earn. In some cultures women are expected to hand over any income they earn to men and/or expected to have very limited personal needs. This in turn has negative impacts on their ability to invest in economic activities which can grow and become profitable.

Micro-finance can also have positive contributions to a number of different and mutually reinforcing dimensions of women’s empowerment (See Figure 1):

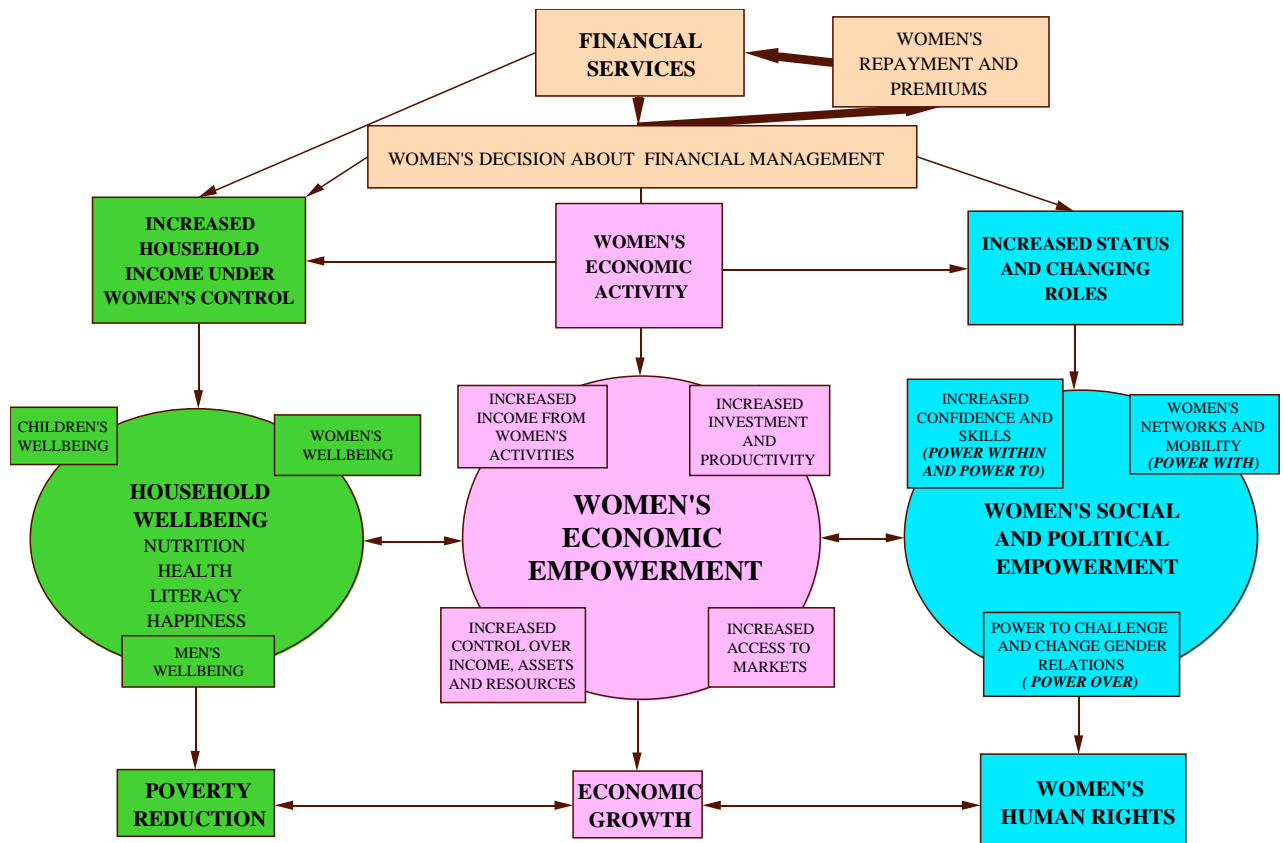
### ***Figure 1: Micro-finance and women’s empowerment: virtuous spirals***

<sup>7</sup> <http://www.microcreditsummit.org/aboutmicrocreditsummit.htm>

<sup>8</sup> The fact that women are easier to pressurize was a stated reason for targeting women in Bangladesh programmes studied by Anne Marie Goetz in 1990s (Goetz 1996).

<sup>9</sup> More recent country-wise statistics can be found at <http://unpac.ca/economy/wompoverty2.html>

<sup>10</sup> For discussion of studies of relationship between women’s assets and household wellbeing see Chant 2003; Gammage 2006 and Quisumbing and McClafferty 2006.



- Firstly, increasing women’s access to micro-finance services can lead to women’s economic empowerment through enabling women's decisions about savings and credit use, enabling women to invest in their own economic activities and assets and/or play a more controlling role in household activities. This may increase productivity and the income under women’s control and increase women’s engagement in the market.
- Secondly, increasing women’s access to micro-finance can increase household wellbeing. Channelling economic resources like credit or savings to households through women can enable them to play a more active role in intra-household decision-making, addressing the risks facing the household, and increase investment in family welfare. This may not only benefit children through increasing expenditure in areas like nutrition and education, particularly for girls, but can also lead to improved well-being for women and enable women them to bring about changes in gender inequalities in the household.
- Thirdly, a combination of women's increased economic activity and increased decision-making in the household can lead to wider social and political empowerment. The positive effects on women’s confidence and skills, expanded knowledge and support networks through group activity and market access can lead to enhanced status for all women within the community. In some societies where women’s mobility has been very circumscribed and women previously had little opportunity to meet women outside their immediate family there have been very significant changes. Individual women who gain respect in their households may then act as role models for others leading to a wider process of change in community perceptions and male willingness to accept change.

Finally, women's economic empowerment at the individual level has potentially significant contributions at the macro-level through increasing women's visibility as agents of economic growth and their voice as economic actors in policy decisions. This, together with their greater ability to meet household wellbeing needs, in turn increases their effectiveness as agents of poverty reduction. Micro-finance groups may form the basis for collective action to address gender inequalities within the community, including issues like gender violence and access to resources and local decision-making. These local-level changes may be further reinforced by higher level organisation, leading to wider movements for social and political change and promotion of women's human rights at the macro-level. Micro-finance has been strategically used by some NGOs as an entry point for wider social and political mobilisation of women around gender issues. Micro-finance groups have been used by some programmes as the basis for mobilising women's political participation.

