WOMEN'S EMPOWERMENT THROUGH MICROFINANCE: EVIDENCE FROM NEPAL AND BANGLADESH

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ACRONYMS

ASA	Association for Social Advancement
BRAC	Bangladesh Rural Advancement Committee
CSD	Center for Self-Help Development
EG	Economic Group
GB	Grameen Bank
NGO	Non-Governmental Organization
MFI	Microfinance Institution
ROSCA	Rotating Savings and Credit Association
SBP	Selp-Help Banking for the Poor
SCF	Save the Children Fund
USAID	United States Agency for International Development
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
VB	Village Bank
VDC	Village Development Committee
WEEL	Women's Economic Empowerment and Literacy
WEP	Women's Empowerment Program

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THINKING ABOUT WOMEN AND EMPOWERMENT IN NEPAL AND BANGLADESH

1.1. Introduction

Microfinance has been widely promoted for the past few decades as a potent tool for alleviating poverty and for empowering women[1]. Women have been singled out as microfinance targets because they are typically poorer[2] and have less access to economic resources within the household. Not only have women been shown to have higher repayment rates than men, making them better clients, they are also more likely to spread the benefits of their loan to others by spending their earned income on the household and on their children. (UNCDF; Goetz & Sen Gupta, 1996)

Impact assessment focused on changes in income and well being have been partially discredited in the microfinance field (Rogaly, 1996). False information from participants, the lack of knowledge on all of the beneficiaries' sources and uses of funds, and the difficulty of establishing outcomes in the absence of micro-loans, have all contributed to the trend away from impact assessment focused on the lives of program recipients. Instead, studies have shifted towards measuring success by examining a program's repayment rates, subsidy-dependence index (SDI), and the number of borrowers and savers. While an emphasis on the above measures surely does shed light on the viability of microfinance programs, the extent to which women are benefiting from these programs is less obvious.

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[1] The term 'microfinance' is used here to refer to small-scale credit and/or savings activities. The term 'microcredit' refers solely to small-scale credit.

[2] In 1995, 70% of the 1.3 billion people living on less than $1 a day were women (UN Human Development Report 1995).

Anecdotal evidence indicates that microfinance programs are having an impact on the lives of women that reach beyond the economic realm. Studies focusing on the different aspects of women's empowerment, however, are limited. This paper explores the different programmatic elements in microfinance that affect women's empowerment, through a comparative analysis of savings and/or lending programs in Nepal and Bangladesh.

These two countries were picked because their women are among the most disadvantaged in the world. Further, the widespread presence of microfinance programs in both countries suggests that the lives of many low-income women are being deeply affected economically and socially, thereby raising the need for a closer examination of the empowerment question. The similarity of cultures in both countries also makes for more viable comparison.

The comparative analysis of different lending programs is based on evaluation reports from microfinance institutions (MFIs), independent impact assessments, as well as papers published by nonprofit organizations. In addition, primary data from my interviews with three lending groups in Chitwan, Nepal and interviews with microfinance practitioners will be used.

The main conclusion to be drawn from this study is that women's empowerment should not be taken for granted as a guaranteed outcome of microfinance programs. Rather, empowerment objectives need to be built into a program as an explicit goal, with specific steps designed to achieve these empowerment objectives. In particular, literacy training[3] is one factor that holds tremendous power for increasing the ability of women to take charge of their lives. The value of integrating literacy with microfinance services lies in the strong synergy that exists between the income-generating opportunities offered by credit access on one hand, and the usefulness of specific literacy skills in increasing the income of the poor on the other hand.

[3] Literacy training in this thesis is taken to include financial literacy, nutritional literacy, and political literacy, on top of basic reading and writing skills.

Microfinance practitioners have shied away from integrating such social services with savings and credit delivery, due to perceived cost and outreach constraints. Through an analysis of two literacy-led microfinance programs in Nepal, this thesis argues that literacy training not only deeply affects the degree of women's empowerment but further can be integrated with microfinance in a cost-effective manner to achieve scale.

Chapter One of this paper looks at the lives of poor women in Nepal and Bangladesh. It examines their access to resources, their control over these resources, and their status both within the household and in society. It discusses cultural norms of subjugation and isolation, as well as the ways in which these norms are subverted when the poorest women deal with the pressures of poverty. The chapter then highlights the critical issues on empowerment through microfinance raised by analysts, and discusses the balance between arguments made by optimists and those made by naysayers.

Chapter Two reviews the findings of current literature focused on impact evaluations of microfinance programs in Nepal and Bangladesh. It highlights the empowering effects that these programs have had on women, the limits to empowerment, possible disempowerment, and it analyzes ways in which empowerment through microfinance can be enhanced.

Chapter Three focuses on the value and impact of integrating literacy training into microfinance programs. The chapter begins with a presentation of my field research in Nepal. It argues for the importance that literacy and education in general hold for empowerment, and then examines a number of microfinance programs that operate with varying degrees of literacy integration. Evidence from ASA, Grameen Bank and BRAC in Bangladesh is discussed. All three organizations are centralized MFIs focused on credit delivery[4]. The chapter then analyzes

[4] Although BRAC provides more social services that the other two organizations.

three programs in Nepal – a Grameen replication (SBP), a village banking program led by literacy and savings (WEP), and a literacy-based savings and credit program (WEEL).

Chapter Four takes a closer look at two programs in Nepal (WEP and WEEL) and highlights the ways in which literacy can be combined with cost-effectiveness and scale to achieve empowerment in microfinance activities. It showcases the benefits and costs to having a centralized and permanent MFI, versus a decentralized, locally owned village-banking system.

Chapter Five provides the conclusion to the study, as well as some personal impressions of microfinance programs. These comments raise the possibility that programs attempting to accomplish too much will breed dependence, rather than empower their clients. More importantly, the extent to which women are empowered depends on the basic *approach* of these organizations towards their clients. Programs that enforce strict contractual relationships between the clients and program staff send a strong signal to the poor that they have to take charge of improving their own lives and therefore tend to minimize dependency and encourage the empowerment of members.

"All efforts at improving an MFI's impact on women boil down to really understanding a woman's needs, her predicament and what she dreams of. Even before all the questions can be answered, the basic question that must first be answered is who she is"

Noni Ayo "Empowering Women through Microfinance." (in Cheston & Kuhn, 2001).

1.2a. Women and Poverty in Rural Bangladesh[5]

There are currently thousands of national and non-governmental organizations in Banglasdesh working to improve the lives of women by generating self-employment opportunities and increasing their access to health and education services. The Bangladeshi government has been active since the late 1970s in setting policies aimed at improving women's well being and status in society. Despite this national attention on raising the welfare of women, gender discrimination remains commonplace in Bangladesh, "in all spheres and at all levels, as indicated by official statistics on health, nutrition, education, employment and political participation." (Asian Development Bank, 2001)

The life expectancy of women in Bangladesh is 61 years – one year more than that of men (60 years). Adult female illiteracy is high at 71%, while that of males is 48%. Youth illiteracy rates are 61% for girls, and 40% for boys. These statistics are significantly below the South Asian regional average[6]. The total fertility rate (TFR), however is 3.2, lower than the regional average of 3.4. The infant mortality rate, in particular, has fallen tremendously from 132 per 1000 live births in 1980 to 61 in 1999. The female to male labor force participation ratio is 0.7, and the percentage of women in decision-making positions at the ministerial level has actually fallen, from 8% in 1994 to 5% in 1998. (http://genderstats.worldbank.org)

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[5] Readers familiar with the literature on women in Nepal and Bangladesh may wish to skip this section and continue with section 1.3 on empowerment.

[6] For South Asia as a whole, adult illiteracy rates are 34% for men, and 58% for women. Youth illiteracy rates are 23% for boys, and 41% for girls.

Bangladeshi society is dominated by a patrilineal and patrilocal kinship system, where patriarchy is reinforced by religion, leading to a strict isolation of women within the household domain. At marriage, a woman uproots herself from her natal village to join her husband's family in a completely new setting.

> Rural customs especially limit a *boji's* (village wife's) opportunities to establish and strengthen networks beyond her familial associations. In her *bari* (homestead), a *boji's* movement and demeanor are monitored by her husband, relatives, and neighbors. As a new wife in an unfamiliar village, a *boji* does not have the opportunity to orient herself to the village's geography ... [t]hese norms encourage *boji* ...to remain secluded within their *paras* (neighborhoods), if not within their *baris.* (Larance, 1998)

Men tend to hold absolute control over the primary means of production, i.e. land (Zaman, 1995). They are regarded as "unchallenged decision makers concerning the distribution of power and resources within the household and the maintenance of power and control over these resources" (Rahman, 1994). 85% of the Bangladeshi population is Muslim. According to Zaman (1995), Islamic religious texts state that men should be dominant because Allah created men much stronger than women, providing legitimacy for the patriarchal social structure[7]. The social norm of *purdah*[8] in turn reinforces predominant Islamic thought in Bangladesh. Societies that abide by *purdah* believe that the proper, legitimate place for women is within the household, and that therefore women should remain within the private sphere, as a preservation of their honor and modesty. This norm applies both physically and socially. Thus, women abiding by *purdah* are not to be seen outside of the household. In social matters involving their participation in the public sphere, they require representation by a male in the family. (Rahman, 1994) This overall seclusion leads to an under-valuation of the work performed by women, since much of it is unpaid and concealed within the household. Moreover, the labor pool is deeply divided along

[7] "Men have authority over women because Allah has made one superior to the other and because they [men] spend their wealth to maintain them [women]" (Koran, 1972, p.360 in Rahman, 1994).
[8] The word *purdah* literally means "veiled" (Asian Development Bank, 2001).

gender lines. The economic contributions of women remain hidden and invisible, with the national figures for economically active women a mere 8% in 1985 (Zaman, 1995). Even when women are paid wages, they are paid less than men for the same amount and level of work. Bangladeshi women thus live in a disempowered position, where their economic activities are unpaid or underpaid, their mobility severely constrained, and their power and status beneath that of men, both at the household and social level. (Asian Development Bank, 2001)

This structure, however, is not static. Desperate conditions brought about by poverty and frequent natural disasters have compelled women in Bangladesh to step outside of the private sphere and to bend social and religious norms. The pressures of poverty in rural areas are such that one in five marriages dissolve due to hardships brought about by starvation and disease (Rahman, 1994). Natural disasters such as floods and cyclones are a regular cause of impoverishment. In the 1974 famine alone, 30,000 people starved to death (Zaman, 1995). Women are thus frequently forced to defy traditional norms for the sake of sheer survival. These pressures have caused kinship groups to fragment, bringing about increasing numbers of nuclear and sub-nuclear families where women exercise greater freedom to join the labor force. More recently, with urbanization and a shrinkage of jobs in the rural sector, a large number of women from landless and lower-income households have been forced to become landless laborers. (Zaman, 1995)

These pressures and forces of change bringing women out from within the household are, on one hand, laden with stress and social shame, as virtuous women are not supposed to be seen in the fields and markets. On the other hand, the same women who have broken the norms of *purdah* have also expanded their resource base, become connected to the wider economy, and established themselves as a significant source of income for the family. Hence, they are able to

wield greater influence within the household. After all, the outside resources that they are earning are not those traditionally thought of as belonging to the female sphere – and "when a woman touches the first taka she has earned with her labor, she feels liberated" (Kabeer, 1991 in Rahman, 1994). With their own source of income, the poorest, most disenfranchised women have ironically become less economically dependent on men.

Nevertheless, the social price for this independence remains high. Although their earnings should give women more intra-household power, patriarchal hegemony makes it challenging for each individual woman to empower herself. In this regard NGOs working at the grassroots level can play a crucial role (Rahman, 1994). They can reduce the isolation of women laborers by bringing them into groups where women derive mutual emotional and psychological support and provide social legitimacy for their economic work by giving them access to credit.

1.2b. Women and Poverty in Rural Nepal

Didi

In Nepali "*Didi*" means "Elder Sister" and is used to refer not just to one's own sister, but to any woman who is older than oneself. When in Nepal, I lived with an elderly woman whom I would refer to as *Didi* during my entire stay.

When I arrived I added to Didi's workload. As a foreigner and a guest, I was forbidden into the kitchen, and so she cooked meals for me everyday. Her sole source of income is making clothes that are sold at the nearby market every week. As she walks, the journey takes her 45 minutes each way, or 1 _ hours in total. This activity reaps 2000NR (Nepali Rupees), or US$27 every month. Her income thus leaves her living at less than a dollar a day.

Didi has a cheerful disposition, but is not happy. During my stay I slowly learnt about her life. She was born far away from Bharatpur, the small town where we lived, and grew up working in the fields everyday. This meant long hours of back-bending work in the rice and maize fields, and lengthy journeys carrying crops and animal feed home, using the traditional *dokko,* a long rope that women would tie around their burdens and strap atop their heads, walking that way with their loads. Coming from a poor family, she never received an education. Communication between the both of us consisted of the few words of Nepali that I picked up, and the few words of English that she learned from the children in the village.

Didi was married, but after a few years when she had not borne her husband any children, he left her in Bharatpur and married another woman, moved to Kathmandu, and now lives there with his sons and daughters. Didi was left alone in the house, without financial support from her husband, who barely visited, and mistreated her when he did.

I had previously heard about her life events from others, but one night before I left Nepal Didi told me her story in person. Through gestures and halting English, she spoke with deep grief about her harsh childhood growing up working in the fields and the departure of her husband. She was resentful of the other life that he had built at her expense, and of the fact that his new wife had a degree in Education and was a teacher, while she had never been to school. This was compounded by the fact that the new wife had borne him children, while she had supposedly failed to do so.

I felt inordinately strange sitting across the room from her, as our lives were so vastly dissimilar. Though I was the one with the formal full-time internship, Didi worked harder than I did, daily. She would be up at sunrise, and would work on laundry, maintaining the house, and cooking. As another Asian woman, I held complete control over my life and its direction. I grew up in Singapore, a country leap years ahead of Nepal in terms of economic development, and enjoyed the extraordinary mobility to attend one of the best universities in the United States. Not only that, I could design my own research project at Stanford, fly into Nepal, work there, and fly out again. Didi, on the other hand, remains alone in her house in Bharatpur, trapped by the departure of her husband.

