



Women and Micro- Financing: A Case Study of Karachi (Pakistan)

Dr. Shagufta Nasreen

&

Prof. Dr. Nasreen Aslam Shah

Centre of Excellence for Women's Studies, University of Karachi



Background



- ▶ In this study microfinance and its role in women empowerment is explored such as how much change has occurred in the status and position of women who are using microfinancing to improve their paid work?
- ▶ Economic empowerment of women is an approach to help reduce poverty and achieving gender equality not only in domestic life but also at all levels in the society.



Concept of Empowerment

- Kabeer (2009) defines empowerment as “A process by which those who have been denied the ability to make strategic life choices acquire such ability.”
- Sen (1993) consider it not only a choice but to be reflected in person’s capability including personality traits and social relationships and activities.
- Its a process of Empowerment is also related to the process of internal change (Mayoux, 1998) and to the capacity and right to make decisions.
- It consists of *change*, *choice* and *power*.

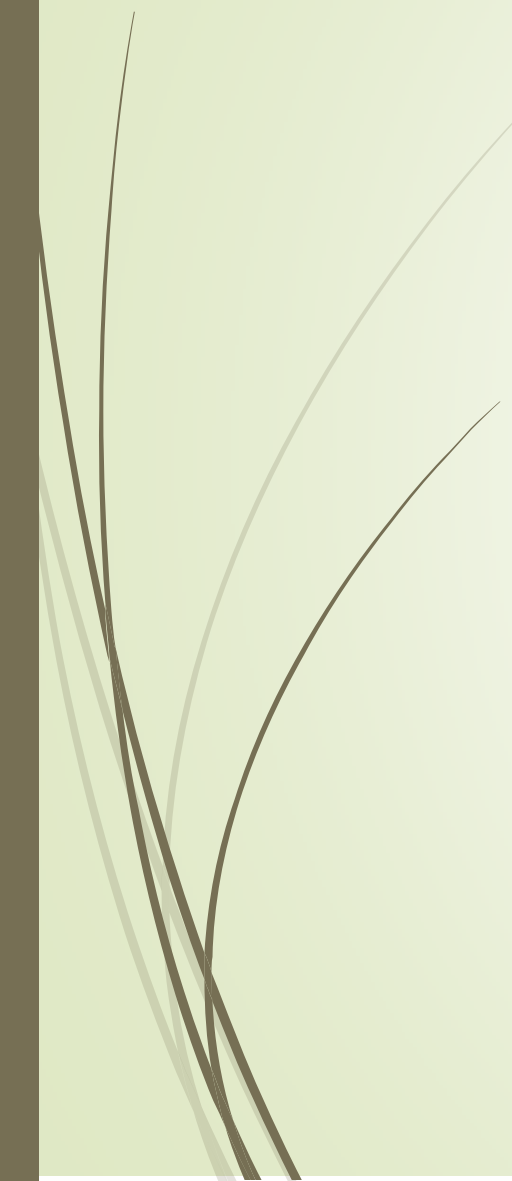


Concept of Empowerment

- UNIFEM (2000), women's empowerment consists of "gaining the ability to generate choices and exercise bargaining power ... developing a sense of self-worth, a belief in one's ability to secure desired changes, and the right to control one's life."



Concept of Empowerment

- ▶ World Bank identifies four key elements of empowerment for drafting institutional reforms:
 - ▶ access to information;
 - ▶ inclusion and participation;
 - ▶ accountability;
 - ▶ and local organizational capacity
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Microfinance

- ▶ Microfinance is considered a poverty reduction tool
- ▶ There are many examples in developing nations where they have set up big Microfinance Institutions (MFIs) for instance in Bangladesh, India, Bolivia and Mexico. The countries are providing loan to the people who wants finance to start their own small business especially to women.
- ▶ For example The Grameen Bank was founded by Muhammad Yunus in 1983, Bangladesh.




Microfinance



- ▶ According to *Certified Government Auditing Professional (CGAP)*, microfinance is small loans which have been given to poor through which they commenced small or micro small businesses to earn for their day to day expenses.
- ▶ Basic aim is to empower poor men and women who are living in vulnerability, living hand to mouth, unemployed and deprived segments of the society.
- ▶ It is assumed that microfinance can attain multiple goals such as equality, equity, decision making, and equal rights of working among gender.