Some women in some programmes have undoubtedly been very successful.<sup>11</sup> Some women, and many women in some contexts, show enormous resourcefulness and initiative when provided with a loan or given the chance to save without interference from family members. Most programmes can cite case studies of some women who were very poor before entering the programme, started economic activity with a loan thereby improving well-being, relationships in the household and becoming more involved in local community activities<sup>12</sup>. Impact studies which differentiate by poverty level often find this to be the case particularly for the 'better-off poor' who have some education and contacts to build on for successful enterprise<sup>13</sup>.

## **VICIOUS CIRCLES? QUESTIONING ASSUMPTIONS**

Nevertheless there is still a long way to go before women have equal access to financial services in rural areas or are able to fully benefit. Despite the shortcomings of the information available, the evidence indicates that ALL the assumed linkages between access and empowerment need to be questioned as indicated in Figure 2<sup>14</sup>.

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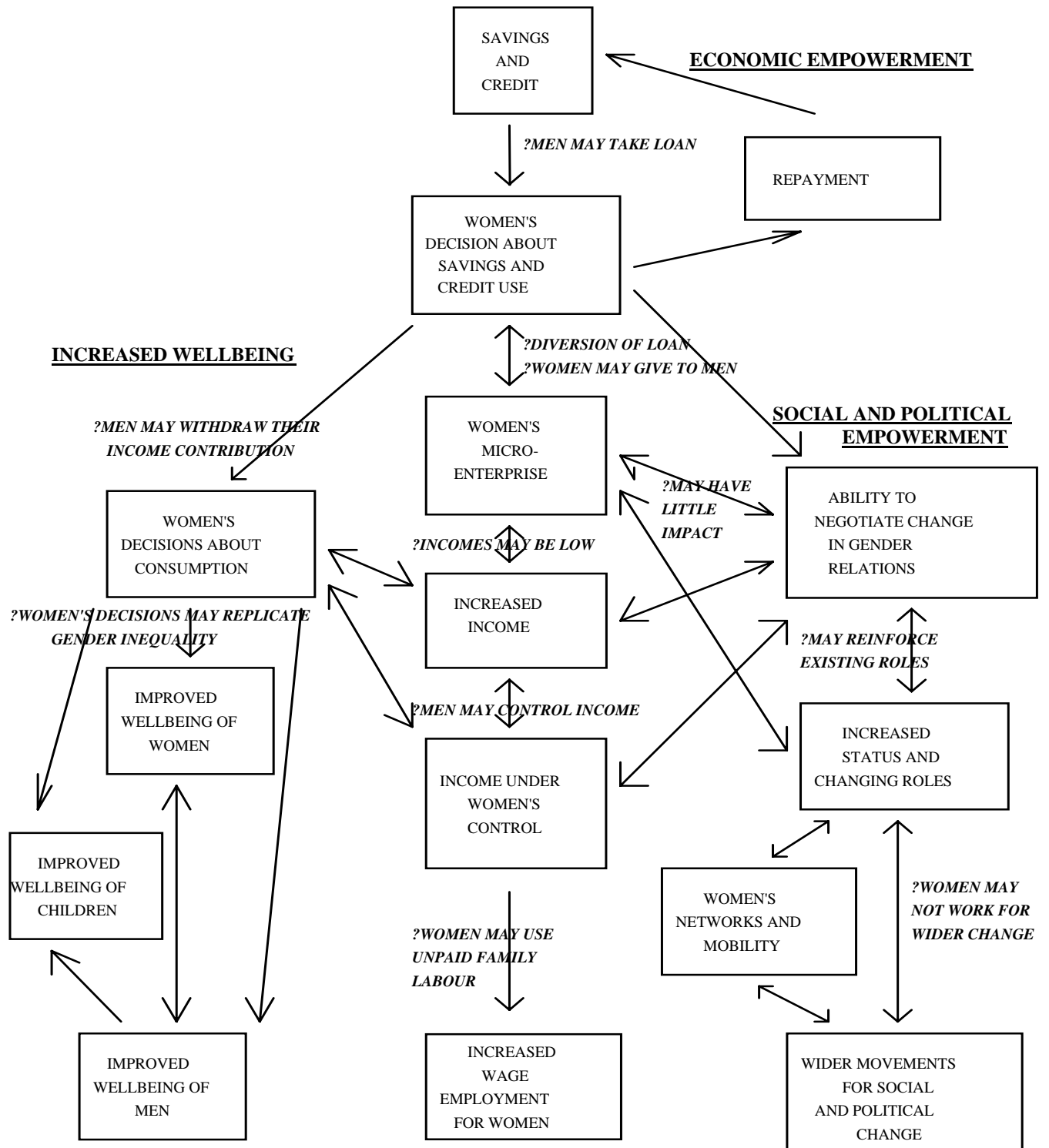
<sup>11</sup> For a review of the positive impact of micro-finance see Cheston and Kuhn 2002; Dunford 2006 and Goldberg 2005.

<sup>12</sup> Noponen 1990, Hadjipateras 1996, Marx et al 1997.

<sup>13</sup> Eg Ashe and Parrott 2001.

<sup>14</sup> The discussion here is based on discussions and grey literature collated by L.Mayoux during a series of workshops between 1997 and 2007 in South Asia, East West and Southern Africa and Central and America funded by various donors and involving over 100 organisations. Case studies and further discussion can be found on the genfinance website [www.genfinance.info](http://www.genfinance.info).

**Fig.1 VIRTUOUS SPIRALS : QUESTIONING ASSUMPTIONS**



### *Questioning access*

It is clear that although women's access to microfinance services have significantly increased over the past two decades, in many regions women's access is still unequal in many programmes, credit unions and village banks. Moreover it cannot be assumed that the existence of micro-finance programmes necessarily increases the range and quality of services to which women have access. In some cases, and particularly for poor women, it may undermine existing informal finance systems like crisis funds in ROSCAs and/or willingness of patrons and relatives to give interest-free loans and/or access to more charitable forms of credit from traders. In Zimbabwe for example, micro-finance clients were explicitly discouraged from giving food and goods on credit to agricultural labourers pending their wage checks at the end of the month, undermining essential support for the very poor outside the programme. Badly designed compulsory savings and/or insurance schemes by MFIs may deplete resources going into ROSCAs.