Nepal's Human Development Index (HDI) in the 2000 *World Development Report* was 0.474, ranked 144 out of 174 countries. This was lower than all the countries in the South Asian region except for Bangladesh, which stood at 164. Furthermore, Nepal is the only country in the world where female life expectancy (57.6) is lower than that of men (58.1). Only 10 countries in the world have a GDP per capita lower than that of Nepal, which varies from US $200 to $220 every year – and all of these 10 countries are in the African continent. 37.7% of the population lives on less than $1 a day (the international poverty line), and 82.5% lives on less than $2 a day. 44% of the population lives below the national poverty line. (World Bank, 2002; Asian Development Bank, 1999)

The cultural make-up of the Nepalese is extremely diverse, though the population can generally be divided into Indo-Aryan, and Tibeto-Burman groups. Women in the former group tend to have higher restrictions on their mobility and social roles, and their activities are generally confined to the household. Women in the Maithili and Abadhi groups, especially, live with strict restrictions on their movements, and are required to practice *purdah.* Women in the Tibeto-Burman group belong to the ethnic minority and have greater freedoms to engage in economic activities, in social mixing, and to exercise choice in marriage partners. (Asian Development Bank, 1999)

Keeping in mind exceptions among the ethnic minorities, the majority of women in Nepal tend to marry early, hold little choice in marriage partners, and are not allowed to remarry in the event of widowhood or divorce. In an extensive survey conducted in 8 villages in Nepal, Acharya and Bennett (1981) found that 56.6% of females surveyed had had their marriages arranged by parents on both sides[9]. Though women are worshipped for their fertility in the Hindu

[9] This is compared to 51.3% of men who had had arranged marriages.

tradition, they are also considered cursed in cases of infertility. Total fertility rate of Nepalese women stood at 4.6 in 1996, much higher than the South Asian regional average of 3.4. (http://genderstats.worldbank.org)

In a recent analysis of the state of the world's women, countries were ranked based on maternal mortality, use of contraception, births attended by trained health workers, anemia, literacy, and their role in national government. Nepal placed last out of 106 countries. (Asian Development Bank, 1999)

Female education – measured with enrollment, literacy rate and educational attainment – was a mere 27% in 1996. This number is underlined by the belief that girls are bound for marriage and heavy domestic workloads. Investment in female education is thus not considered a worthy action. Another reason is the lack of female teachers and inadequate facilities. Acharya and Bennett's survey found that the major impediment to girl's education was neither costs nor conservatism. Rather, it was "the family's dependence on girl's labor at home and in the fields." In fact, by the time girls reach the age of 10-14, they are working 7.31 hours per day. This is close to the workload of male adults in Nepal. (Acharya & Bennett, 1981)

Violence against women is endemic in Nepal, exacerbated by their lack of bargaining power, the dowry system amongst the Hindus, polygamy, and alcoholism. Weak law enforcement allows trafficking of women, beatings, rape, assault, and forced prostitution to go unchecked. One study found that 50% of the sample surveyed knew of someone who had suffered domestic violence. In a second study, survey respondents "listed the perpetrators of violence of 77% of incidents as family members, and 58% reported that it is a daily occurrence." (Acharya & Bennett, 1981)

Tradition, social norms, and inheritance laws limit women's access to productive assets such as land, credit, and information. Since all formal institutions require tangible collateral for loans, women are excluded from institutional credit. This exclusion is worsened by their lack of mobility, lower levels of education, and confinement to the household. Unlike Bangladesh, where Islamic orthodoxy encourages a physical confinement of women to the household, Nepalese women work visibly in the local fields with social legitimacy. The confinement in this case refers to the household "as an economic unit," where economic activity beyond that of household subsistence is considered socially undesirable (Acharya & Bennett, 1981). Specific ethnicities[10] in Nepal operate with this distinction, while others[11] are not organized in this dichotomous manner. Women in the former groups are active mainly in household subsistence production. In order to reach the market economy as well as the legal and public sectors, these women have to be "dependent on men as mediators with the outside" (Acharya & Bennett, 1981). And given that the public domain is the locus of power in Nepal, the isolation of women from this sphere has specific repercussions on their social status.

As in Bangladesh, a significant amount of women's productive work is unpaid, underpaid or unreported, leading to a gross miscalculation of their contributions to the economy. The Nepalese economy can be divided into three spheres: the family farm enterprise, the local market economy, and finally the wider economy. On average, women in Nepal stay within subsistence household production, and are decreasingly active as one moves into each outer ring of the economy. Given that household production accounts for about 70% of household income, however, this means that "women are the backbone of the Nepalese rural economy," though it is not publicly acknowledged (Acharya & Bennett, 1981).

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[10] The Parbatiya (low caste), Newar Jyapu (Chetri) and Maithili (Brahman) communities, representative of mainstream Indo-Aryan culture and orthodox Hindu religious traditions

[11] Such as the minority Tamang group, who are relate more closely to Tibeto-Burman groups.

The amount of work burden also depends on a woman's economic well-being. The least poor women tend to spend the least time in wage labor or in subsistence work. However, "they spend more time than either middle or bottom strata women in cooking, washing dishes, cleaning house and doing laundry," and it is the very poorest women who ironically seem to have more leisure time as they spend less time in such domestic activities (Acharya & Bennett, 1981).

Urbanization and the decline in the importance of the rural sector in Nepal have been accompanied by an increase in female involvement in agriculture. The lack of female education further confines women's activities to that of food processing and textiles, industries that are facing heavy import competition. This suggests that women are not participating in structural changes (modernization, urbanization), and are becoming increasingly marginalized. These social, cultural and economic barriers tend to limit the self-confidence and risk-taking capacity of women.

There is also a gender-specific distribution of decision-making power in Nepal. In the same survey (Acharya & Bennett 1981), it turns out that women are most active in *suggesting* a problem/issue and in initiating the decision-making process. Women's influence in decisions was highest in farm management choices, in accordance to their heavy involvement in agricultural activities. Men still dominated in large transactions such as land sales/purchases. Moreover, there was a strong positive association between "the degree of women's input into the decision-making process in a given community and the level of women's participation in the outside economy" (Acharya & Bennett, 1981).

Women's decision-making power is unevenly distributed across ethnic groups. The non-dichotomous groups[12], as Acharya and Bennett (1981) call them, have significantly more

[12] Groups that do not distinguish between the household economic sphere and the wider economic spheres.

decision-making power on both wider economic activities and those pertaining to the household. These communities are also observed to place greater worth on female entrepreneurship, while the dichotomous ones are likely to see female entrepreneurship as degrading and dishonorable, and to value female sexual purity. For those communities divided into the inside and outside, women tended to be less involved in decision-making. Acharya and Bennett (1981) thus pointed out "the ironic fact that among the cultural groups studied, it is those in which the inside/outside dichotomy is weak and women have greater access to the 'outside,' that they also appear to have greater power on the 'inside' ".

Politically, women have been brought into closer involvement since the 1997 Act on Local Election.[13] Still the number of women in executive positions remains low. Female representation in the judiciary is negligible. Again, the distribution of political knowledge across economic and caste strata is uneven. At the time of survey, women that were at the top income bracket were also the most informed on political affairs – however it was women in the bottom bracket that showed greater willingness to be involved in political activities. The voting rate was actually the lowest for the richest women. (Acharya & Bennett, 1981)

The capabilities and achievements of women in rural Nepal are clearly limited by a set of cultural, socio-economic and political factors. While mean marriage age has been increasing, fertility and maternal mortality declining, and female life expectancy rising, these improvements have not resulted in gender equity; women in Nepal remain poorer, less healthy, and exercise less control over their lives than men.

Undoubtedly, the men among the poor in Nepal and Bangladesh lead extremely harsh lives, just like the women. As far as access to material resources is concerned, both men and

[13] The Act brought over 100,000 women into Village Development Committee (VDC) elections as candidates, and with over 36,000 women elected.

women living below the poverty line are powerless to similar degrees. Within the private domain, however, it is the men that stand privileged and who hold power and authority over the women (Cheston & Kuhn, 2002). Nevertheless, this section has shown that due to the extreme pressures of poverty, it tends to be the poorest women (and in Nepal, those in lower castes or the ethnic minorities) who seem to live in circumstances that ironically allow them more opportunities for wider participation in socio-economic activities, and for empowerment.

1.3. Empowerment

Before moving forward, it is important to define the meaning of 'empowerment.' This is a word commonly used in the development literature, but rarely defined, not least because it is hard to do so. This thesis uses the definition set forth by Naila Kabeer, that empowerment refers to "the expansion in people's ability to make strategic life choices in a context where this ability was previously denied to them" (Kabeer, 1999). The process of the 'expansion of ability to make choices' is composed of three parts: resources, agency, and achievements.

Resources refer to the existing material, human, and social preconditions that define the ability of people to exercise choice. Agency refers to the process by which people identify and pursue goals. Resources and agency together make up what Amartya Sen (1990) refers to as capabilities, or the potential that people hold for achieving their goals in life[14]. In measuring agency, most of the focus lies in powers of decision-making. Kabeer provides a summary of typical decision-making indicators in a number of countries (see Table 1). Typical indicators in Nepal include "[w]hat food to buy, the decision by women to work outside, major market transactions, and the number of children to have" (Morgan & Niraula in Kabeer, 1999).

[14] Sen defines poverty as a deprivation of capabilities. It is not enough simply to better the well-being of a woman. An improvement in her agency is crucial to increasing her set of capabilities.

Indicators in Bangladesh include "[the ability] to make small and large consumer purchases, house repair, taking in livestock for raising, leasing in of land, [and] purchase of major assets" (Hashemi et al in Kabeer, 1999). Also included are "children's education, visits to friends and relatives, household purchases, [and] health care matters" (Cleland et al in Kabeer, 1999). In general, however, decisions on small consumer purchases, household and food items have traditionally been placed in the woman's domain. Improvements in these indicators thus hold less significance for empowerment and shifts in capabilities. Achievements refer to outcomes, which include those of basic human needs, and those that are considered to hold social value.

	Table 1: Typical Decision-Making Indicators for Women
Nepal	What food to buy, the decision by women to work outside, major market transactions, and the number of children to have.
Bangladesh	Ability to make small and large consumer purchases, house repair, taking in livestock for raising, leasing in of land, purchase of major assets, children's education, visits to friends and relatives, household purchases, and health care matters.

Source: Kabeer, 1999.

It should come as no surprise that various problems exist with regard to measuring these aspects of empowerment. First, social resources are hard to quantify, and subtle differences exist between different religions and ethnicities that are difficult to enumerate. Resources are often measured in terms of women's *access* to resources, which does not take into account the woman's ability to *use* and enjoy the potential benefits of the resource in question. Even when analysts deal with this problem by introducing the measure of 'control,' there exist so many varying definitions of what control is, that in reality the differences between access and control remain unclear (Kabeer, 1999).

The problem with decision-making indicators is first that not all indicators hold the same amount of consequence in women's lives, and second, that they tend to exaggerate the extent to which power is divided between women and men – many decisions are made jointly. Third,

informal decision-making power is hard to capture in statistics, yet weighs in heavily in many situations. Silberschmidt's study (in Kabeer, 1999) of decision-making among the Kisii in Kenya highlighted the ways in which women achieved their goals while avoiding the opposition of their husbands.

> For example, since the land belongs to the man, he is expected to decide where the various crops are to be planted. If his wife disagrees, she would seldom say so, but simply plant in what she feels is a better way. If he finds out that she has not followed his instructions, she will apologize but explain that because the seeds did not germinate they had to be replanted in a different manner/spot (Kabeer, 1999).

In the event of change, then, many of the shifts in intra-household decision-making power occur informally and are not explicitly acknowledged, especially in field surveys. The dictates of tradition still hold in the public realm. "Such strategies reflect a certain degree of caution on the part of women – a strategic virtue in situations where they may have as much to lose from the disruption of social relationships as they have to gain" (Kabeer, 1999).

Measurements of achievement need to be sensitive to the type of change occurring. Whether women are becoming more powerful within a role traditionally assigned to them, or whether they are engaged in a process of transforming gender roles and inequality are two highly different processes of achievement. Kabeer (1999) gives the example of a reduction in under-five mortality versus a reduction in excess female mortality. The latter involves mothers giving more value to the survival of female infants while opposing the trend of favoring male infants, which indicates greater transformation and empowerment than the former.

It is also a challenge to categorize indicators as either a resource, agency, or achievement indicator. In reality, "the three dimensions are indivisible in determining the meaning of an indicator and hence its validity as a measure of empowerment" (Kabeer, 1999).

Finally, there is the challenge of using outsider values in measurement exercises, values important to the culture of the evaluator, but not always relevant to the specific culture being

analyzed. When this happens women in developing countries tend to become "reduced and universalized" in texts dealing with gender and development. Kabeer (1999) notes that in one reductionist version, women are portrayed as embodiments of virtue. They are altruistic, thrifty, industrious, and dedicated to family welfare. In the other equally reductionist story, women are depicted as victims of subordination, where they internalize their unequal status, and disadvantage themselves by automatically putting themselves last in every situation. The reality often tends to lie somewhere in between the two stories and is far more complex than either versions.

The vagaries and subtleties presented here are reflective of the fact that indicators of empowerment are inherently unable to provide a full multidimensional account of change in women's lives. Improvements in access to resources or bargaining power will not result in evenly distributed impact across a group of women; "[i]nstead they will be influenced by the intersection of social relations and individual histories which form the vantage point from which they view these new possibilities" (Kabeer, 1999). Indicators are, as the word conveys, only able to point to the direction and meaning of a change. They are not able to convey the full complexities and implications of change.

1.4. Microfinance and Empowerment

Microfinance practitioners and academics are broadly split into two opposing schools of thought (Gulli, 1998). One sees financial sustainability in credit delivery as the main goal of microcredit. Proponents of this view argue that credit is but one of the many tools to be used in poverty reduction, and that microfinance practitioners should therefore perfect the specialized use of this tool by striving towards the efficient provision of financial services to low-income

people in a sustainable fashion. The other camp takes the poverty and empowerment approach to microfinance. That is, they see the overall objective of microfinance as poverty alleviation and empowerment of the poor, especially the women of the poor. Savings and credit are seen as the main tools to achieve these goals. Indeed, Muhamad Yunus, founder of the Grameen Bank argues that "[l]ike the right to food, clothing, shelter, education and health, credit should also be recognized as a fundamental human right" (http://www.grameen-info.org). The former approach is mainly espoused by commercial banking institutions, while the empowerment approach is used by Non-Governmental Organizations (NGOs).