Microfinance and empowerment

- ▶ one of the major aims of development is to empower women by gaining (material) resources to empower themselves as individuals leading to expanding this benefit to their families and communities.
 - ▶ The rationale for providing women access to microfinance services is that gender inequalities inhibit economic growth and development (World Bank, CIDA, UNDP, UNIFEM).
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Microfinance and empowerment

- ▶ It is observed that MFIs usually target female population because they are considered most vulnerable group of the society. Furthermore, it had been observed that women entrepreneurs who availed microcredit, running small businesses with success and have good impacts on socio-economic lives (IFAD, 2011; Armendarize & Labie, 2011; Robinson, 2001).



Microfinance and empowerment

- Researchers believed that investment in women could prove fruitful they would become entrepreneurs or 'boss of own' which would be free from male dominant environment. They will become empowered to make own choices and gain power to take decisions inside the household economy or in the outside world. It was assumed that it will not only improve their status but also enhanced the economic conditions of the country



Criticism

- ▶ Markets are expanding globally therefore; microfinance is being used in more and more commercialized ways in business. The microcredit notion is successful, but on other side of the coin it faces criticism as well. (Bateman, 2010; Roy, 2010; Torre, 2006). It is argued that there are inequalities while providing loans and a noteworthy issue is that huge number of women borrowers have been availed by men because of power control over women. In this scenario how women could become empowered?



Criticism

- ▶ It is suggested that there must be check and balance over given loans which leads to development or progress to actual borrower. Another critique is that acquiring money from MFIs leads to increase in dependency and loss of self-respect (Copsestake & Williams, 2011).



Measurement of Impact

- ▶ It is emphasized that microfinance should further broaden their policy framework and must focus on its implacable side by reviewing previous literatures.
- ▶ In this regard, scholars have been asking for more simplified impact indicators in a way to measure the level of empowerment of the deprived people.
- ▶ Recently, academic research had been conducted randomized controlled trials (RCT) which were based on quasi-experimental methods, on borrowers which show less positive aspects of microfinance.



Measuring the impact is difficult

- ▶ every borrower characteristics have been differing from other for instance size of loan, size of business with different business operations, individual's or associations of persons state in economic strata and so on.
- ▶ It also depends on research method, collection and analysis of data with possibility of problems in accuracy of data. These can be handled only to some extent; for example, there are good reasons to believe that such errors may systematically differ for interviews with a group of people taking loans when compared with an otherwise identical group of people who are not receiving loans.




Measuring the impact is difficult

- ▶ To measure the level of empowerment, various components have been highlighted such as education rights, access to jobs, work trainings, opportunities for obtaining small loans. Still the issues remain same that how could we gauge its level of achievements (Malhotra, 2002).
- ▶ Some major tools to measure the empowerment includes: Gender-related Development Index (GDI) and the Gender Empowerment Measure (GEM).
- ▶ Feminist researchers suggest that there is a need to evolve new scopes for measuring the empowerment.




Methodology

- ▶ In this research to gain understanding about socio-cultural factors affecting women's decision-making power and control over the use of loans Qualitative research methodology was used.
- ▶ purposive sampling method was used to conduct interviews from women who have taken loans from insinuations/organizations that providing credit facilities for women
- ▶ 25 women were interviewed who are taking loans from First Women Bank (FWB) and Orangi Pilot Project (OPP)
- ▶ Demographic data were collected at the beginning of the interview in the study, and then followed semi-structured and open-styled questions about participant's early life stages (school years) through to maturity up to their current life stage.