Statistics on client or membership numbers, even where gender disaggregated, say very little about the quality of the services accessed by women compared with men. A common feature of rural village banks is that women are the majority of savers, but it is men who receive the majority of loans. Because men are the majority on decision-making bodies, the interest rates are fixed in favour of borrowers which may lead to lower levels of financial sustainability. In particular loan amounts received by women are generally lower than those received by men and this cannot be completely accounted for by demand factors. Most programmes to which women have access do not give loans large enough for purchase of assets like land and housing and/or require assets as collateral and/or signature of a 'male guardian'.

It is now widely accepted that the most easily accessible information on women's access ie gender disaggregated statistics on numbers of borrowers and savers, numbers and size of loans and repayment data cannot be used as indicators of actual access, and even less as proxy indicators of empowerment. Registration of loans in women's names does not necessarily even mean women's participation in decisions about loan application. Men may simply negotiate loans with male programme staff as an easier way of getting access to credit<sup>15</sup>. Even high repayment levels by women do not of themselves indicate that women have used the loans themselves. Men may take the loans from women<sup>16</sup>. High demand for loans by women may be more a sign of social pressure to access outside resources for in-laws or husbands than empowerment. This is particularly common where men do not have access to loans and/or are not prepared to attend meetings and submit to the financial discipline required to access them.

### *Questioning economic empowerment*

Even where men do not actively appropriate loans, all the assumed linkages along the chain of women's economic empowerment need to be questioned. Women may themselves choose to invest the loans in men's activities because gender inequalities in the local economy and/or household distribution of labour and assets give them few profitable alternatives for

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<sup>15</sup> In Harper's early study of AKRSP out of 31 micro-enterprise loans issued for women interviews found that in 8 cases women did not even know the loan had been taken (Harper, 1995).

<sup>16</sup> In Harper's study of AKRSP of the 31 micro-enterprise loans issued for women interviews found that even where women knew about the loan, only 7 loans were controlled by women. The majority - 16 were used by men and although women knew about the loan, they had not been involved in the loan-taking process. (Harper, 1995).

investment in their own activities. Loans may be repaid from male earnings, through women forgoing own consumption, or from income or borrowing from other sources<sup>17</sup>. Even where women control the loans, impact on incomes is widely variable. Most studies find that for the majority of women borrowers income increases are small, and in some cases negative<sup>18</sup>. All the evidence suggests that most women invest in existing 'female' activities which are low profit and insecure and/or in their husband's activities. In many programmes and contexts it is only in a minority of cases that women can develop lucrative activities of their own through credit and savings alone.

It is clear that women's choices about activity and their ability to increase incomes are seriously constrained by gender inequalities in access to other resources for investment, responsibility for household subsistence expenditure, lack of time because of unpaid domestic work and low levels of mobility, constraints on sexuality and sexual violence which limit access to markets in many cultures. These gender constraints are in addition to market constraints on expansion of the informal sector and resource and skill constraints on the ability of poor men as well as women to move up from survival activities to expanding businesses. There are signs, particularly in some urban markets, that the rapid expansion of micro-finance programmes may be contributing to market saturation in 'female' activities and hence declining profits. This hits those even poorer women dependent on these markets but who do not even have access to micro-finance.

The most significant contributions of micro-finance are widely recognised as being through 'income-smoothing' and decreased vulnerability to crises. Savings facilities and insurance are potentially as important here as credit. Savings does provide women with a means of building up an asset base. Women themselves also often value the opportunity to be seen to be making a greater contribution to household well-being giving them greater confidence and sense of self-worth. Loans are frequently used by women to purchase livestock which improve family nutrition and can provide a secondary source of savings to be drawn on at times of crisis. At the same time the role of micro-finance programmes per se can be overstated. Careful studies of women's savings behaviour show very complex juggling of different sources and types of savings in which those of micro-finance programmes themselves are only one, often a minor one.<sup>19</sup>

### ***Questioning wellbeing***

Women's increased contribution to income going into households does not necessarily mean an increase in total income accessible to all household members. Worryingly, in response to women's increased (but still low) incomes evidence indicates that men may be withdrawing more of their own contribution for their own use. This may include anything from productive

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<sup>17</sup> In Bangladesh one study found that approximately 50% of loans taken by women were used for men's productive activities, while another significant proportion were used for activities where control was ambiguous such as consumption or stocking and resale of goods or on-lending for interest (White, 1995). In Goetz and Sengupta's study of 275 women they found that women had full control of loans in only 17.8% of cases and in as many as 21.7% they had no control. A survey of 26 women in SCF Bangladesh found that 68% of loans had been used by the husbands or the sons and all except 1 first time loan (Basnet, 1995). In BRAC 10% female respondents reported no personal income and the women relied on family and friends for weekly cash repayments. (Montgomery et al 1996) Male appropriation of loans was also noted for Port Sudan (Amin, 1993) and three ACORD-Uganda programmes (ACORD, 1996). Similar patterns were reported by micro-finance participants at a central America workshop.

<sup>18</sup> Eg Everett and Savara 1991; Hulme and Montgomery, 1994; Montgomery et al, 1996

<sup>19</sup> Lacoste 2002.



investment, to increased expenditure on more expensive brands of alcohol to marriage of more wives or support for other women in town. Men are often very enthusiastic about women's credit programmes, and other income generation programmes for this reason because their wives no longer 'nag' them for money.<sup>20</sup>

It also does not ensure that women necessarily benefit from the income they contribute, or that there is any challenge to gender inequalities within the household. Although in some contexts women may be seeking to increase their influence within joint decision-making processes rather than independent control over income (Kabeer 1998), neither of these beneficial outcomes for women can be assumed. Women's perceptions of value and self-worth are not necessarily translated into actual well-being benefits or change in gender relations in the household (Sen 1990). Women's expenditure patterns may replicate rather than counter gender inequalities and continue to disadvantage girls. Without substitute care for small children, the elderly and disabled, and provision of services to reduce domestic work many programmes report adverse effects of women's outside work on children and the elderly. Daughters may be withdrawn from school to assist their mothers (USAID 1999).