While formal financial institutions and credit unions tend to reach larger numbers of the poor, NGOs tend to reach the poorer sections of people below the poverty line (Gulli, 1998). This thesis is interested in the impact of microcredit on the poorer and more disadvantaged sections of society, thus it focuses on the empowerment approach and the impact of NGO activities on the lives and well-being of women in Nepal and Bangladesh. One can argue that microfinance is not purely about financial intermediation. Its focus on group lending and saving activities is also a form of *social* intermediation. That is, microfinance not only provides credit and savings services to the poor, it is an investment in human resources, and it aims to increase the self-reliance of disempowered groups (adapted from Edgcomb & Barton, 1998). Indicators of social well being and not simply those of pure financial sustainability should therefore be included as performance measures of a microfinance program.

Even for those interested in the empowerment approach, however, there is no consensus as to the effects of microfinance on poor women, who are the main participants. Advocates argue that microfinance creates a set of changes in women's lives that reach beyond the financial

realm, into social and political arenas, and expand the power of women within and outside the household, as well as the opportunities available to them.

Skeptics counter that, given the deeply entrenched socio-economic structural inequalities in place, changes that occur in women's well-being are not only small, but also limited and constrained in ways that microcredit alone cannot alter. Linda Mayoux, is a particularly strong proponent of this skeptical view, arguing that "[c]onstraints posed by poverty and gender inequality ... operate on many levels, and often mutually reinforce each other to seriously limit the options open for poor women ... Any micro-enterprise development for poor women is therefore likely inevitably to be constrained by wider class and gender inequalities" (Mayoux, 1995).

While the arguments made by critics are valid, change in embedded inequalities cannot happen overnight. Changes in basic health and economic well being have to occur first. In Bangladesh, for example, awareness-raising programs for social action and legal knowledge skills used to be common. An organization named ASA at one point mobilized 50,000 of its members into 4000 groups, and carried out numerous social actions to fight oppression and to uphold human rights. These activities proved to be less than successful, the main obstacle being the relevance of these programs for the poor. "Most of these programs did not have an immediate impact on their income and therefore did not prove to be attractive" (Wright, 2000). Indeed, the majority of these efforts "resulted in a well intentioned educated elite of 'community development workers' taking hours of villagers' precious time attempting to 'raise the consciousness of the poor' (with the implication that the poor somehow do not understand the situation in which they live day to day)" (Wright, 2000). The ineffectiveness of this approach has, in fact, led ASA to drop social development from its program goals, concentrating instead

on pure microcredit delivery. Today ASA is a strict MFI, the repercussions of which will be discussed later in this thesis.

The failure of these awareness-raising efforts is linked to a lack of consideration with regard to what the poor demand. When studies have been conducted, they have shown that the poor "put up with the endless 'dialectics' in the hope that they might eventually get access to something useful … like access to credit" (Wright, 2000).

Linda Mayoux and other critics bring up important considerations in analyzing the impact of microfinance programs. Keeping in mind the needs and demands of the poor, however, it is clear that widespread changes in gender inequality will not occur without simultaneous or prior improvements in economic and nutritional welfare. Even if the impact of microfinance is limited (which has not been fully examined yet) it is a necessary, though perhaps not a sufficient first step, for women's empowerment. In addition, the wide-sweeping change that Mayoux hopes for is in all probability far too risky for the women to undertake. Todd (in Wright, 2000) observes that Grameen Bank women prefer to work "like termites than through the tidal wave of collective action." Rather than conspicuously displaying their increased power, they "[use] traditional levers to legitimize these non-traditional actions."

This chapter has examined the lives of women in Bangladesh and Nepal, their state of disempowerment, and the meaning and measurement of this process called empowerment. Practitioners have found that the poor are more concerned with improving their immediate material circumstances than with overthrowing inequitable social structures. In the context of microfinance programs, then, the small improvements brought about in women's welfare and agency should not be discounted due to systemic inequities that still exist. Rather, it should be

recognized that these initial first steps are a necessary condition for any sort of wider change to occur.

The next chapter examines the issues and ideas raised by current literature on the empowerment of women through microfinance programs in Nepal and Bangladesh.

A REVIEW OF CURRENT LITERATURE

"*Almost irrespective of society or culture, the status of women in households has long since been tied to their earning potential or capabilities*" (Wright, 2000).

One common objection to focusing on women's empowerment in microfinance is that empowerment occurs as a logical outcome of a successful microfinance program. An increase in economic well-being, the argument goes, will lead naturally to improvements in other areas of a borrower's life. Practitioners should therefore focus their energies on building a sustainable MFI.

Evidence from the impact evaluations presented in this study suggests that women's participation in microfinance programs not only strengthens their economic roles, but also empowers them to an extent. On a personal level, women tend to gain greater intra-household bargaining power, more decision-making authority, and suffer less from domestic violence. They also become more geographically mobile and have greater say over their children's education. On the collective level, anecdotal evidence suggests that the achievements of the lending groups and their contributions to the community have a positive impact on the women's social voice and status. On the other hand these effects do not come about automatically. There also seems to be

an upper limit to which women can improve their standing, both within the household and at societal levels. Embedded social structures of gender inequality remain unmoved.

2.1. Empowering Effects of Microfinance

a. Economic well-being

The first and most obvious effect of participating in a microfinance program is in raising a person's economic well being. Though some cases do exist in which women report being worse-off as a result of the loan[1], most women in Nepal and Bangladesh are better off materially as a result of their participation in microfinance. In the Women's Empowerment Program (WEP) in Nepal, women in their Village Banks (VBs) have on average doubled the size of their savings per month within 29 months of joining the program. Many households in Nepal and Bangladesh suffer from food insecurity; thus loans are first used for consumption smoothing purposes. It is the later loans that are used for investment purposes, and thus only after a certain 'loan threshold' has been reached does one begin to observe increases in the actual income of a female client (Zaman, 1999). One analysis on women in BRAC and Grameen in Bangladesh found that microcredit provided increased economic security, as well as a greater ability to make small and large purchases (Hashemi et al, 1996).

In the same analysis, however, microcredit programs such as Grameen and BRAC were found to have empowering effects on women independent of whether or not they contributed to family income. In fact, what Hashemi et al found was that "the probability of empowerment is eight to twelve times as high for a woman who is contributing to family support or involved in a credit program (and not contributing). … [A]lthough credit programs empower women in large

[1] In Ashe & Parrott (2001), 15% of poorer members reported a fall in household income since participation in WEP.

part by strengthening their economic roles, women can become empowered even when this does not happen."

This suggests that the empowerment effects of microfinance are strongly related, but not directly dependent upon there being an increase in the material welfare of the household.

b. Intra-household bargaining/decision-making power

Improvement in household bargaining power is a significant indicator of women's empowerment. Osmani's (1998) study set out to analyze changes in empowerment for women borrowing through the Grameen Bank in Bangladesh. It defined empowerment as an improvement in bargaining power[2], and it found that participation in the Grameen Bank had a positive impact on a woman's breakdown position in household bargaining, and on a woman's degree of autonomy. Both effects were stronger at higher levels of incomes, suggesting that less-poor women benefited more from microfinance than poorer women. Amin et al (1998) analyzed five Grameen replications in Bangladesh, using three indices of empowerment: inter-spouse consultation, individual autonomy, and authority. They found that program members were ahead of nonmembers in all three indicators of empowerment. Moreover, there seemed to be a significant 'spillover' effect, as nonmembers living in areas where Grameen replications were active were more empowered (in the authority and autonomy indices) than nonmembers living in non-program areas.

Other studies corroborate these findings on household authority and decision making. Amin et al (1995) and Hashemi et al (1996) found that women in GB and BRAC were more

[2] From Sen's (1990) household bargaining model. Indirect bargaining power consists of one's breakdown position in a negotiation, perceived contribution to the household, and perceived self-interest in the present distribution of resources. Direct bargaining power is defined as access to resources, control over decision-making, and degree of autonomy.

empowered within their households (less so for BRAC in the latter study). However, both studies also found that poorer women tended to be more empowered, as "it is the poorest, most desperate families that, given the opportunity, are willing to stretch *purdah* norms and take the social risks entailed" (Hashemi et al, 1996).

Evaluations of Nepal programs found that women reported the same effects in improved household status, though these were from surveys, and no regression analyses were run (Shrestha, 1998; Ashe & Parrott, 2001, Sherpa, 2001).

c. Mobility

The same studies mentioned above also analyzed the impact of GB and BRAC programs on the mobility of these women. This is an important indicator of empowerment. As mentioned in Chapter One, women in Bangladesh abiding by *purdah* norms have limited abilities to travel beyond their household.

Larance's (1998) study of women in a Grameen lending center found a significant relaxation of mobility limits for Grameen women. "Seventy-one percent of the respondents reported that, before membership, they did not know the village's geography. With few exceptions, the women were secluded within their *baris* where they interacted almost exclusively with their husband's kin." This changed with the Grameen Bank. Before GB membership, [Khaleda] explained, " 'people in my family would ask where I was going if I wanted to leave the *bari*. Now they don't ask. They know I have places to go and are only curious to know where I have been after I return.' "

Hashemi et al (1996) and Amin et al (1995) not only found that women in GB and BRAC were more mobile, but also that *poorer* women tended to be *more* mobile. This might again be

due to the fact that less-poor women were more able to observe *purdah* and limit their movements outside of the household. While all women were more mobile to the extent that they had to travel across the village to attend banking meetings, the richer might not, say, go to local markets to sell their goods, preferring instead to leave that job to their husbands. The poorer women, some of whom are widows, might have to do so by themselves.

Again, though no regression analyses were run on the Nepal programs, program evaluators reported an increase in women's mobility (Shrestha, 1998; Ashe & Parrott, 2001). The physical as well as social spaces of these women are thus seen to have expanded through participation in microfinance programs.

d. Social capital

The creation of social capital through microfinance programs is most closely studied by Larance (1998), in her survey of the interaction of women at a Grameen village loan-repayment center. In discussing social capital, she defines it as "the attributes of community life and social organization – such as norms, networks, and social trust – that facilitate coordination and cooperation to the benefit of both GB members and villagers not affiliated with GB (Coleman, 1988; Putnam, 1995).

The regular meetings introduced new patterns and interactions into the lives of women in this Bangladeshi village. Not only did they have to cross through the village on their way to meetings, they sat with women of varying kinship, religious, and social status groups.

One striking example of the changes that occurred within the center has to do with names and individual identities. "In rural Bangladesh women customarily have no opportunity to gather publicly and are identified using only possessive terms denoting their relationship to the family's

male members (e.g. Hafez's daughter, Bablu's wife, or Firoz's mother). ... At the center, a GB employee refers to each woman by her first name when calling attendance or collecting loan installments." Through interviews and surveys, Larance found that all the women surveyed enjoyed being called by their first names. "When asked why they liked hearing their first names, 33 percent responded that hearing their names spoken was beautiful." Nurjahan, another member, conveys the significance of this change when she pointed out that "GB people were the first to call me by name since I left my father's *bari* 40 years ago."[3] Collectively, this practice raised the social presence of the poorer women in the village. "Fuljhan reported that, before GB came to her village, "no one knew the names of poor women. Now they do." (Larance, 1998)

The group meetings further grew to provide a broader social network on which each woman could call on for support and for enlivening her social interactions. Friendships between women of different ethnicities, castes, and households turned the marital village, for which they had left their natal village, into a more welcoming community. The women also found that, as members of the Grameen Bank, they were "no longer invisible" and instead were invited to more village social functions. Other non-Grameen members of the village noted that there were less quarrels in the village, and that the husbands of Grameen women had more in common with which to interact as well. (Larance 1998)

There has thus been a clear creation of social benefits for Grameen women, both individually and collectively, as well as for others in the village. In the Center studied by Larance, "members identified their social capital as 'their interaction both with women at the center and outside the center; their newly gained mobility outside of their *bari* to visit other

[3] 26% of respondents "reported that they hearing their first name spoken was important to them because it indicated an educated person, the male GB worker, was showing them respect. Sixteen percent reported they liked the individual recognition because they considered their first names evidence of an identify apart from their traditional familial identity."

members and travel to 'public' spaces in the village; the exchange of scarce resources; the opportunity to rely on networks in a 'marital' village rather than a natal village; and, the ability to participate in social obligations.' "

This evidence is reinforced by the impact analysis conducted on SBP, a Grameen replication in Nepal. It was found that the center houses set up there were a significant social focal point for the women. Through interactions at the centers, they established extra-familial connections, and a wider support network. As the centers are completely owned and run by the women themselves, it has become "not only a social space for gatherings, but also [a symbol of] their unity, strength, and positive contributions to the community." (Shrestha, 1998)

e. Literacy: financial, political, legal, nutritional

The results for literacy vary widely across programs in both Nepal and Bangladesh. Hashemi et al (1996) found positive association between participation in BRAC and GB, and with political and legal awareness. Zaman (1999) found the same for BRAC members. Knowledge of accounting (Ackerly, 1995) and nutritional literacy (Shrestha, 1998; Sherpa, 2001) shows wide variance, and therefore, as far as literacy is concerned, this does not appear to be an automatic output of microfinance programs. Rather, the specific impact depends on individual program design. For this reason, this literacy issue will be explored in greater detail in the next two chapters.

f. Contraceptive use and other indicators

Several studies on Bangladeshi programs found a positive association between participation in a microfinance program and contraceptive use, suggesting an empowerment

effect in women's control over reproductive behavior (Amin et al, 1995). Steele et al (1998) found that non-program members living in the same village also raised their use of contraceptives, whereas there was no similar increase in villages with no microfinance activities or Save the Children activities. Hashemi et al (1997), using the same eight indicators of empowerment as in their 1996 study, analyzed the probability of contraceptive use among GB and BRAC women. They found that the probability of contraceptive use among 1300 randomly sampled women "increases with the length of time that a woman participates in either Grameen Bank or BRAC." However, this change in contraceptive use was only partly related to empowerment. Other factors stemming from credit-program participation had an impact as well. For example, engagement in borrowing and investing activities may increase the ability and desire of women to demand contraception as a means of planning for the future.