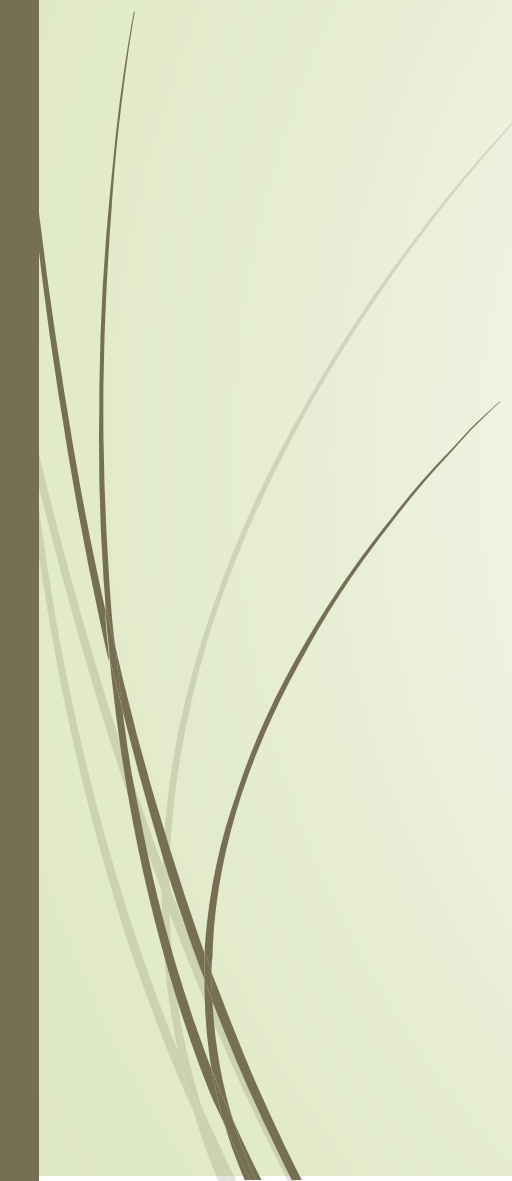


Results


- ▶ limited education
- ▶ living in nuclear family system to support their family and kids
- ▶ aged between 30 to 55 years of age with a family size range between 4 to 7 members
- ▶ No difficulty in taking loans because of structure and procedure of organizations e.g. All female staff, easy guidance about the loan and policies
- ▶ The ratio of women borrowers is increasing
- ▶ Most of these women do stitching of clothes
- ▶ women choose it because of lack of education, skills and trainings in other jobs.



Results




- ▶ Some of these women had specific trainings or skills such as beautician so they applied for loans to improve their business.
- ▶ It was identified that income of beauty parlors is more than stitching clothes
- ▶ The difference of profit margins could be minimized by improving skills such as embroidery or designing on clothes
- ▶ In some cases it was observed that enhancement required more assistance from lending institutions.
- ▶ On the other hand, institutions give loan on certain conditions like on qualification, training, skills and previous records of credit repay
- ▶ The amount of loan for women borrowers ranged from 10,000 rupees up to one hundred thousand




Results

- ▶ availing small loans means fewer profit margins as compared to big loans; majority in this were availing small loans
- ▶ women work 8 to 12 hours a day without having any break and also looked after their household work
- ▶ women's income from stitching clothes range between 2,500 rupees to 8,000 rupees as compared
- ▶ beauticians whose monthly income fall between 6,000 rupees to 18,000 rupees approximately.
- ▶ In one case a woman was earning upto 70,000 rupees from the salon because she had knowledge, skills and technology at her workplace

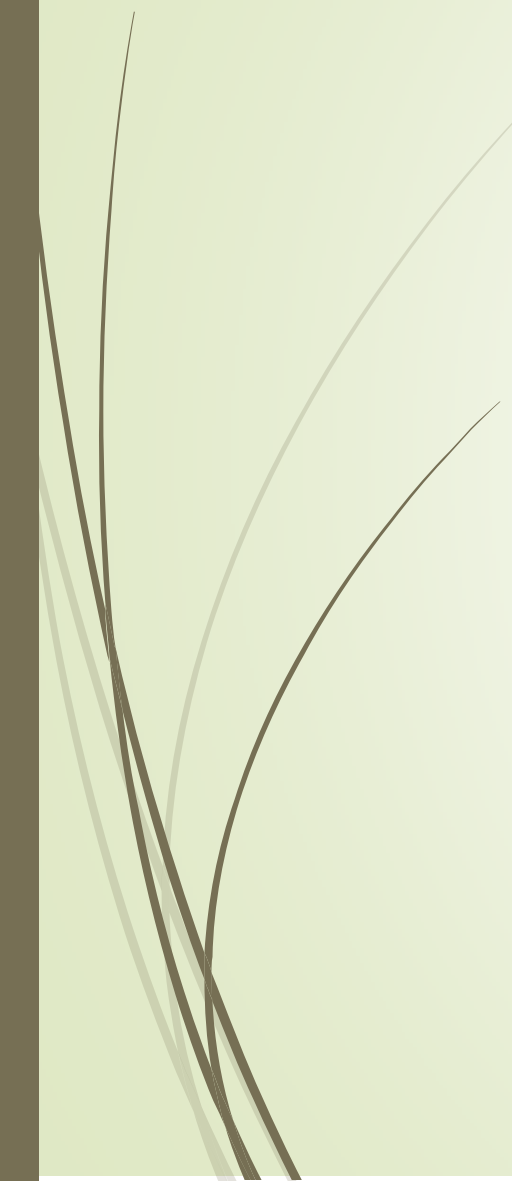


Results


- ▶ According to her “she expanded her business gradually but finally achieved her goals. It was made possible because she is educated or has taken training from a foreign country; she knows how to utilize money in productive manner” .
- ▶ Women who were making bangles in their houses earned 4,000 rupees to 10,000 rupees.
- ▶ According to women borrowers their businesses are not expanding or the pace of growth is also sluggish
- ▶ The study agrees with Copestake’s, (2010) analysis that the outcome of various businesses and acquiring different amounts results in different outcomes