Women's increased productive role has also often had its costs. Small increases in access to income may be at the cost of heavier workloads for women, increased stress and their health. In Zimbabwe and Zambia women interviewed by the author said that nowadays if women did not earn sufficient income their husbands would divorce them. Although women valued their limited financial independence men expected women to provide for the household and men continued to play little role in domestic work. A report on ZAMBUKO in Zimbabwe found that women had to hide money from their husbands who would otherwise use it to pay bride-price to acquire more wives or to drink (World Bank, 1997).

### ***Questioning social and political empowerment***

There is no necessary link between women's individual economic empowerment and/or participation in micro-finance groups and social and political empowerment<sup>21</sup>.

Women in many societies already have well-developed networks in the form of work groups, informal marketing networks and ROSCAs. The degree to which micro-finance programmes increase networks cannot be assumed, and ways in which networks can be enhanced must be strategically planned. Firstly contribution to networks is likely to be extremely limited where group sizes are reduced and limited to women who already know each other in order to maximise repayment pressures, unless there are explicit strategies to develop networking. Secondly repayment pressures may not only increase stress for individual women but also increase tensions and inequalities between women and within communities. Evidence overwhelmingly indicates that where the group as a whole, or group leaders are responsible for ensuring loan repayment or where better-off women want access to loans, women's groups are excluding the poorest and most disadvantaged women. Thirdly there are indications not only of exclusion of poor women, but also exploitation within groups and diversion of resources to the better-off.

In most programmes there is little attempt to link micro-finance with wider social and political activity. In the absence of specific support and organization to address gender

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<sup>20</sup> For Africa see discussion in Mayoux 1999. But numerous such cases were mentioned by programmes attending the series of workshops facilitated by the author in all continents.

<sup>21</sup> For references to evidence from Africa on all these points see Mayoux 1999.

inequality, bringing women together for savings and credit does not necessarily develop a sense of solidarity or joint explorations of ways in which women's problems can be overcome. There is evidence to the contrary that micro-finance and income-earning may take women away from other social and political activities and that micro-finance groups may put severe strains on women's existing networks if repayment becomes a problem (Nojonen 1990; Rahman 1999).

### **WOMEN'S EMPOWERMENT OR GENDER EVAPORATION? FALLING BETWEEN PARADIGMS**

The evidence indicates that all the assumed linkages between micro-finance and women's empowerment must be questioned. Although some women in some programmes have undoubtedly been very successful, there is still a long way to go before women have equal access to financial services or are able to fully benefit. In many cases contextual constraints at all levels have prevented women from accessing programmes, increasing or controlling incomes or challenging subordination. These contextual constraints are often compounded by gender discriminatory or gender blind policies which undermine any potentially positive contribution. The contribution of micro-finance services alone appears to be most limited for the poorest and most disadvantaged women who are particularly vulnerable to health and other crises and who have fewer resources to fall back on as response to market fluctuation or environmental hazards.

There are serious risks and potentially negative effects from micro-finance. For some women micro-finance has not only had no positive impact, but has been positively disempowering. Gender inequalities within households and communities may be intensified rather than challenged by feminising household debt and taking women's time and resources from other forms of social action. Credit (i.e. debt) may lead to severe impoverishment, abandonment and put serious strains on networks with other women. Where women are not able to significantly increase incomes under their control or negotiate changes in intra-household and community gender inequalities, women may become dependent on loans to continue in very low-paid occupations with heavier workloads and enjoying little benefit. Pressure to save may mean women forgoing their own necessary consumption. A particularly serious concern is that targeting women with small, loans, savings and insurance may overburden women and reduce men's sense of responsibility for household wellbeing.

This may also have wider negative impacts on communities and gender roles. Where micro-finance makes cash widely available through women there is evidence of dowry inflation and pressure on women to bring loans with them as dowry (Rahman 1999). The poorest women in markets and communities are the most likely to be excluded by programmes altogether, particularly where repayment is the prime consideration and/or where the main emphasis of programmes is on existing micro-entrepreneurs. The excluded poor may be made even more vulnerable through market competition with better-off members of micro-finance programmes.

None of the above implies that targeting women with effective micro-finance services and group strategies should be stopped. But rather that a much more explicit gender vision and set of gender strategies needs to be developed for the micro-finance movement. Adequately addressing gender issues in micro-finance requires a strategic gender approach which is woman-led and actively aims not only to increase women's access, but to translate this access

into empowerment and enable women to challenge gender inequality. It also requires mainstreaming gender concerns into financial and other services for men to encourage changes in gender attitudes and behaviour. This is necessary not only for women themselves, but as an integral part of any micro-finance programme aiming to make a significant contribution to economic growth and poverty reduction.

What is worrying about recent debates is the way in which different assumptions, goals, and policies have become conflated<sup>22</sup>. Female targeting has in many cases been seen as a substitute for gender policy. Despite all the evidence discussed above, numbers of women's names on loan and savings registers continues to be taken as proof of benefits to women. 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 that disadvantage women. It has rather led to a questioning of any positive action to protect women's interests on the grounds that this is discriminatory. In addition, 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 said to be 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.

Although women's empowerment may be a stated aim in the rhetoric of official gender policy and program promotion, in practice it continues to be subsumed in, and marginalised by, concerns of financial sustainability and/or poverty alleviation. Accompanying the rapid increase in women's access to micro-finance has been a progressive narrowing of the definitions of empowerment and decrease in funding for explicit strategies to achieve it. Recent trends towards commercialisation and poverty targeting are likely to further marginalise women, unless explicit attention is paid to gender concerns as an integral part of these strategies.

### **CHALLENGE OF COMMERCIALISATION: GENDER, PROFITS AND CONSUMER PROTECTION**

Since the 1990s most of the emphasis in micro-finance debates and 'Best Practice' has been on financial sustainability. The most detailed articulation of the financial sustainability '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. The ultimate aim is large programmes, which are profitable and fully self-supporting in competition with other private sector banking institutions and able to raise funds from international financial markets rather than relying on funds from development agencies. The main target group, despite claims to reach the poorest, is the 'bankable poor'. 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

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<sup>22</sup>As discussed below and outlined in detail by the author elsewhere eg Mayoux 2000, these assumptions, goals and policies can be seen in terms of three competing paradigms: the financial sustainability paradigm, poverty alleviation paradigm and feminist empowerment paradigm.

programme expansion to increase outreach and economies of scale, reduction of transaction costs and ways of using groups to decrease costs of delivery.