Other significant indicators of empowerment mentioned in studies include an increase in commitment to children's education (Steele et al, 1998; Ashe, 2001; Sherpa, 2001) and a change in the aspirations of women with regard to age of marriage (Steele et al, 1998).

1.2. Limits to Empowerment

"If the men in our village see our courage they may take it away."
(Rokeya Begum, Grameen Bank, Bangladesh. Larance, 1998.)

Literature reviewed in this chapter indicates certain limits to the empowerment of women through microfinance. Some of these are related to structural and systemic factors endemic to South Asian society, such as patriarchy. Others are caused by factors related to program design

and objectives, such as NGO expansion and competition and the exclusion of social services such as literacy.

a. Political representation and *purdah*

In Larance's (1998) study, it was found that women in Grameen, despite enjoying more social legitimacy and a wider network of support, remained cautious about displaying their new social power, for fear of it being taken away by the men in the village. There was no change in the practice of *purdah* among Grameen women, and though 1997/8 were the first years in which the Bangladeshi government encouraged women to run for local union council positions, none of the women in the village that Larance studied did so. One outspoken woman was active only in campaigning for her favorite candidate, while others later "casually reported that they regretted not running for a position."

In Nepal, women in the WEEL program increasingly got elected to school and VDC (Village District Committee) boards. However, as articulated by Helen Sherpa of the WEEL program, this did not mean that their opinions carried more weight. Elected women could still be ignored in public forums. Moreover the increase in representation at the village level did not translate into greater representation at higher political levels, due to the male-dominated system in Nepal.

As far as political representation and participation are concerned, then, evidence indicates that participation in microfinance programs has little effect on altering the status quo. Political systems in both Nepal and Bangladesh remain dominated by males.

b. Loan control

Goetz and Sen Gupta (1996) conducted a study on loan control[4] for women participants of four organizations (including GB and BRAC) in Bangladesh. They divided degrees of loan control retained by women after they received the money into 'Full,' 'Significant,' 'Partial,' 'Very limited,' and 'No involvement.' It was found that about 63% of the women retained only partial control (24.1%), very limited control (17%), or were not involved at all (21.7%).

This lack of control meant that oftentimes a proportion of a woman's loan would be directly controlled, managed, and invested by her male relative. The woman would be but an access channel to more credit and would moreover bear full responsibility for repayment. Women were more likely to retain control over their loans if it were invested in traditionally female work, such as poultry raising and sericulture – unfortunately these are also the less profitable investments. The size of the loan was positively correlated with loss of loan control.

In short, then, Goetz and Sen Gupta showed that gender inequities and uneven power distribution are dominant forces in Bangladesh that affect even small-scale credit activities such as those implemented by BRAC and GB. Given the existing social structure, credit activities aimed at women had had limited empowerment effects. A significant proportion of loans, especially the larger ones, were controlled by men, and women had failed to move out of less profitable, traditionally female-dominated income-generating activities.

The authors argue that such patterns of loan use and loan control reflected existing power distributions, rather than an enhancement of the agency of women. It could thus be asserted that microfinance activities, to an extent, reinforced existing gender hierarchies and strengthened the dominance of males within the household.

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[4] Loan control is defined in this paper as the degree of women's knowledge of, and control over the productive process of the loan investment activity, and the identity of the person in charge of controlling the accounts and general management (Goetz & Sen Gupta, 1995).

c. Market access

Related to the issue of loan control is the gender division of production and marketing. In Ackerly's (1995) study of empowerment in GB, BRAC, and SCF borrowers, he found that while labor, selling, and accounting participation contributed significantly to borrower knowledge of accounting, production labor was the factor with the smallest impact on empowerment. In other words, participation in the production part of a loan investment is insufficient for empowerment. Rather, women tend to be more empowered when they are able to participate in market-based activities such as selling and accounting.

This means that in order to enhance women's empowerment, programs should emphasize marketing and accounting involvement. Goetz and Sen Gupta (1996) echo this point of view. Their analysis emphasized the fact that women were kept out of male-dominated markets, which severely undermined their ability to maintain loan control. "It means that they lose control over a critical phase of the production process and are unable to make informed assessments of market demand and new productive opportunities. Improving women's market access might be the single most effective way of enhancing their control over loans, as well as expanding their public presence and their self-confidence."[5]

The second way in which the empowerment of women is limited is related to the specific design and objectives of microfinance programs. The next three sub-sections in this chapter deal with limitations of this nature.

[5] For a description of the gender impact of women in new markets, see Bayes, Abdul. "Infrastructure and Rural Development: Insights from a Grameen Bank Village Phone Initiative in Bangladesh" 2001.

d. Self-selection in groups/Exclusion of the poorest

The majority of microfinance programs aim for financial sustainability through credit delivery. This method of operation, however, does not necessarily match the needs of the poorest. "The opportunities for credit-financed self-employment are very limited, and the risks are unreasonably high." As a result some of the most disempowered people in rural Bangladesh and Nepal have been excluded from microfinance programs. Women who are not confident of meeting repayment requirements and schedules shy away from participating. In Hashemi and Schuler's (1997) study, they found that non-participating women "either lacked access to a reliable source of income from which to pay weekly installments ... or they were married to men who were irresponsible and likely to appropriate, or had appropriated, the women's entire loan without providing the money for the weekly installment." The majority of the poorest women in South Asia belong in these categories. (in Edgcomb & Barton, 1998)

Women commonly practice self-selection in forming their savings and/or credit groups, and in cases have rejected some for being "too poor" in even their initial endowments to be able to join. This was confirmed in an interview I conducted with Ms Usha Jha, the program officer for WEP in Nepal. Larance (1998) researched selection criteria for group members in Bangladesh, and found that 85% of the women surveyed reported the ability to repay loans as the top criteria for distinguishing between competing candidates. "The remaining 15 percent reported that the candidate whose husband had regular earnings would be the most desirable." Hulme and Mosley similarly found that "[d]irect cases of exclusion were reported for SANASA, BRAC, TRDEP, and SACA, where members identified some people in the village as being

unsuitable for group membership because of the intensity of their poverty" (Edgcomb & Barton, 1998).

This practice of self-selection thus highlights another limitation of women's empowerment through microfinance. There seems to be a minimum income threshold for participating in microfinance activities. Those below that income level are considered 'too poor' for microfinance. The marketing of microfinance as an anti-poverty solution, then, hides the fact that some of the poorest, most disenfranchised women are excluded from participation.

e. NGO competition and the impact on the poor

The stated institutional goals and performance indicators of a microfinance organization has specific repercussions on the empowerment of their clients. Ebdon's (1995) study on GB and BRAC expansion in Bangladesh provides a clear picture of the undesirable outcomes of NGO competition and the overriding of institutional goals compared to those meeting the needs of the poor.

Successful organizations such as GB and BRAC were found to have moved into villages where smaller NGOs had already been operating credit or savings and credit programs. Women in existing groups were drawn away, or forced by their husbands to leave, to join GB or BRAC groups, as these offered more immediate and larger loans. GB's stated goals are to reach out to the most disempowered people, but this was contradicted by the behavior of Grameen loan officers, who targeted women already receiving support from other organizations. Similarly, BRAC operational guidelines are to disperse loans only after three or four months of the groups being formed, yet in the village studied by Ebdon, loans were being given out immediately, with little regard to building group strength.

This institutional competition aggravated gender relations at the village level and increased incidents of domestic violence, as members in existing *samitys* (women's groups) were being forced to leave and join Grameen or BRAC. The female solidarity that had been built in the *samitys* was also undermined. When surveyed by Ebdon, Grameen and BRAC workers seemed unaware of the empowerment and gender implications of their competitive behavior. They were found to expend little energy in group formation, instead offering incentives to draw as many new members to their respective organizations as possible.

The encroachment behavior of GB and BRAC, and the accompanying insensitivity to the welfare of the poor, are directly related to the institutional goals of each organization. The success and reputation of both Grameen and BRAC is closely tied to their outreach and repayment rates. This then sets up incentives within each organization to expand membership as quickly and broadly as possible, while seeking out clients with higher potential repayment capabilities. In BRAC, it was found that as the organization moved towards more professionalism and set higher performance targets for repayment and growth, the "average value of new members' assets was higher than the asset levels of successful third-time borrowers" (Edgcomb & Barton, 1998).

Indeed, it was clear to other NGO workers in the area that "Grameen were a business rather than an NGO and therefore quite prepared to compete for clients." The priorities for each individual loan officer were thus "securing one's job, and reinforcing the reputation of the organization through maintaining their impressive performance statistics" (Ebdon, 1995). NGOs in the areas surveyed by Ebdon had started to gain the reputation of being welfare organizations, who simply handed out gifts of money and tubewells to the villagers.

Ideologically, the drive for expansion and high repayment rates had obscured the goals of poverty alleviation and empowerment. The prioritizing of one set of goals over another was caused by the ways in which these organizations defined and set performance indicators. Even though poverty alleviation and empowerment are goals for both Grameen and BRAC, the specific success indicators for each institution structured the incentives for Grameen and BRAC workers to favor fulfilling these particular standards, often at the expense of client welfare.

f. Literacy

An organization's approach to microfinance is reflected in its program design, which has repercussions on the empowerment of women. Literacy is one factor that has great potential to lift the upper limits of empowerment that critics have pointed out with regard to microfinance programs (Goetz & Sen Gupta, 1996). A woman's access to markets increases with her knowledge of accounting (financial literacy), as well as in "investments in skills development and technical inputs directly relevant to the loan investment activity, overcoming constraints to women's access to rural markets" (Ackerly, 1995). Yet programs differ in their inclusion of social services such as literacy training.

At Grameen Bank, for example, "[c]redit is the center ... Every aspect of the program is intended to facilitate the basic task of making loans to poor women and to ensure high rates of repayment." Even the "Sixteen Decisions," ostensibly the social development component of the program, are recited at the beginning of every meeting to reinforce a sense of discipline in the behavior of the clients (Hashemi et al, 1996). BRAC, on the other hand, sees a more well-rounded approach as appropriate to poverty alleviation. It thus offers a host of social services on top of the micro-financial ones.

The evidence reviewed in this chapter indicates that empowerment should not be taken as an automatic outcome of microfinance programs. The positive, empowering changes that have been observed in surveyed women are balanced with evidence of disempowerment (in the case of husbands forcing their wives to leave one program for another) and evidence of limits to empowerment (in the case of patriarchal systems, and self-selection among women). In order to empower women through microfinance it is therefore necessary to build empowerment as an explicit objective into the goals of the program, with specific steps and incentives designed to achieve those goals. If not, the risk arises that other, more explicit goals, such as institutional expansion and financial viability become higher priorities, undermining the welfare of the poor in the process.

In this examination of existing literature, it is striking that literacy has repeatedly been mentioned by authors as a factor that holds great potential in empowering women, in challenging gender barriers, and in raising the upper limit of empowerment. Yet little research has been devoted to this topic. The next chapter examines the integration of literacy training into microfinance programs, and its impact on women's empowerment.

"KNOWLEDGE IS POWER"
Francis Bacon, *Meditationes Sacrae,* 1597.

The second common objection to including empowerment objectives in microfinance programs is that it leads to the addition of social services that raise costs, reduce the financial viability of programs, and dilute the financial specialization that is required for successful microfinance activities. This chapter looks at the viability and impact of integrating literacy with microfinance.

3.1. Fieldwork in Nepal

Part of the information presented in this paper is based upon interviews that I conducted in Nepal. I had two main objectives to achieve during my time spent in the villages of Chitwan, Nepal. The first was to work in a local NGO in order to obtain some first-hand experience in development work. The second was to conduct independent research regarding the impact of microfinance programs on the lives of low-income women in Nepal.

I interviewed three groups of women, with the help of a translator from the local NGO at which I was volunteering[1]. All three groups were part of the Women's Empowerment Program (WEP) implemented by Pact, an international NGO based in the United States. Two were also part of a Savings and Credit Cooperative run by the local NGO.

[1] JMC-Nepal

When I met with Marcia Odell, the director of WEP, she repeatedly emphasized how much the women in the Village Banks had taught the NGO staff about microfinance. This reflected the attention that the WEP staff paid to the needs of their members. This program is unique in its emphasis on literacy. The approach stemmed from another program that Pact had implemented in 1994, called the WORD Project. As it was a pure literacy program, it suffered from a 25% drop-out rate (considered low even for literacy programs then). When the NGO staff surveyed women on why they stayed in the program, they found that the women who stayed expressed certainty that the literacy skills would lead to greater income. This link between literacy and income, then, was the idea that seeded the Women's Empowerment Program. Its emphasis on self-help and on literacy was based upon feedback from the women themselves, and upon a desire to defeat the attitude of dependency on foreign aid that had become common in rural Nepal.

All three groups interviewed were from the Chitwan area. Chitwan is part of the flat, low-lying region of Nepal known as the Terai. It is the main agricultural belt of the country. The first group of women was from Simari Village in Dipyanagar VDC. All 25 were of Tharu ethnicity and had been working as a group for 4 years. The second group (24 women) was from Ratapur Village in Sukranagar VDC and had been banking as a group for 3 years. The last group of women (27 members) was from Ward #5 in Gunjanagar VDC.

These interviews left me with a tremendous respect for the women in Nepal and the way in which they had taken charge of their lives. First I was struck by the organization of these groups. I had intruded on them during the busiest part of their year, the rice planting months of June to August. Still, they left their jobs in the field and came to meet with me, all arriving within 10 minutes of each other.

At the first interview, I was shown the village bank, which consisted of a small metal case in which the collective savings of the women, along with the account books were kept. The case was secured with three locks, one each for the President, Treasurer, and Secretary. No one could open the safe without the other two present. The President explained to me how each woman would be fined 5NR for not showing up, or for being late to a meeting. It was clear that these women were serious about their banking activities. The NGO staff did nothing to organize the women while I was there – they were comfortable in explaining their methodology to me directly.

There were several strong commonalties between the groups that I found through the interviews. Though each group varied in economic strength, the women in all three groups were knowledgeable regarding their microfinance activities. They knew the monthly savings (both voluntary and compulsory) rate of their village bank, could explain how they set interest rates, as well as the returns to each investment that they made, without needing to refer to their account books. None of the NGO staff aided in answering my questions in any way. Oftentimes, more than one woman would speak up to answer my questions. Most of them were able to maintain their own passbooks.