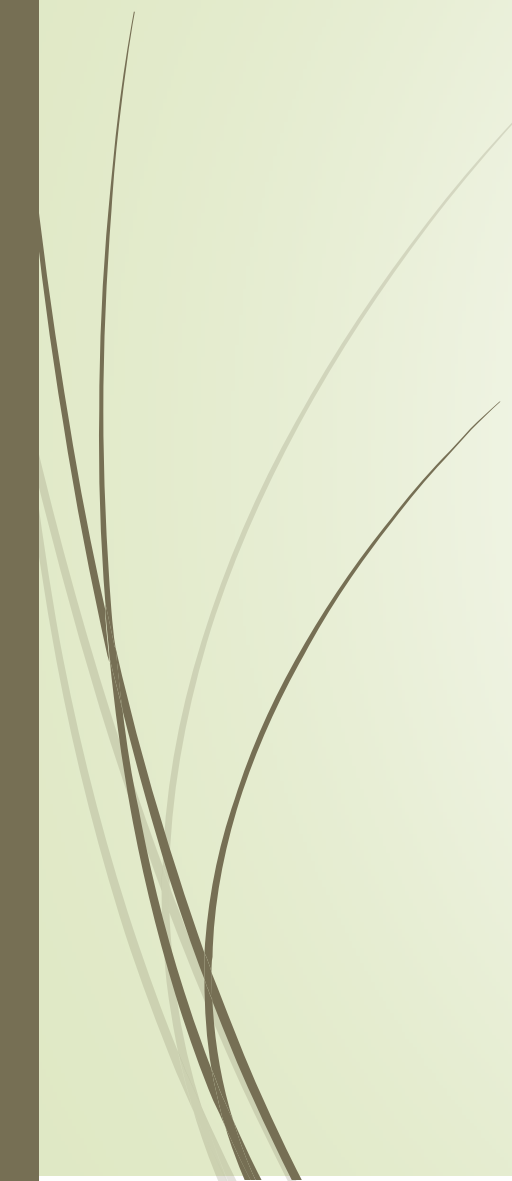
Results



- ▶ The use of credit is also an important factor for measuring the outcomes.
- ▶ Few women accepted that they used the loan for other purposes like for the marriage of daughter, renovation of the house, education of children.
- ▶ the study confirmed that respondents handled their money in flexible and diverse ways, as highlighted by previous work Collins et al. (2009) and Rutherford (2001).
- ▶ The study substantiates earlier studies (Wright et al., 1999) that participation in microfinance programs strengthens women's position in her family.
- ▶ Access to credit gives her an opportunity to improve the economical condition of her family, she feels like a family banker which increases her prestige and honor.



Results



- ▶ Men and women of these families are maintaining their house expenses jointly, women personal income is being used in purchasing the household items or fulfilling the needs of children besides that there is no personal expenditures of women except few of them had expenditure of their daily medicines because they had high blood pressure or diabetes.
- ▶ Few of them accepted they had decision in spending their incomes while other still do not feel they have this control on income. In the business, their male family members helped them in buying the raw material or in supplying the orders on their off-days.
- ▶ The role of middle-man existed in some cases.



Conclusion

- ▶ Empowering is a complex process of change .
- ▶ It is unlikely that any one intervention such as the provision of credit or provision of training will completely alter power and gender relations.
- ▶ gradual changes have been witnessing that women are becoming aware of their rights and raising their voices over the equality and taking part in economic activities.
- ▶ their social networks are increasing, improved self-esteem, increased household decision-making power, and increased respect and prestige from both male and female relatives and community members.



Way forward

- ▶ The Government of Pakistan has continued the policy of microfinancing in form of youth loan schemes in 2014 with the mission to reduce poverty achieving long-term social inclusion and increasing self-employment opportunities especially for women. An important feature is that 50% of these loans are for females.
- ▶ Therefore, it is necessary to study and evaluate the effectiveness of these interventions in terms of quality of service, commercialization, its role in poverty reduction and women empowerment.



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Thank you