Within this paradigm, gender lobbies have argued 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 micro-finance delivery and programme evaluation. There rapidly developed a widespread consensus about how to increase women’s access to services based on women’s lack of access to resources and power and the different types of physical and social assets they could contribute to programmes (See Box 1). Products were limited in order to make management simple for field staff, predictable cash flows for programme managers and also comprehensible to clients. Many programmes had only one loan product, compulsory savings as a condition for accessing loans and in some cases compulsory insurance for the assets.

**BOX 1: INCREASING WOMEN’S ACCESS: EARLY CONSENSUS**

**Loans**

Small loans for investment in quick return income-generation or small assets because of women’s aversion to risk

Loans targeted to productive activity

Regular repayments starting as soon after loan disbursement as possible to instil financial discipline

Relaxing of collateral requirements to include social collateral or women’s property like jewellery

Accessible where the women themselves were located

Group- based to decrease costs and develop solidarity

Interest rates high enough to cover costs because is less than moneylenders and rates charged by ROSCAs and women’s own groups

**Savings**

Programmes to be savings-led to increase thrift and women’s financial management in the household

**Insurance**

To remove the risk from livestock and other loans

Alongside this focus on female targeting, the term ‘empowerment’ is frequently used in promotional literature. Definitions of empowerment are in essentially 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 lead in itself 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 also social and political empowerment.

However, although these measures did serve to increase women’s access, it soon became very evident that many of these loan conditions in very many cases seriously limited the degree to which women could use loans to significantly increase incomes. Loans were too small and repayment schedules inappropriate for activities which had a lag-time between investment and returns. Although appropriate for trade in urban areas and small livestock,

they were ill-adapted to the needs of agriculture or large livestock and entry into new and more risky economic activities.

The accelerating commercialisation of micro-finance, together with recent advances in technology, have potential to significantly increase access to cheaper and better micro-finance services for women as well as men. This has stimulated product diversification and client-centred product development driven partly by market competition and partly through technology improvements in information and delivery systems<sup>23</sup>. Other recent developments which promise to make product innovation sustainable and increasingly client-based are the increasing emphasis on:

- Participatory market research
- Consumer protection
- Financial literacy

It is now generally accepted that participatory market research and ‘knowing your clients’ is good business practice. SEWA’s services have always been based on consultation with clients. Grameen Bank has just undergone a four year reassessment and redesign based on extensive client research. This has significantly increased outreach and sustainability<sup>24</sup>. ICICI Bank in India also conducts both participatory market research and funds in-depth research on the needs of micro-finance clients through its support for Centre for Micro-finance Research in Chennai. Many micro-finance programmes have now been trained in Microsave’s market research tools and/or are using some variant of one or more of these tools. There are ways of integrating gender<sup>25</sup> which if implemented on a widescale could promote sustainable gender mainstreaming in product development.

A recent area of concern because of both the proliferation of products and the increasing numbers of competitors in the micro-finance market has been the issue of consumer protection: do people know what they are signing up to, and how can they be protected from abuse? Since at least 2003 many Micro-finance networks, including ACCION, have been developing and implementing consumer protection guidelines.<sup>26</sup> These potentially offer some protection to women as well as men, for example the specifications of treatment with respect, privacy and ethical behaviour, particularly if combined with gender training for staff within the organisation.

A critical part of making these protection principles a reality is introduction of financial literacy to make sure that clients know their rights and understand the information given to them. A number of organisations including SEWA, Microfinance Opportunities with Freedom From Hunger, Womankind Worldwide and Siembra in Mexico have developed

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<sup>23</sup> These are discussed in detail in the forthcoming Gender and Rural Finance Module. For link see [www.genfinance.info](http://www.genfinance.info)

<sup>24</sup> In the three years to December 2005, Grameen's deposit base tripled and its loans outstanding doubled. Profits have soared from around 60 million taka in 2001 to 442 million taka (about \$7 million) in 2004. Dropouts are returning, and even some old defaulters are repaying and re-joining.

<sup>25</sup> For details of MicroSave tools see [www.microsave.org](http://www.microsave.org). Gender-sensitive adaptations of Market Research Tools can be found on the Participatory Learning and Market Research page on the genfinance website: [www.genfinance.info/MarketResearch](http://www.genfinance.info/MarketResearch) .

<sup>26</sup> See particularly SEEP 2006 and an overview of the October 2006 discussion on MicroLinks [http://www.microlinks.org/file\\_download.php/SC+15+Summary+Document.pdf?URL\\_ID=13137&filename=11618091991SC\\_15\\_Summary\\_Document.pdf&filetype=application%2Fpdf&filesize=933903&name=SC+15+Summary+Document.pdf&location=user-S/](http://www.microlinks.org/file_download.php/SC+15+Summary+Document.pdf?URL_ID=13137&filename=11618091991SC_15_Summary_Document.pdf&filetype=application%2Fpdf&filesize=933903&name=SC+15+Summary+Document.pdf&location=user-S/)

Manuals for women's financial literacy<sup>27</sup>. Other diagram methods like 'Eat That Fat Cat' are also being developed to help illiterate women not only learn financial literacy, but also make their own financial plans which can then be read by micro-finance programme staff. There are ways of integrating financial literacy principles and guidance into the application process as indicated in the Freedom From Hunger and ACCION consumer protection guidelines. Financial literacy training for men, if it incorporated intra-household financial planning principles, could make a significant contribution to changing men's attitudes and behaviour. If this were a condition of access to certain types of loans, it is more likely that men would attend such courses than gender training.

However none of the above innovations and trends are necessarily gender-sensitive. Participatory market research in itself does not necessarily produce products which will benefit women, only products which can be sold to women and/or men which cannot be assumed to be the same thing. Questioning needs to explicitly look at gender issues of access and control, empowerment impacts and gender-specific areas of vulnerability and need. The process also needs to take into account gender differences in access to information and organisation. Consumer protection requires women as well as men to be aware of their rights and is unlikely to be effective without gender training of staff or inclusion of gender awareness in the criteria for staff recruitment. How far programmes will embrace the idea of either consumer protection or financial literacy will depend very much on the levels of confidence they have in their products to submit themselves to intelligent client scrutiny.