When asked about how participation in the Women's Empowerment Program (WEP) had changed their lives, the women in the three groups provided similar answers. They responded that WEP made them feel stronger as a group, and it gave them the security of knowing that not only were there were other women to provide support, they also shared a village fund to draw from in emergency situations.

The women's strength and cohesiveness as a group was clear. When asked how WEP had improved their lives, the first group mentioned that they had been able to undertake collective

projects since participation in WEP. They had pooled their money to fix the road leading out from their village, thus improving access and communications to wider markets and more people. The third group had started a small village shop selling household goods. The women made a pact among themselves that they would purchase goods exclusively from that stall and that the returns of the shop would be returned to the Village Bank. Thus the circulation of money was cleverly kept within the same group of women, and each helped the other become wealthier. These groups also met with other village banks in the region, without the active assistance of local NGOs. There, the women compared banking difficulties, and came up with new solutions. For example, some groups had gotten together to standardize the design of their passbook and to print out the new passbooks in bulk, thus lowering their costs of operations collectively while strengthening communications across villages!

Most of these activities were being conducted without the help of local NGO staff. Strikingly, all three groups of women that I interviewed stressed their value on and desire for education. All requested the NGO for more training sessions.

The first group highlighted the need for more training in account keeping for those that were not skilled yet in financial literacy, and refresher trainings for those that had picked up some skills. The second group similarly asked for more training in account keeping, in reading, and in income generating activities. The third group, in the same way, emphasized that they found each training session useful. They asserted that the training experiences were very important to them, especially those in income-generating skills[2], and that they, like the other two groups, needed more training in account keeping.

These demands of the women indicated their strong desire to gain more skills and improve the running of their village bank. Their major dependency seemed to be in asking the

[2] Bee-keeping, candle-making, handicraft-making

NGO for more skills training. This indicated not only the appropriateness of integrating education with microfinance, but also the desire of the women in WEP to become increasingly self-reliant.

3.2. The Importance of Literacy

This experience in Nepal sparked my interest in the value of literacy in empowering women, and the value of integrating literacy training in microfinance programs. There was clearly a strong symbiotic relationship between specific literacy skills and income generation that improved incentives for women, both to keep on participating in literacy training and to enhance their ability to generate higher income. Why, then, were there not more programs similar to the WEP strategy?

When exploring the issue of literacy, one also needs to take into account the existence of many different types of literacy. Education in health and nutrition is different, and has a different impact than education in accounting knowledge, and the same holds for education in rights and responsibilities. All three are more specific than simply learning how to read. In this study, literacy is taken to mean all of the above. That is, financial literacy, as well as nutritional, and political/legal literacy.

Whether as part of a microfinance program or not, literacy has a tremendous impact on the ability of women to take control of their lives, to make decisions, to exploit opportunities, and to better the future of their children. Literacy, whether it pertains to reading skills, or to financial or political literacy, adds to a person's set of capabilities and, using Amartya Sen's (1990) definition of poverty, makes a person less poor by enhancing his or her individual agency.

A study on contraceptive use in rural Bangladesh takes a detailed look at what determines a woman's status in Bangladesh. Education, employment opportunities, and services and income generation programs were all listed as important factors. Education in particular "opens a broader range of options for women and generally makes them more receptive to new ideas" (Kabir et al, 1988). There is also a likelihood, from the results of the regression analysis conducted in Kabir et al (1988), that an increase in education is associated with an increased use of contraception. Credit and increased income alone, then, are unlikely to contribute to a full effect on women's empowerment.

Goetz and Sen Gupta (1996) conclude their analysis of loan control by emphasizing the need to reach beyond credit in order to empower women. In particular, in a study on BRAC the importance of literacy and numeracy was made apparent by the fact that in a study of six women, the only literate woman in the group was also the only one who participated in managing accounts[3]. Ackerly's (1995) study uses knowledge of accounting in microfinance programs as a measure of women's empowerment. The study found that participants of the Save the Children's (SCF) fund in Bangladesh were more empowered because SCF incorporated empowerment as an explicit goal in its loan operations, and placed particular emphasis on clients gaining knowledge of accounting.

It is clear, then, that literacy is an important factor in the range of conditions that encourage women's empowerment. Not only does this make intuitive sense, it has also been affirmed in analytical studies. Nevertheless, literacy training is not a typical component of microfinance programs. Practitioners argue that including literacy training drives up program

[3] They also argue that while increase in managerial control requires literacy, such problems extend beyond the programmatic and household levels. The problems are affected by the national religious environment and need to be addressed at the state policy level.

costs and reduces the absolute number of poor that can be reached. There are trade-offs between empowerment and cost-effectiveness that have to be considered when running these programs.

> 'Soft' services like health education, literacy training, business training, or discussion and support groups for issues such as domestic violence or divorce rights are often assumed to be costly and without clear, easily measurable outputs and outcomes. (Cheston & Kuhn, 2002)

Given the current emphasis in the microfinance industry on financial sustainability, it is no wonder that programs are becoming more minimalist and focused on credit delivery, rather than on improving the well-rounded welfare of the poor.

For strict reading skills in particular, practitioners have found that this requires bringing in specialists, which tend to increase overall salary and costs to unsustainable levels (Dunford & Denman, 2001). Moreover, there are situations in which education does not necessarily benefit the poor in the direct ways mentioned above. For one, surveys have found that education is less valued in developing countries where its link to greater income is not strong. In *Voices of the Poor* (Rademacher et al, 2000), over 60,000 of the poor all over the world were interviewed on their lives and the challenges they faced. It was found that education is less valued in countries where economic opportunities are shrinking. Similarly in countries where the quality of public education provided was inferior, parents were reluctant to invest in school fees for their children at the cost of losing the contributions of their labor.

The education of girls and women, in particular, is "mired in a plethora of cultural issues" (Rademacher et al, 2000). To generalize, the typical view amongst the poor is that girls are not worth an investment in education, as they are mostly headed for manual work maintaining another household. To educate them is thus to take them away from learning how to take care of the home, and to reduce their worth as future wives and mothers. In addition, education for girls raises the costs of marriage, and is thus discouraged.

The value of education, then, is clearly linked to its impact on and relevance to future

encourages the schooling of girls. For the women clients themselves, however, there is minimal training. BRAC provides the most social services out of the three.

a. ASA (Association for Social Advancement)

ASA in Bangladesh, as mentioned earlier, used to be an organization committed to pursuing social development goals. Today it is wholly focused on turning itself into an efficient, cost-effective and financially sustainable MFI. In order to achieve this, ASA incorporates both cost-saving and income-increasing strategies into its program. To save on costs, it focuses its operations on credit and savings services. It also strives to maximize the number of borrowers and the portfolios per Credit Officer, and it aims for a high fund-revolving rate. In order to increase its income, ASA does not exclusively use group liability. It emphasizes "quick expansion into new areas, fast group formation and high density of groups in working areas" (http://www.asabd.org). This emphasis on rapid credit services and recruitment of new members is consistent with ASA's focus on financial sustainability. It does not provide services for its clients outside of credit and savings, and, unlike all other programs reviewed in this paper, it also gives out individual loans. The goal of ASA, then, is deliberately narrow. It strives to be a viable financial institution for the poor, which necessitates quick credit delivery and high repayment rates. There are no literacy components to this microfinance program.

b. Grameen Bank

The Grameen methodology is probably the most widely recognized model of microfinance in the world. The goal of Grameen Bank is to provide credit access to poor women on a large and profitable scale. In Grameen, women form lending groups of five, with every

branch covering fifteen to twenty-two villages. Each group of women meets weekly for financial transactions. Only two members in each newly formed group are allowed to take out small loans. Subsequent loans are conditioned upon repayment of their initial loans, as well as those of the other group members. This use of joint liability is essentially a form of group collateral which lifts the need for physical collateral. The loans are to be put towards income-generating activities. Savings facilities are also available to the members, but the high reinvestment rate means that savings are not a big component of Grameen Bank activities. (http://www.grameen-info.org)

Meetings are formal and ritualistic, with the women reciting their "Sixteen Decisions" at the start of each session. These Decisions are social messages that touch on health and sanitation, the importance of education, and the discouragement of dowry, to name a few. They are meant to "raise the social and political consciousness of the newly organized groups" and to encourage women in the poorest households to wield greater influence over the development of their families (http://www.grameen-info.org). These women, as mentioned in Chapter Two, often are more able to effect change in their lives due to the tremendous pressures of poverty.

Through Grameen banking, literacy is encouraged, in that borrowers are urged to send their children to school.[4] The program also recommends that village centers save to build schools for Bangladeshi children. Nevertheless, the Grameen Bank does not offer formal education or training for its members. The social messages in the "Sixteen Decisions" remain designed to encourage and remind, rather than to provide essential skills and knowledge.

[4] Decision #7: "We shall educate our children and ensure that they can earn to pay for their education."

c. BRAC (formerly Bangladesh Rural Advancement Committee)

The credit delivery mechanism of BRAC works in much the same way as that of the Grameen Bank. In fact, BRAC has a membership of over 2.5 million people, about 220,000 more than the Grameen Bank. However, Grameen has a heavier commercial focus. As a result, most Bangladeshis perceive Grameen Bank more as an institution specialized in providing credit, and BRAC more as a community development organization (Hashemi et al,1996).

While Grameen and ASA emphasize profitable banking for the poor, BRAC emphasizes the broader need to build an equitable society with active participation from the poor. Within its microfinance program, BRAC offers training in skill development and in human rights and legal education. Outside of microfinance, BRAC runs a host of other programs. It operates a health program for villagers, promotes maternal and child health, and runs a food distribution program in partnership with the government. BRAC integrates education and nutrition information for its members, disseminated during monthly meetings that are separate from financial ones.

BRAC's efforts at education go well beyond microfinance. Separate from its banking program, it also operates non-formal schools for children not enrolled in public schools and promotes the education of girls. It has even started BRAC University, in recognition of the important role that higher education plays in national development. BRAC's approach is thus much more holistic, targeting the multi-dimensional needs of the poor.

3.4. Nepalese Programs

In Nepal, Self-Help Banking for the Poor (SBP) is a minimalist Grameen replication. It places little emphasis on literacy and focuses almost exclusively on credit delivery for its clients. The Women's Empowerment Program (WEP) is based on savings and literacy and places an enormous emphasis on the knowledge training of its clients. WEEL is the most perfectionist of all these programs when it comes to literacy. It is focused directly on improving the education of its members, and in much stricter ways than WEP.

a. Self-Help Banking for the Poor (SBP)[5]

The SBP program, in existence since September 1993, takes the Grameen methodology and applies it to rural Nepal. It currently reaches out to 36,070 members in 130 Village Development Committees (VDCs). It is considered a leading Grameen Bank Replication. Repayment rates are nearly 100%, its membership – composed of women from socially deprived groups (occupational and ethnic) – is growing rapidly, and overall, the program is highly successful at meeting the economic and practical needs of its members. Though SBP does not have an explicit strategy targeting the empowerment of women, it does have a well-defined operational modality. It assumes that access to income-generating activities is a precondition for improving the well being of women and thus focuses its program on this aspect of women's lives. (Shrestha, 1998; Grameen Foundation USA, 2001a)

Poor women form lending groups of five, assume joint-liability, with every two to eight groups forming a village center. There are well-defined rules and transactions for the financial services provided through SBP, and the women participate in very formal interactions with the program officers.

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[5] Second largest Grameen replicator in Nepal. The largest, G.B. Bank, had 46,002 members as of mid-Jan, 2001.

The major focus of SBP is in providing financial services to its members. Women can take out regular loans, seasonal loans, and loans from the center fund. There are emergency fund provisions, and also a welfare fund, which is another source of relief assistance. The welfare fund is the only financial resource over which the women have complete control. Members also have the options of group savings or personal savings. (Shrestha, 1998)

SBP is a strict banking program and has little social development components to its operations. Indeed, training is not a major activity of SBP. It assumes that its members already possess the necessary skills for engaging in income-generating activities. It conducted literacy (writing and reading) sessions for over 3000 members – less than a tenth of its total client base – but these sessions were clearly not the focus of the program. SBP remains centered on microcredit. (Shrestha, 1998)

b. Women's Empowerment Program (WEP)

The Women's Empowerment Program[6] implemented by Pact, the US-based NGO, takes a vastly different approach to microfinance compared with the programs mentioned above. It is a village banking program that heavily emphasizes literacy and savings, based on a belief that the poor are capable of helping themselves. Rather than building a centralized MFI such as Grameen or BRAC, Pact implemented its program by enlisting the partnership of 240 existing local NGOs. Through this decentralized strategy, WEP recruited 130,000 women into its program in just a few months.

WEP approaches microfinance with the view that it is not necessary for the poor to have access to external credit. Rather, equity can be generated internally by focusing on village bank saving. After an initial discussion within a group to determine what the minimum savings rate is,

[6] Now called WORTH (Women Owning Resources Together)

each woman in her Village Bank (VB) or Economic Group (EG)[7] deposits a certain amount of money (e.g. 10NR[8]) each week. Loans taken out are charged an annual interest rate of around 24%. Interest earnings, rather than going towards building the sustainability of the MFI as is standard practice, are retained within the local village bank, and strengthen the women's collective financial well-being.

This strategy is based on a long tradition in Nepal's Terai region of Rotating Savings and Credit Associations (ROSCAs), known locally as the *Dhukuti*[9]. The standard approach in microfinance has been to build a large, centralized institution for credit delivery, with the aim of serving the poor through the creation of new groups, imposing a single standard template of lending and borrowing, and to do so in a sustainable and financially viable manner. In WEP's village banks, in contrast, the organization is decentralized, and ownership is placed in the hands of the women themselves. The microfinance strategy used is one that is familiar to the Nepalese. The local *dhukuti* practice was modified by having smaller groups, an all-female membership, and a heavy emphasis on literacy. (Ashe & Parrott, 2001)

In each group of women, there are typically a few who are slightly better-off and literate. These women are elected to be literacy volunteers, and they are responsible for helping the rest of the women in the group learn to read and gain business skills, with the aid of the self-instructional books provided through WEP. The 4-book curriculum is specifically designed to teach them how to run a village bank, improve their business skills, and to strengthen group formation, empowerment, and community activism.