Worryingly recent data from the MicroBanking Bulletin indicates that even female targeting may decrease with the current upscaling and commercialisation. Of 231 institutions reporting, the highest percentages of women clients are found in those institutions which are young; NGOs or credit unions; small in scale; not-for-profit and/or not financially sustainable; targeting the poor. The lowest percentages are found in mature, for-profit, large-scale banks and non-bank financial institutions. This does not mean necessarily that fewer women are being reached, but that rather than maintaining a gender balance there is an increasingly male focus as institutions mature and upscale<sup>28</sup>. It does nevertheless indicate potentially negative gender effects of commercialisation, unless specific gender strategies are fully integrated.

## THE POVERTY AND SOCIAL PERFORMANCE AGENDA

Gender concerns are not necessarily addressed by the recent focus of the Summit on poverty targeting. Since 1997 the first theme of the Micro Credit Summit Campaign has been 'reaching the poorest' and the original title of CGAP was 'Consultative Group for Assistance to the Poorest'<sup>29</sup>. In 2006 the MCS Campaign adopted two new goals to make the first theme more explicit and concrete:

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<sup>27</sup> Examples from a joint initiative from Microfinance opportunities and Freedom from Hunger can be found at [www.microfinanceopportunities.org](http://www.microfinanceopportunities.org) or [www.ffh.org](http://www.ffh.org), from Womankind Worldwide can be found at [www.womankind.org](http://www.womankind.org), for Siembra at [http://www.genfinance.info/Chennai/Case%20Studies/SiembraManual\\_Chapter%203.pdf](http://www.genfinance.info/Chennai/Case%20Studies/SiembraManual_Chapter%203.pdf) and for SEWA at <http://coady.sfx.ca/resources/abcd/SEWA%20Financial%20Literacy%20Manual.pdf>. A diagram-based methodology 'EAT THAT FAT CAT' can be found at [http://www.lindaswebs.org.uk/Page3\\_Orglearning/PALS/PALSIntro.htm](http://www.lindaswebs.org.uk/Page3_Orglearning/PALS/PALSIntro.htm).

<sup>28</sup> Cheston 2006.

<sup>29</sup> Subsequently downscaled to Consultative group for Reaching the Poor' in the face of mounting evidence that the poorest were not being reached.

*Working to ensure that 100 million of the world's poorest families, especially the women of those families, are receiving credit for self-employment and other financial and business services by the end of 2015*

*Working to ensure that 100 million families rise above the US\$1 a day threshold adjusted for purchasing power parity (PPP), between 1990 and 2015.*

These goals therefore include explicit reference to women as part of this poverty targeting.

This poverty focus in micro-finance is not new, but continues a second 'paradigm' of poverty reduction or developmental micro-finance. Here the main organisational focus is on developing sustainable livelihoods, community development, and social service provision like literacy, healthcare, and infrastructure development. Micro-finance is seen as part of an integrated programme for poverty reduction, not only for the poor but also particularly for the poorest households. An explicit poverty focus has also been part of the mission of some specialist MFIs, notably Grameen Bank and many MFIs in Bangladesh and Finca that aim to be financially sustainable. In some cases poverty targeted projects are cross-subsidised from the mainstream programme or subsidised through separate donor budgets. These NGOs and MFIs have contributed to the product innovation discussed above and to development of methodologies for poverty targeting and/or operating in remote areas, including participatory market research tools, consumer protection and financial literacy.

Recent discussions at the Halifax Summit included papers and training on a number of new areas:

- **poverty assessment tools.** This was largely in response to the new U.S. law passed in 2003 requiring the development and use of cost-effective poverty measurement tools by the United States Agency for International Development's (USAID's) microenterprise grantees. This has led to the compilation and refinement of a range of different Tools for poverty assessment so that MFIs applying for funding from USAID, and also more widely, can assess the degree to which they are reaching the poorest.<sup>30</sup>
- **social rating and social performance management** which seek to include social indicators and social audits incorporating areas like poverty reach as an integral part of rating and performance assessment alongside financial indicators.
- **micro-finance and MDGs** including ways of integrating micro-finance with health and HIV/AIDs awareness for women and children's education.

However again, these measures are not necessarily gender sensitive, and may even militate against female targeting.

The poverty assessment tools are based on a household measure divided equally by members of the household to give a dollar a day individual measure of income poverty. This has numerous pitfalls and methodological problems including how to account for non-market incomes, inter and intra-national variation in purchasing powers and in expenditure and consumption patterns and needs, and reliability of client response<sup>31</sup>. All of these have gender dimensions which remain to be addressed<sup>32</sup>. In particular they are unlikely to be able to

<sup>30</sup> For more details of these tools see <http://www.povertytools.org/index.html>

<sup>31</sup> A full discussion of these issues is outside the scope of this paper, however some very interesting critical papers can be found on the links page of the poverty tools site <http://www.povertytools.org/Links/links.htm> .

<sup>32</sup> See Mayoux 2002

[http://www.povertytools.org/Project\\_Documents/Gender%20Issues%20draft%20072104.pdf](http://www.povertytools.org/Project_Documents/Gender%20Issues%20draft%20072104.pdf) , Chant 2003

accurately assess individual dollar a day poverty without addressing intra-household inequalities. Failure to address inequalities within the household may further decrease the access of women in households just around the poverty line ie the main target group of financially sustainable programmes. This is the case even though women themselves may be extremely vulnerable within these households and below the dollar a day cut-off in terms of their own incomes and expenditure.

Proposals for social rating and social performance management similarly will not necessarily address either women's access or empowerment. There are currently attempts to integrate gender into social rating in the form of key indicators for an MFI's policy, strategy and outputs relating to gender. These include gender disaggregation of core data and data on numbers of women on Boards and at different levels of the organisation. However, in social performance management gender is treated as one possible dimension of an organisation's mission against which performance would be assessed. The degree to which social performance management will therefore promote gender issues will depend on whether or not gender is already part of the organisation's vision and mission, and whether or not it has the tools already to assess performance in relation to gender and/or has conducted gender impact assessment. Unless gender is an explicit and integral part of the definition of 'social', there are dangers that gender equity in terms of both access and empowerment will become completely swamped in all the other range of performance indicators.

Worryingly, empowerment in the Summit discussions appears to become equated with access to health education and children's education as a 'credit plus' activity. Women undoubtedly need access to health and HIV/AIDS education, and undoubtedly benefit from such interventions. However it is unclear why it is only women who should be targeted by such key wellbeing interventions rather than having equal access for both women and men. This might serve to change men's behaviour rather than put all the onus on women. Moreover, although reproductive health is a vital part of women's wellbeing, it is not the sum total of empowerment. Women's empowerment in terms of power relations within households and communities is not discussed in the document commissioned<sup>33</sup>.

## **EMPOWERING WOMEN: SOME WAYS FORWARD**

There have been very important developments in debates about both commercialization and poverty reduction through micro-finance which potentially increase both women's access to a range of micro-finance services and the potential contribution to empowerment. There are however also some worrying negative trends. Even women's access to micro-finance may decrease as a result of recent proposals for upscaling and expansion and poverty reach and social performance management. Discussion of women's empowerment was notably absent from all of the Plenary papers at the Halifax Summit: including the 'Who, What, When, Where and How for the next 10 years, and on Poverty Tools and Poverty Reach. In contrast to the 2002 and earlier regional summits there was no gender training. Gender was relegated to an even more marginal issue than at other Summits attended by the author, global and regional.

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<http://www.eclac.cl/publicaciones/xml/6/13156/lcl1955i.pdf> and Gammage 2006

[http://pdf.usaid.gov/pdf\\_docs/PNADH568.pdf](http://pdf.usaid.gov/pdf_docs/PNADH568.pdf)

<sup>33</sup> Watson and Dunford 2006.



This misses the important contribution which gender can make to both microfinance and development<sup>34</sup> in general. An interesting paper by Susy Cheston, one of only two papers on gender commissioned by the Summit, presented evidence to support the claim that targeting women is beneficial even in commercial terms. In 2004 a study by the American organisation Catalyst found that financial performance was higher for companies with more women at the top.<sup>35</sup> The experience of Wells Fargo Bank in the US also indicates the benefits of targeting women as a client group (Cheston 2006). Elsewhere numerous studies have shown that attention to gender issues increases the chances of success of most projects, and this includes micro-finance.<sup>36</sup> This does however require commitment to gender in the organisational vision running throughout an organisations' activities and information systems, and also a gender-sensitive organisational working culture for staff.

Equally importantly women are not a minority, but a marginalised majority – except in contexts where gender inequalities lead to higher levels of female mortality than men. As discussed above, this is particularly the case amongst the poor – the prime target group for micro-finance. It is difficult therefore to see how any serious poverty reduction strategy could fail to take gender as a core concern – as is indeed reflected in the 2006 Summit documents cited at the beginning of this paper. As argued in a now extensive gender research literature, taking gender as a core poverty concern will inevitably require looking within the household black box, positive actions to support women and promotion of an enabling environment free of gender discrimination.

The failure to pay serious attention to gender strategies misses an important opportunity to discuss the many positive innovations which are taking place and promote these as an integral part of Good Practice. These are discussed in detail elsewhere<sup>37</sup> and include in particular:

- micro-finance groups which build on and strengthen women's networks for mutual learning and collective action rather than only mechanisms for reducing programme costs. This requires specific attention to gender in group design, training, support followed through and reported on in organisation events like Annual General Meetings.
- product design which enable women to set up profitable enterprises and increase their say and control over household enterprises rather than being ghettoised in small group loans. This requires gender sensitive participatory market research and consumer protection and financial literacy, as well as gender-sensitive poverty targeting.
- non-financial services and application processes which help women to effectively plan their use of financial services, protect their interests as producers and consumers and promote an image of women as respected and equal actors in households and communities rather than passive channels for profitable financial products to households

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<sup>34</sup> World Bank studies have estimated that if South Asian countries had given the same priority to addressing gender inequality in education as given in East Asia, real per-capita annual growth between 1960 and 1992 would have been between 0.7-1.0% faster. These growth impacts would be much greater if they also took into account the subsequent impacts of women's education on reduced gender inequality in employment, access to technologies, or credit, all of which have been found to be significant (Blackden and Bhanu, 1999; Klasen, 2002).

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<sup>36</sup> Evidence from OED shows that the earlier a gender perspective is included, the greater will be the benefits. Gender Issues in World Bank Lending, Operations Evaluation Department, 1995, World Bank

<sup>37</sup> See for example relevant papers on genfinance website [www.genfinance.info](http://www.genfinance.info) and genfinance listserv <http://finance.groups.yahoo.com/group/genfinance/>.

where decisions are made by men. This requires mainstreaming gender equality and women's empowerment throughout all 'credit plus' activities as well as explicit measures to promote women's rights and gender advocacy either by the organisation itself, or linking with other organisations.

The ways in which gender equality and women's empowerment can be most effectively promoted differs between micro-finance providers depending on the type of financial institution, context and capacities. A number of checklists for programmes exist which can be adapted and used<sup>38</sup>. There are steps which financial institutions of ALL types can do: from banks, through MFIs to NGOs with savings and credit as part of an integrated development programme. Moreover, although some of these strategies will require 'a different way of doing business', and some shift in priorities for resource and funding allocation, they are likely to increase rather than undermine sustainability. This is not a question of 'women's empowerment projects' as optional add-ons, although if well-designed these can also have their role. It involves mainstreaming gender and empowerment throughout programme design in order not only to benefit women, but in the process improve the longer term financial and organisational sustainability of the services themselves and the sustainability and dynamism of the rural economy in general.

It is often assumed that gender strategies are inappropriate in banks and/or conflict with financial sustainability. However there are many ways in which contribution to gender equality and women's empowerment can be increased even within financial sustainability constraints through:

- having a clear vision and commitment to gender equality and women's empowerment throughout their advertising and promotion in order to attract women clients and also change attitudes towards women's economic activities in the wider community.
- this vision and commitment should also underlie the types of questions asked during loan assessment of both women and men e.g. about family circumstances.