These women thus organize themselves, with relatively little help from local NGO staff,

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[7] The groups that are less strong are named Economic Groups
[8] 74NR = US$1
[9] Members meet regularly, choose their own leaders, and contribute monthly to a fund (Ashe & Parrott, 2001).

and even less from Pact itself. Using the given curriculum, they teach each other how to read, acquire essential business skills, and run their own banks for the service of each other.

c. Women's Economic Empowerment and Literacy (WEEL)

Another microfinance model in Nepal that places even greater priority on literacy is World Education's Women's Economic Empowerment and Literacy (WEEL) program. It operates in the hilly regions of Nepal (unlike the lowlying Terai areas for WEP). Begun in 1995 and targeted entirely on poor rural women, WEEL is a literacy program first, and a savings and credit program second. Like WEP, WEEL works in partnership with local NGOs that support small independent women's savings and credit groups. The program aims to provide basic literacy skills for women's groups that are completely illiterate, and further the skills of those that are semi-literate. Like WEP, some of these groups may have links to external credit, and some may be registered cooperatives. There are no financial services provided through World Education itself. (Sherpa, 2001)

The WEEL literacy curriculum includes basic reading and numeracy skills, education on microfinance issues, and training on business and livelihood skills for participants. Training is provided to local partner NGOs running savings and credit programs for integration of literacy into their programs. In specific cases, groups that have 'graduated' through the program are linked to other projects – "educational programs or governmental institutions that can help them address other emerging needs as groups develop and evolve" (Sherpa, 2001).

Unlike WEP, facilitators are hired by WEEL to conduct the trainings. The program has reached out to about 10,000 women (a reflection of the dispersed population, isolation and difficult access of the hilly regions).

Tables 2 and 3 below lay out the basic similarities and differences between the six programs in Bangladesh and Nepal.

Table 2: **Summary of Three Microfinance Programs in Bangladesh**

	ASA	GRAMEEN BANK	BRAC
Type of Program	Microfinance Institution (MFI)	MFI	MFI
Goals of Program	Poverty alleviation through provision of financial services	Poverty alleviation on a large scale through credit delivery	To use microcredit to build a just and equitable society, and to empower the poor.
Year Started	1991 (10 years)	1976 (25 years)	1979 (22 years)
Program Characteristics	1. Strict MFI 2. Emphasis on financial sustainability and cost effectiveness 3. Individual loans provided	1. Groups of 5 borrowers 2. Strict rules, use of social collateral 3. Emphasis on profitability 4. "Sixteen Decisions" to be recited at every meeting	1. Much like Grameen, with "Seventeen Promises" to be recited 2. Predominance of credit program, but supplementary social services have grown
Number of Clients	1,204,938	2,357,153	2,582,016
% Women	94%	94.7%	100%
Financial Services provided	1. Small loans (US$80-180) 2. Compulsory and voluntary savings 3. Insurance policy	1. Small loans 2. Credit for building water and sanitation facilities, and for leasing equipment/machinery 3. Voluntary and compulsory savings	1. Short, medium, long-term loans 2. General, program and housing loans 3. Personal, compulsory, and current account savings 4. Death benefit policy
Non-financial services provided	None	1. Social development agenda reflected in "16 Decisions" that help to "raise social and political consciousness of the newly organized groups" 2. Little training provided.	1. Skills training on income-generation activities 2. Human rights and legal education
Literacy Training	None	Schooling encouraged in children of borrowers through "Sixteen Decisions"	1. Training in skill-development. 2. Separate education programs for out-of school children, and also BRAC University
Average loan size	6,520 Tk. (US $130)	8025 Tk. (US$160)	5,300 Tk. (US$106)
Repayment rates	99.9%	90%	98.85%

Table 3: **Summary of Three Microfinance Programs in Nepal**

	SBP	WEP	WEEL
Type of Program	MFI (Grameen Replication)	Savings and literacy-led Village Banking	Literacy-led ROSCA
Program Goals	To provide credit to the poor, and increase their self-reliance.	To empower women through literacy and microfinance.	To improve women's literacy and microfinance skills.
Year Started	1993 (9 years)	1998 – April 2001 (29 months)	1995 (7 years)
Program Characteristics	1. Grameen replication (see entry on Grameen Bank in Table 2).	1. Decentralized village banking, 2. Action-oriented self instructional literacy and banking materials. 3. Focus on groups savings rather than relying on external credit	1. Focus on literacy and microfinance training for women with all levels of literacy
# of Clients	36,070	130,000	10,000
% Women	100%	100%	100%
Financial Services provided	1. Regular loans, seasonal loans, and center fund loans 2. Emergency fund 3. Groups savings and personal savings.	1. No direct financial services. Relies on internally generated savings. 2. No external credit. 3. No seed money, no matching grants, no subsidized interest.	1. Partnerships with NGOs. No direct financial services. 2. NGOs mostly support small independent women's S&C groups.
Non-financial services provided	1. Group training and literacy classes 2. Health and sanitation training 3. Building rapport and linkages with local authorities.	1. Self instructional materials a. literacy/banking skills, b. rights and responsibilities c. entrepreneurship 2. Monthly mobile workshops	1. Literacy and numeracy skills 2. Training on business and livelihood skills
Literacy Training	1. Conducted 3152 training sessions on reading and writing.	1. Self-instructional learning materials focused on basic core skills, business literacy, financial literacy, rights and responsibilities 2. Basic foundation of program	1. Basic foundation of program 2. Literacy facilitators provided
Average loan size	Unreported	3404 NR (US$46)	Increases with age of group. 1000-20,000NR (US$13-$262)
Repayment rates	100%	96%	Unreported

3.5. Results: Impact of Literacy in Microfinance Programs

In terms of financial literacy, it seems that Grameen Bank has a larger impact on the financial literacy of its borrowers than BRAC. In Ackerly's (1995) study, borrower knowledge of accounting skills was measured in BRAC, Grameen, and SCF. Knowledge of accounting was defined as knowing about "input costs, product yield, and the profitability of the loan-funded activity." Findings in the study indicated that a borrower in the Grameen Bank was more likely to be knowledgeable about her loan activity than a BRAC borrower. As far as using this as an indicator of empowerment, then, GB is more effective at empowering its members.

This result seems contradictory to one's initial guess as to which institution promotes more empowerment. After all, GB's institutional goal is to lend to the poor on a large scale and in a profitable manner. BRAC's goal in contrast is the "social empowerment of the rural poor" (Ackerley, 1995). Hashemi et al (1996) provide one explanation for this result. They argue that the minimalist and regimented design of Grameen discourages dependence and encourages members to take on personal responsibility for their lives. The women call their bank officers "Bank Sirs," recite the "Sixteen Decisions" before every meeting, and are rebuked for missing meetings. This practice, the authors argue, gives the women experience in interacting with figures of authority, and thus improves their confidence. The argument can be extended to explain the members' knowledge of accounting. As GB staff provide less help in social services and stricter rules in terms of financial accountability and discipline, women in the Grameen Bank are thus encouraged to involve themselves more in the loan-funded activity, and enhance their knowledge of accounting. In contrast, BRAC is viewed less as a credit institution and more as a community development organization. It is thus more likely to breed dependence in its borrowers relative to Grameen borrowers.

BRAC's strategy for empowerment is much less focused on credit. Moreover, one also observes that its health, nutrition, and education components are run separately from the credit and savings components. This lack of integration might have an impact on the overall empowerment of the women. Whereas Grameen members have to recite their Sixteen Decisions at the start of every meeting, BRAC's health and education messages are given to women at separate meetings. If these messages do not contribute directly to increasing the income of the borrowers, they will have less of an incentive to use the information given to them.

In Bangladesh, there is thus some evidence to suggest that centralized MFIs with minimalist programs and minimalist literacy components do more to empower their clients through microfinance than those, such as BRAC, that run credit, health, and education programs simultaneously, in a non-integrated fashion.

In Nepal, SBP had a very limited impact on the literacy of its members, despite having conducted some literacy training. In contrast, almost 64,000 women learned how to read through the WEP curriculum. Compared to 36% before participation in the program, 85% of the women are now literate "at some level" (Ashe & Parrott, 2001). 82% of the groups surveyed can keep their own records. Similarly in WEEL, the majority of participants have either become literate, or have upgraded their basic literacy and numeracy skills (Sherpa, 2001). The last two results are not surprising considering that both programs are focused on literacy. The impact of literacy training in WEP and WEEL is discussed further in Chapter Four.

3.6. Repercussions of a Lack of Literacy Training

There are several reported repercussions for not including literacy components into a microfinance program. The largest implication is that women will remain dependent on others to aid them where they are unable to perform. This includes tasks that one encounters in running a small enterprise, such as maintaining one's own passbook, managing accounts, and reading basic order forms. They may be dependent on relatives, their husbands, or the MFI staff.

SBP is a strict banking program and has little social development components to its operations. Indeed, training is not a major activity of SBP. In the literacy classes that SBP *has* conducted, these have proven ineffective. Most of the women in the program can now write their names, as required in financial transactions, but remain dependent on SBP staff for the management of the account books (Shrestha, 2001). Similarly in the Grameen Bank, women members are only required to know how to sign their names in loan transaction forms. Management of the accounts is the responsibility of the loan officers.

Second, in the case of nutritional literacy, a lack of training will hurt the welfare of the family. Dunford and Denman (2001) argue that delivering credit with nutritional education provides specific benefits that will improve the welfare of the household at low cost. For one, increases in income, or a smoothing over of consumption patterns over time are not sufficient to improve child and maternal nutrition. Caregivers have to be educated in health information in order to make the best use of their increase in food intake and increased income for medical uses. This information can be easily disseminated at a low cost, as existing MFI staff can be used to conduct the basic education. Moreover, the MFI can make use of regular loan meetings to carry out short nutritional literacy sessions. This minimizes the time constraint on women and the costs involved for the NGO. Dunford (2001) further asserts that, far from raising costs,

> There can be powerful synergies between the provision of financial services and some non-financial services like education. Programs with development objectives can achieve 'economies of scope' by packaging two or more services together to minimize delivery and management support costs and to maximize the variety of benefits for people's multiple needs and wants. (in Cheston & Kuhn, 2001)

Third, a lack of literacy often limits women's access to markets and the industries in which they may participate. SBP assumes that its members already possess the skills necessary for engaging in income-generating activities. As a result, though more women are now self-employed and less are working as wage laborers, the activities undertaken by women in SBP remain limited to those that can be accomplished with their existing skills. These activities (e.g. small-scale vegetable farming and livestock farming) tend to be concentrated in areas traditionally kept to the female sphere and are often less profitable than male-dominated activities. Moreover, women tend to contribute their labor in the production part of the income generating activity, and remain kept out of the marketing of goods. In the production of beaten rice, for example, evaluators found that the women in SBP worked extremely hard at producing this good, while the men offered no help. In fact, men would "be ridiculed once their involvement in the processing work [was] exposed to their neighbor." For the selling of the rice, however, it was the "husbands or other male family members who approach[ed] local merchants and/or [sold] them in the weekly market" (Shrestha, 1998). Therefore in terms of mobility, access to markets, and spheres of production, women in SBP still faced limitations. As Ackerly (1995) and Goetz & Sen Gupta (1996) point out and as mentioned earlier in Chapter Two, market access is a factor that holds great potential in empowering women. Literacy skills would enhance the ability of women to become involved in non-traditional work and to participate in not just the production, but also the selling of their goods in local markets.

Lastly, though the Bangladeshi MFIs studied in this paper might be saving on costs and reaching out to more women by minimizing their literacy component, they are also limiting the

potential of their clients to earn a higher return from their loans. This is due to a lack of business skills, which have resulted in women losing control over larger loans that were considered too large to invest in traditionally female activities (Goetz & Sen Gupta, 1996). MFIs can improve this situation by providing education and literacy training along with credit delivery.

The next chapter examines WEP and WEEL in greater detail and argues that literacy training can be incorporated into microfinance programs without compromising the scale of outreach.

LITERACY-LED ALTERNATIVES TO MFIs

4.1. Innovation on Literacy

From the comparison of programs between Nepal and Bangladesh, it is evident that trade-offs between scale, costs, and empowerment can be overcome. The WEP implemented by Pact is one example. It managed to recruit 130,000 women in a few short months, and over the course of two and a half years, dramatically raise the literacy levels of its members while meeting their credit needs. Unlike standard MFI models, WEP operates on the philosophy that the poor are capable of helping themselves and do not need access to external credit to generate income. As discussed in Chapter Three, its strong literacy focus takes the form of a four-book self-help literacy curriculum[1] specifically designed to improve the women's business skills, group formation, empowerment, and community activism (Odell, 2001). Based on this strategy, the women learn how to read and write, run their own village banks, and turn their loans into income-generating activities. By saving regularly and keeping the interest dividends within each bank, the women gain access to credit, while contributing to a constantly growing pool of funds.

Through this decentralized approach based on self-help and motivated by the importance of

[1] It integrates "Action-oriented, self-instructional literacy" with "Simple, practical women's village banking," "Women-driven micro-enterprise development," and "Self-help legal rights and advocacy" (Odell, 2001).

literacy, WEP has made a number of notable achievements. In less than a year, 130,000 women were mobilized into 6,500 groups. As a testament to their self-reliance, between 13-14% of these groups spontaneously created at least one new group of women and helped them to form their own Economic Groups. This was done at the women's own initiative, without the support of or payment from WEP staff. Collectively, these women have saved over US$1 million in less than 33 months. Sales generated by the WEP women through micro-enterprise activities amounted to about US$5,500,000 in the six months from January to June 2001.

Through WEP, nearly 64,000 women have learned to read and gained skills in basic business literacy. 85% of its group members are now literate at a certain level, compared to 36% prior to their participation in WEP. "Of those with no schooling, half can now read a paragraph 'easily' or 'with some difficulty,' " based on a survey conducted by Ashe and Parrott (2001). 82% of the women keep their own records, and only 1% depends on WEP staff for record keeping (4% on local NGO staff). WEP staff reviewed the survey results, and found that 85% of the women sampled had records that were in "average," "above average" or "superior" states. (Ashe & Parrott, 2001) Evidently, then, this is a program that has succeeded in achieving both literacy and financial goals. The repayment rates in these Village Banks and Economic Groups are strong, and savings and earnings have been impressive. Furthermore, these achievements have come in a cost-effective manner, as shown in the next section.

a. Costs of WEP

The United States Agency for International Development (USAID) funded the Women's Empowerment Program. It provided US$5.2 million over 4 years, which breaks down to US$40 per participant. If one only takes operational costs into consideration, the costs drop to $18.42 per

participant. In support of this cost-effectiveness, Ashe and Parrott (2001) argue that "it is an open question if it would have cost USAID any less than $5 million (including the loan capital) to subsidize an MFI that reached 45,000 borrowers before it achieved operational and financial self-sufficiency." When the costs are broken down, it turns out that 15% of the total cost went to staff training and literacy materials. This proportion is larger only than the 13% that went to reimbursing local NGO partners and linking agencies that provided early assistance in recruiting women.