Many formal sector banks have gender or equal opportunities policies for staff. Many also have childcare facilities and proactive promotion policies for female staff. Increasing the numbers of female staff is essential to increasing the numbers of female clients in many social contexts. Both female and male staff will however require gender training integrated into general induction training.

Many formal sector banks have been at the forefront of product innovation. This does however require more than introduction of a few small loan products for women's activities. Possibilities are:

- mechanisms to enable women to graduate from small to larger loans without discrimination provided they have a good credit record.
- loan products and sponsorship of enterprise competitions to encourage women's enterprise in non-traditional activities and also in services needed by women.
- introduction not only of products specifically targeted to women, but revising the loan conditions for all products to ensure that there is no gender discrimination.

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<sup>38</sup> See for example the gender checklist on genfinance <http://www.genfinance.info/Documents/Gender%20Checklist.pdf>, the Women Advancing Microfinance gender audit given at the end of Cheston 2006.

- encouragement of male savings for education of girls, assets for their daughters to take with them on marriage so that men's responsibility for the future of their daughters is encouraged and enable female savings to be used for enterprise investment.

Banks generally use individual rather than group-based lending and may not have scope for introducing non-financial services. This means that they cannot be expected to have the type of the focused empowerment strategies which NGOs have. Nevertheless, they can be actively involved in collaboration with other service providers giving for example:

- enterprise and business development services for women and providing loans to female trainees
- legal aid services for women
- reproductive health services for women

This collaboration could be formal partnerships or merely having literature available on these services for clients to read while they are waiting to see bank staff.

Banks can, and do, also enter into partnerships with NGOs and provide loans to groups or federations organised. This however presumes that the NGOs are not expected to be sustainable but have secure support for their organisational role. Banks could seek particularly to work with NGOs and other organisations with a demonstrated commitment to gender issues.

Most of these measures have minimal cost but would enable expansion of numbers of female clients and increase repayment rates. They would therefore enhance, rather than detract from, financial sustainability. The best way of integrating gender policy within existing practices and contexts can be assessed through a gender audit or a well-designed participatory process. This would entail some initial cost, but could be expected to recoup these costs through better outreach to good female clients.

All of the above are also possible within integrated poverty-focused MFIs and NGOs. For organisations with a 'credit-plus' focus, the scope is even greater for both mainstreaming gender equality and empowerment within the credit plus and specific empowerment initiatives. In particular it has considerable scope for effective group-based strategies for collective action and lobbying and advocacy<sup>39</sup>.

Ultimately there is the possibility of a micro-finance movement which promotes a vision of women as successful and competent entrepreneurs and advocates for equitable changes in national legislation and good conditions in the informal sector as a really significant contribution to the human progress and poverty elimination envisaged by the Micro Credit Summit Campaign. It is hoped that this next decade of Microfinance will start to take this challenge seriously and be truly bold in its goals for gender equality and women's empowerment.

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<sup>39</sup> See for example initiatives by SEWA in India [www.sewa.org](http://www.sewa.org) , ANANDI in India [www.anandiindia.net](http://www.anandiindia.net) and LEAP in Sudan [www.leap-pased.org](http://www.leap-pased.org) and the Participatory Action Learning System being developed by the author <http://www.lindaswebs.org.uk/PALS/PALSIntro>

<b>BOX 2: MICRO-FINANCE FOR GENDER EQUALITY AND WOMEN’S EMPOWERMENT: SOME WAYS FORWARD</b>
<b>VISION</b>
<ul style="list-style-type: none"> <li>• Does the organisation vision have a clear commitment to gender equality and women's empowerment ?</li> <li>• Is this vision and commitment reflected in the programme advertising and promotion in order to attract women clients and also change attitudes towards women's economic activities in the wider community?</li> <li>• Does the organisation have a policy on consumer protection? Does this include specific outlawing of gender discrimination and commitment to empowerment?</li> <li>• Does the organisation have gender and empowerment indicators as part of their MIS and/or social performance assessment and/or staff incentives?</li> <li>• Does the organisation conduct gender impact assessments? Does it have structures to act on the findings?</li> </ul>
<b>STAFF GENDER POLICY</b>
<ul style="list-style-type: none"> <li>• Is gender awareness included in recruitment criteria?</li> <li>• Is there an equal opportunities policy in relation to recruitment and promotion</li> <li>• Do male and female staff get gender training as part of their normal training?</li> <li>• Are working practices for all staff family-friendly</li> <li>• Does the organisation have gender expertise within the organisation or call on external gender expertise when needed?</li> </ul>
<b>PRODUCTS</b>
<ul style="list-style-type: none"> <li>• Does the organisation conduct market research? Does this include a concern with gender equality and empowerment?</li> <li>• Do any of the products have conditions of access which discriminate against women? Are there mechanisms to enable women to graduate to all types of products, eg small group-based to larger individual loans, without discrimination provided they have a good record?</li> <li>• Is there encouragement of diversification of women’s economic activities eg women's enterprise in non-traditional activities and service enterprises needed by women?</li> <li>• Is the gender equality and empowerment vision and commitment reflected in the types of questions asked during application processes for both women and men e.g in any questioning about family circumstances and economic activities? In financial literacy training?</li> <li>• Do products encourage male responsibility for the household eg male savings for education of girls, assets for their daughters to take with them on marriage so that men's responsibility for the future of their daughters is encouraged and enable female savings to be used for enterprise investment.</li> </ul>
<b>NON-FINANCIAL SERVICES</b>
<ul style="list-style-type: none"> <li>• Is gender mainstreamed in non-financial services for both women and men?</li> <li>• Has the organisation conducted gender and women’s human rights training for women and men?</li> <li>• Does the organisation promote and facilitate access to other organisations working on gender equality and women’s empowerment? eg women’s legal aid, reproductive health services, women’s adult literacy and further education</li> </ul>
<b>PARTICIPATION AND ORGANISATION</b>
<ul style="list-style-type: none"> <li>• Does the organisation build the capacities of women in groups for mutual learning, training and collective action on gender issues?</li> <li>• Does the organisation encourage men within groups to challenge and change gender inequality in their households and communities?</li> </ul>

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