Over time, overall program costs can be seen to fall from $0.64 per member per month in the first year to $0.46 in the second year, and down to a projected $0.16 in the third year (Ashe & Parrott, 2001). This reflects the growing independence of this program from financial assistance, and the viability of this literacy-led strategy. The training costs required initially to help the women gain skills and tools to manage their group were subsidized. Again, Ashe and Parrott (2001) argue that it would cost the same in subsidies to develop an MFI that served 45,000 borrowers (about a third of current WEP outreach).

The main cost-saving innovation in the program comes from using literate women within each group as literacy volunteers in charge of teaching the WEP curriculum to their fellow members. In this way, the WEP strategy managed to integrate literacy and microfinance activities in a cost-effective manner.

b. Impact of WEP

The empowering effects of this program are evident from interviews conducted with individual women in the Ashe and Parrott survey (2001). When asked how WEP had changed their lives, the women surveyed reported their increased self-confidence first, followed by the increase in their decision-making role. Third came their improved literacy skills. Access to savings and credit

facilities was fourth on their list (see Table 4). Moreover, these changes were well distributed across income groups. Both the better-off and the poor in the lending groups reported an increase in decision making power in the areas of family planning, children's marriage, buying and selling property, sending their daughters to school, and other areas. For example, while 86% of the better-off reported greater influence over buying and selling property, 72% of the poor reported the same change. And while 87% of the better-off reported greater decision-making power over sending daughters to school, 81% of the poor reported the same.

Table 4: Impact of WEP on the Lives of Members.

HOW PARTICIPATING IN WEP CHANGED THE LIVES OF MEMBERS	Village Bank	Economic Group	Coop/ MFI	Weighted Average
Increased self-confidence, greater role in decision-making and cooperation among group members	51.8%	48%	63.3%	54.5%
Increased literacy and education	32.5%	58%	28.3%	42%
Increased knowledge about women's rights and legal status	27.7%	26%	31.7%	28.5%
Increased savings	36.1%	34%	10%	25.4%
Easy access to credit	6%	8%	6.7%	7.4%
The increased importance of businesses	15.7%	4%	3.3%	3.2%
Improved understanding between family members	2.4%	6%	5%	2.7%
Improved sanitation	2.4%	6%	1.7%	3.7%
Decrease in gambling, child marriages and polygamy	3.6%	6%	1.7%	2.8%

Source: Ashe & Parrott, 2001.

As a striking testament to the impact of WEP, 14% of the poor women reported that they had sent more of their children to school because they had decided that education was important since their participation in WEP. As far as ability to read is concerned, 81% of the better-off were able to read a given paragraph "easily" at the interview, compared with 35% of the poor. However, 57% of the better-off had received 8 or more years of education, while 63% of the poor had had no years of schooling at all (see Table 5). (Ashe & Parrott, 2001)

Table 5: Impact of WEP on the Literacy of Members

PROGRESS MADE IN LEARNING TO READ	**8 years school or more**	**1-7 years school**	**No school**	**Better off**	**Emerging Poor**	**Poor**
Years of Education Completed						
None	0%	0%	100%	17%	41%	63%
1-7 years	0%	100%	0%	26%	24%	41%
8 or more years	100%	0%	0%	57%	35%	13%
Ability to Read at Interview						
Reads paragraph easily:	98%	76%	20%	81%	62%	35%
Reads paragraph with some Difficulty	1%	16%	33%	13%	34%	19%
Reads with great difficulty	1%	3%	24%	4%	10%	20%
Cannot read at all	0%	4%	24%	2%	9%	26%

Source: Ashe & Parrott, 2001.

In terms of accounting skills, significant improvements were reported for women across income and education levels (see Table 6). Regardless of income or educational level, there was an increase in the number of women keeping their business records in ledgers after joining WEP. While the better-off and more educated women were more likely to keep their records in ledgers, the percentage increase in record keeping was highest in poor women (doubling from 9% to 18%), and less in the better off (from 25% to 43%).

Table 6: Business Activities and Accounting Knowledge of WEP Members

NUMBER, TYPE AND OWNERSHIP OF BUSINESSES	Eight years schooling or more	No schooling	Better Off	Poor
Income generating activity before WEP	32%	37%	36%	25%
For all with a business, "Sales increased"	63%	41%	59%	42%
For all with a business, "Sales the same"	24%	38%	22%	36%
For all with a business, "Sales decreased"	13%	21%	19%	22%
Type of business earned most money in the previous year				
Commerce	26%	18%	25%	22%
Manufacturing	3%	3%	7%	4%
Service	4%	4%	4%	5%
Agriculture or livestock	67%	75%	64%	70%
Is business:				
Primarily your own	34%	23%	32%	21%
Primarily household enterprise	65%	75%	67%	77%
Spent time working at business last month	93%	92%	96%	92%
Keeps records in ledger now	48%	23%	43%	18%
Kept record in ledger before WEP	25%	15%	25%	9%

Source: Ashe & Parrott, 2001.

The fundamental message in the Women's Empowerment Program is that of self-help and mutual assistance, and in enlisting the energies of the poor. This approach in turn contributes to the cost-effectiveness and scale of the program. Rather than employing literacy specialists, the literate women in each group were enlisted. This approach effectively brought the better-off women "into service for the poor" (Ashe, personal communication, 4/2002). Furthermore, the use of literacy volunteers reduced costs in a drastic fashion, thus overcoming the costs and scale trade-offs mentioned earlier. The evidence of mutual assistance and women sharing knowledge within each group is strong. 40% of the women interviewed reported that they had received advice from other

women on how to produce goods, and 36% had received advice on selling products. In other words, women in WEP are relying on each other to become more successful entrepreneurs (see Table 7). This conclusion is consistent with the strong message sent by the WEP program design. The program is based on a belief that the poor are able to help themselves, and thus "on every page the WEP curriculum makes the implicit assumption that participants will start businesses, run groups and take an active role in the community" (Ashe & Parrott, 2001). The mutual transfer of knowledge between WEP members not only cuts costs for the local NGOs, but also signals the active self-reliance of the women.

Table 7: Level of Mutual Assistance between WEP Members

Got advice on how to produce	**40%**
Got advice on selling	**36%**
Accompanied me to the market	**35%**
We share tools and equipment	**32%**
We produce together	**23%**
A member sold my goods at the market	**19%**
I sold another member's goods	**17%**
We shared transportation	**13%**
A member made a loan payment for me	**12%**

Source: Ashe & Parrott, 2001

c. WEP vs. BRAC

Out of the three Bangladeshi programs, BRAC is the one with the most social development components, both within and separate from its microfinance activities. Though WEP and BRAC pay equal attention to women's empowerment and social services, the two programs differ in literacy achievements. In WEP, over 85% of the women interviewed were able to maintain their own accounting records. However, BRAC performed the worst in terms of knowledge of accounting of its members in Ackerly's (1995) study. Between the Grameen Bank, the Save the Children Fund, and BRAC, BRAC members were least likely to have a strong knowledge of

accounting. The difference in performances comes from two key areas. First, the literacy training in WEP was integrated into the village banking system. The curriculum focused on what would help the women most in terms of creating and running their own businesses, thus building the incentives for women to stay with the literacy training, and also enhance their income-generating capabilities. BRAC education sessions in contrast were held as separate meetings.

Second, BRAC is designed to be a permanent, centralized institution. Women clients will naturally look to it for support and services, and thus expect it to fulfill their needs. As mentioned earlier, surveys conducted (Hashemi et al, 1996) on BRAC found that local villagers tended to view it more as a community organization and less as a financial institution. The SBP in Nepal similarly was viewed by the men in rural villages as "a welfare package designed to generate employment for women who would otherwise have stayed home not contributing much to the family income" (Shrestha, 1998).

WEP on the other hand is decentralized. This structure minimizes the involvement of the planning agency and places the responsibility of the welfare of the poor on the women themselves. WEP founder Marcia Odell describes this village banking model as "the only micro-finance model that Pact has found which requires women to be literate, understand the banking process, be able to manage money, use their own money, and know how to form and operate businesses" (Odell, 2001). One major difference between the centralized and decentralized approaches to microfinance, then, is the incentives faced by the poor to help themselves. Centralized MFIs empower women in ways reviewed in Chapter Two, but they also seem to encourage reliance on the institution for services. Decentralized approaches, on the other hand, encourage women clients to strengthen their self-reliance.

4.2. WEEL: Even More Literacy

The WEEL literacy program is focused on basic reading and numeracy skills, education on microfinance issues, and training on business and livelihood skills for participants. As mentioned earlier in Chapter 3, this program has a client base of 10,000 women. This is the smallest outreach of the six programs examined in this study. The outreach size may reflect the problems of access and isolation in the hilly regions where the program operates, or it may reflect a trade-off in costs. Unlike WEP, facilitators are hired by WEEL to conduct training sessions. The literacy facilitators are paid according to government rates, or 1000NRs per month (US$13). Their duties occupy two hours a day, six days a week each month. The paid salaries represent 27% of the literacy costs. (Sherpa, 2002(b))

Women in WEEL reported an increased income and greater food security through participation in the program. They also reported an increased commitment to the education of their children. The majority of participants had achieved literacy, or had managed to upgrade their basic literacy skills. An increase in self-confidence and decision-making power was also reported. Their increased confidence in the public arena was shown by their ease in expressing their opinions and having them heard. Politically, these women were more likely to stand for election and be elected as, say, a ward representative or as a health committee member.

The fact that facilitators are used in this program is likely to have driven up costs; however, Helen Sherpa from the WEEL program argues that these costs have to be borne. Sherpa admits that, "[t]he literacy costs are not the biggest costs – training is." But when WEEL experimented with lowering costs by using NGO trainers, "the differences [were] obvious – group leaders [did] not develop the same skills and confidence." (Sherpa, 2002(b))

On the other hand, Helen Sherpa argues that the facilitators play little role in empowering the other women. They are much more likely to be inspired by their peer group members, and especially the group leaders.

> In new groups these women start out as 'nobodies, leading groups that have no money and no respect. These groups, funds grow and they become increasingly self-reliant breaking the hold of male money lenders and male family members over economic decisions. This suddenly elevates the status of ... the groups, individual members and lenders. Gradually the women leaders are 'consulted' more and more within the community and become role models for other members and other young women in the community. Why are their own leaders more role models than facilitators or staff?? This is because these are 'women like them' - poorer women who have [had literacy come] later in life. Too often even though women might be selected as facilitators or trainers or staff they are set apart by being 'different' in that they already tend to have more education than is the norm. As such they cannot be identified with in the same way as role models. (Sherpa, 2001)

This description of the process of empowerment supports the practice of self-help and having women run their own savings and credit banks rather than being dependent on the services of a centralized MFI.

4.3. Trade-offs to Including Literacy

The WEP and WEEL strategies overcome some barriers including social services in standard microfinance practice. Nevertheless there exist limits and trade-offs to incorporating literacy into these types of microfinance programs.

a. Mixed savings groups

One area in which the WEP design can be criticized is the mix of the poor and the non-poor women in each group, whether it be an Economic Group or Village Bank. 45% of the WEP members were poor, 35% were classified as the "emerging poor," and 20% as the better off. Considering that the target population of WEP was simply all rural women, having this proportion of the poor in each group was considered "a major accomplishment" (Ashe & Parrott, 2001). It also

enabled WEP staff to recruit the better-off women as literacy volunteers, as previously mentioned. These volunteers tended to be high-caste Brahmans and Chetris with significant education. Not surprisingly, the better off were twice as likely as the poor to serve as group officers (Ashe & Parrott, 2001).

However, the benefits of this strategy are balanced by disadvantages. For one, it raises the question of whether or not placing women in these leadership and 'powerful' positions reinforces existing hierarchical caste structures, and existing socio-economic structures of inequality between the rich and the poor. The use of these women as leaders thus turn each savings group into a microcosm of the inequalities existent in Nepali society, and may translate into feelings of inferiority and disempowerment amongst the poorer women. They might feel dependent upon the richer, more educated, and higher caste women, rather than realizing their own potential.

Anecdotal evidence from WEEL sheds more light on the uneven empowerment processes within groups. "Some are naturally bright and excel. Other women have difficult circumstances, poor health, poor eyesight, demanding spouses or in-laws, a delivery that prevents them attending classes at a critical time ... For all these reasons their degree of achievement varies. When friends and others do better the women who achieve little can end up feeling a failure" (Sherpa, 2002(a)). There is reason to believe, then, that having more well-off and better educated women in each savings and credit group and having them commonly becoming group leaders might leave some of the poor behind in the empowerment process.

Such occurrences are hard to measure, and there is evidence to support both sides of the argument. For example, it was found through the Ashe and Parrott survey (2001) that few of the groups had had a turnover in officer positions over the past 33 months since the groups were formed. This finding suggests that the better-off women possess long-term control over the

leadership of each group, and that the poorer women are not being given the opportunity to be leaders. Thus, their opportunities for empowerment are more limited, suggesting that existing social structures were reinforced. On the other hand, the survey also showed that the poorest women in the groups were still clearly benefiting from their participation in WEP. To repeat, a comparable (though consistently lower) proportion of the poor reported an increase in decision-making in their households, and in self-confidence. Half of the poor had also made great improvements in their literacy capabilities. Moreover, 35%-40% of the women had reported receiving assistance from other women in the buying and selling of products, illustrating the fact that learning and support is indeed being passed from woman to woman, across income groups. The surveyors had also found that in the group interviews, the women were quite willing to speak out about their experiences, and they were not afraid to have their opinions heard, contrary to the typical silence and reserve shown by rural Nepali women. (Ashe & Parrott, 2001)

A further benefit of this strategy is that it empowers not just the poorer women, but the better-off too. This result should not be seen as less of an accomplishment than the empowerment of the poorest. In Nepal, even the better-off women are subject to the same subjugation, isolation and inequities that poorer women live with, and in many ways, are more 'oppressed.' Better-off women are the ones that ironically can afford to live within societal norms that dictate the isolation of women within the household and the domination of the husband in terms of resource control and bargaining power. The poorest women are more likely to break from these norms for the sake of sheer survival, as discussed in Chapter One. The WEP model thus enables the better-off women to for once leave their households, and to provide skills and services for other women, and to utilize their education for productive activities.

Perhaps then, all WEP members were empowered on an individual level (as shown in the

individual survey). However, on a collective level, the richer, more educated women still held more power and control over each group. On balance, it could be argued, as Ashe and Parrott do, that the benefits to this strategy outweigh the costs. After all, in order to build a program that would focus on empowering the very poorest and attacking social structures of inequality, one would want to focus resources on the poorest women, identify leaders within them, and to work with them intensely. This would also raise the costs involved – rather than enlisting the help of the better-off and literate women to be teachers within each group, the program would have to hire literacy trainers. Trade-offs between cost and empowerment, then, still exist in the WEP model.

b. What type of literacy?

There are also trade-offs involved in choosing what types of literacy to emphasize and what types to prioritize. Choosing between financial and nutritional literacy, for example, forces practitioners to rank the needs of their clients and the complementarity of each need with the running of a microfinance program. There are arguments that support both sides. Those that advocate focusing on nutritional literacy, such as those from Freedom from Hunger[2], argue that basic nutrition education is easy and cheap to disseminate, and creates important value in improving the health of the poor. "[W]ithout important improvements in knowledge and practice, achieved most often by public health information, education, and communications, increased access to food is unlikely to bring about marked improvement in maternal and child nutritional status" (MkNelly & Dunford, 1996, in Dunford & Denman, 2001). Dunford and Denman (2001) also argue that integrating nutrition education with microfinance comes at low costs. The existing staff can be used, and there is no need for added vehicles or other equipment, making nutritional literacy a better choice than other forms of literacy, which require trained specialists.

[2] Credit with Education program

On the other hand, financial literacy may provide a greater incentive for women to participate in these literacy programs. Given the importance of female labor in the Nepalese economy, it is logical that education for females will be most accepted if it leads to higher income levels: "For most women, unless their time spent away from household and agricultural chores can bring in some visible contribution to the family income, neither they nor their households will feel that the time is justified" (Dunford & Denman, 2001). In light of this concern, training in financial skills, integrated with microfinance activities, is likely to produce strong incentives for members to improve their literacy and also to enhance their income-earning potential.

WEP's innovation in using literacy volunteers reduces costs to the extent that it can then compete with the cost-effectiveness of providing nutritional literacy. In WEP's case, nutritional literacy was not part of the curriculum. Financial literacy pertaining to specific business and accounting skills was thought more relevant to the village banking system.

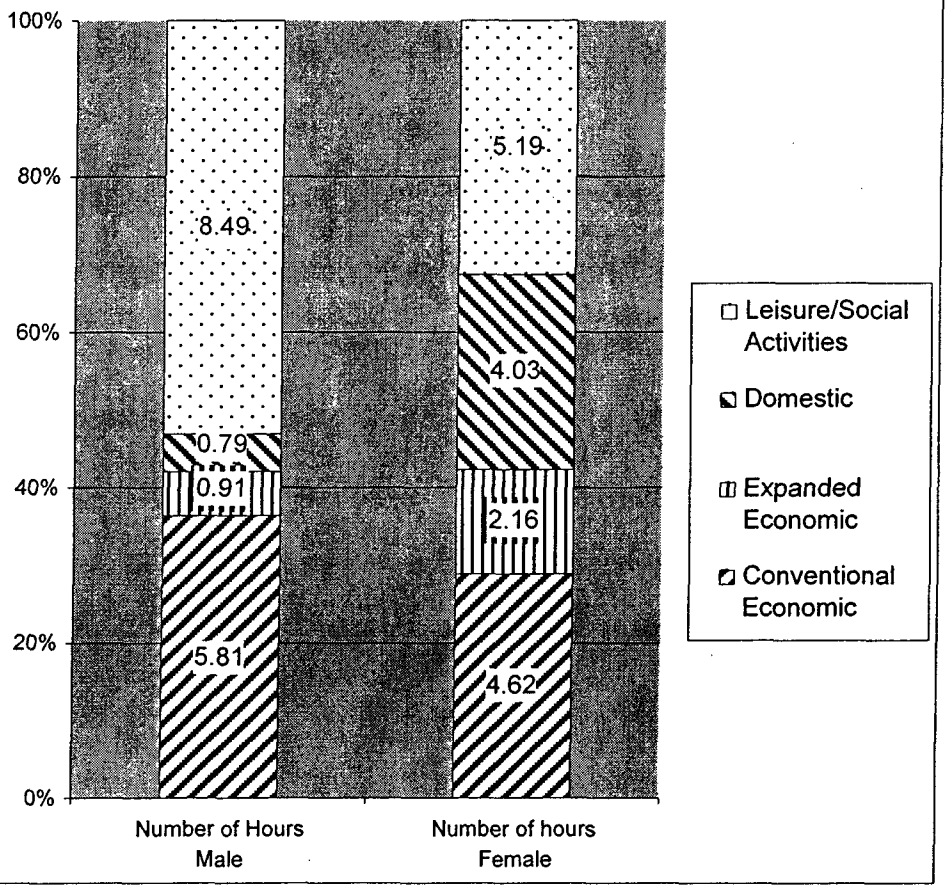
Despite arguments on both sides, it is clear that either type of literacy is necessary, but insufficient alone, to lead to the empowerment of poor women. Both need to be targeted, and ideally both should be included in a program. Again, cost constraints create trade-offs that have to be managed. Freedom from Hunger has actually decided to adapt its curriculum to reach participants of WEP in Nepal. This reflects the need for both types of literacy in empowering poor women.

c. Work burdens

One limitation that has yet to be explored is the impact of WEP-style microfinance on the daily work burdens of poor women. According to national census standards of accounting, the time that Nepalese women spend in economic activities is 80% that of men. When one takes into

account informal production and unpaid services within the household, however, women's overall work burdens turns out to be 44% *higher* than that of men (Acharya & Bennett, 1981). Indeed, when the full value-added of household production was calculated, adult women in Acharya and Bennett's (1981) study were found to contribute 50% of household income, 15% higher than the 44% contributed by men. While a man's average work burden is 7.51 hours per day, that of a woman's is 10.81 hours per day (see Figure 1).

Figure 1. Male/Female Time Use Pattern for Adult Population of 6 Villages in Rural Nepal



Source: Acharya & Bennett, 1981.

By joining WEP, these women must also then commit themselves to the rigors of the program. By the WEP staff's own admittance, the formation and strengthening of each savings and

credit group is a slow and long process, taking about 2 years on average (Usha Jha, personal communication, 07/2001). The survey of WEP participants further revealed that their literacy training would typically take place "at night - often by kerosene lantern after the women have put in a long day of arduous work" (Ashe & Parrott, 2001). To do this 4-5 nights a week, every week for 1-2 years must no doubt impose a strain on the women and on their marriages.

Indeed, as shown by the survey, these women did exhibit signs of being over-worked and burned-out. Most of the women surveyed had stopped meeting up as a group to learn the contents of the fourth book: "While in the first year and a half most groups reportedly met several times a week to learn how to read and write or to help others in the group learn these skills, only 13% continued to meet as a group to study the last book in the series, *Village Bank Entrepreneur*" (Ashe & Parrott, 2001). While the women reported that they simply learned the contents of the fourth book by themselves (as they had achieved basic literacy), the surveyors did not get much of a sense that this independent learning was occurring (Ashe, personal communication, 04/2002). Beyond a certain point, then, it seems that the women preferred to use their time in other ways rather than furthering their literacy and business skills. This result is not conclusive, as there were intervening factors. In particular, each group in their second or third year received training in rights and responsibilities, conducted by The Asia Foundation. In this part of the program, trainers were paid for their services, and it is thus arguable that the women were reluctant to return to the WEP curriculum teaching on a voluntary basis.

As mentioned earlier, the lack of training in the Self-help Banking for the Poor (SBP) program in Nepal left participating women still largely illiterate and unable to upkeep their own passbooks. This means that they remain dependent on their loan workers for this service. While the program staff, called "motivators," are supposed to act as both bankers and social development

workers, the staff themselves report acting more as bankers and less as "motivators". This is mostly because their daily work burden is overwhelmed by their financial responsibilities.

> Each motivator attends meetings of two centers per day, which means each is responsible for [the] operation of ten centers per week. They work with groups five days a week and spend a day to prepare reports and take an official day off. ... Having themselves in lots of paperwork keeps their schedules so much occupied that they can hardly spare time for informal interactions and motivation through door-to-door visit[s] with one exception that they need to visit the members' home during assessment of loans. (Shrestha, 1998)

The trade-off in this case, then, is between having the burden of financial accounting responsibility lie on the women or on the program staff. The disadvantage of having it lie on the program staff is that the women end up depending on them permanently. The dependence of SBP women on their loan officers is further manifested in the local perception of the program. It is highly popular, and well regarded – at the same time, "it is being viewed as a welfare package, which basically generates employment for women who otherwise would have stayed home not contributing much to the income of the family" (Shrestha, 1998). SBP has been criticized by evaluators on this issue, and more specifically for its assumptions on women's empowerment. The program lacks an explicit gender-sensitive strategy. Women are recruited as clients not because they are poorer and more lacking in access to resources, but because they are assumed to be "more honest than men and are good managers of loans" (Shrestha, 1998). The impression, then, is that this program is not one intended to empower the poor; rather the program goal is to hand out welfare. This places much of the loan responsibility on the loan officers. In the WEP model, by contrast, the program staff can work themselves out of a job and, as WEP has done, pull out of the area, leaving a small core staff to run the entire program.

Centralized MFIs, such as the Grameen Bank and its replications, then, have a positive but limited impact on the empowerment of women. The financial services provided do much to raise the economic position of women, and also influence their mobility and intra-household decision

making. Without targeting other areas of inequity, such as literacy, however, there seems to be a limit to the empowerment process. Women remain dependent on others for account keeping tasks. The research presented here also shows that there are costs involved in reducing this dependency. In order to improve their financial literacy, women participating in microfinance programs will have to add on to their already heavy work burdens.

d. Distribution of resources

One set of competing decisions WEP staff had to make with regard to literacy was whether to focus their energies on stronger groups that had effective leadership, greater literacy, larger savings, and higher repayment rates, or whether to expend more resources towards the weakest ones that presumably needed more help. The women's groups in WEP are divided into Village Banks and Economic Groups. The former are the stronger groups and the latter the weaker. Survey results showed that the poorer, less strong groups benefited more from the literacy component of WEP. Table 4 presented earlier in this chapter highlights the factors that survey respondents listed as having changed their lives since participation in WEP. 58% of women in the Economic Groups reported their increase in literacy and education as a factor that changed their lives as a result of participation in WEP. In fact, this was the factor that was most frequently cited in the Economic Group sample. In contrast, 32.5% of the women surveyed in Village Banks cited increased literacy and education as a factor that changed their lives as a result of participation in WEP (see Table 4 again). Furthermore, this was only the third most commonly cited factor for Village Bank women. First was an "increased self-confidence, greater role in decision-making and cooperation among group members." Second came the increased savings. Then came literacy. (Ashe & Parrott, 2001)

This result is consistent with the fact that women in the Village Banks tended to start out

with a higher literacy rate (Ashe & Parrott, 2001). Logically, then, the literacy curriculum would have less of an impact in changing the lives of women in Village Banks, and more of an impact for women in Economic Groups.

WEP's strategy is to target the groups with highest potential for growth. As a result, WEP and local NGO staff tended to visit the Village Banks far more frequently than they did the Economic Groups. The VBs are also more likely than Economic Groups to be still holding literacy training sessions (Ashe & Parrott, 2001). This finding is significant. It means that even though women in Economic Groups cited increased literacy and education as the most common source of change in their lives, they were less likely than the VB women (who had ranked other life-changing factors first) to still be engaged in literacy training sessions. This contradictory result could be due to the greater attention and resources paid to VBs, and begs the question of why WEP staff did not concentrate on where the demand for literacy and benefits from literacy training seemed highest.

The WEP targeting strategy is to pick out "women in existing economic groups on the premise that economic empowerment is most likely to take root where the ground is already fertile" (Odell, 2001). This means that the groups showing the most potential are given more resources and support. The other side of this argument, however, is that it is the weakest of the poor that need more attention from NGO practitioners. This issue is not addressed by the WEP strategy. It suggests that there is some self-selection in the sample of successful groups - those that were most likely to succeed were given proportionately more support, to ensure their success. Ashe & Parrott (2001) recommend that "[M]ore balanced assistance between VBs and economic groups may have resulted in greater impact overall and fewer of the weaker groups disbanding" (about 2% of the groups had disbanded in the six months prior to the survey).

Ashe and Parrott (2001) continue, "On the other hand, concentrating staff resources on the

VBs has created a cadre of very well trained group treasurers who can expand the program on their own or be paid a small amount to serve as grassroots promoters if funding is available." Again, one can observe the trade-offs faced by practitioners in choosing between competing strategies. The perfect scenario would involve all women given resources appropriate to their needs and potential for empowerment. Given cost and time constraints, WEP staff have to choose between grooming a few stars, and making sure that the poorest and weakest groups do not fall apart.

e. Speed of credit and range of services

The strong emphasis of WEP on group-strengthening and self-instruction requires much time commitment on the part of the women. This comes not only in the form of devoting hours per week to microfinance and literacy activities, but in the number of years it takes for a group of women to grow from being an Economic Group to being a Village Bank. At a weekly compulsory savings rate of 10-15 NR, it clearly takes a substantial period of time for these women to build up a strong loan fund. The loan that each woman can take out is thus undoubtedly small for new groups. Average loan size grows slowly, depending on the profit returns of the income generating activities undertaken by the women themselves. With the WEP emphasis being on empowering poor women to run their own savings and credit groups, the range of services that each Village Bank can offer is also narrow. Ashe and Parrott (2001) argue that the WEP model is "best suited for 'horizontal' expansion: the creation of very large numbers of groups that provide simple services." This is because each group holds limited capacity, and thus "adding new services through the groups could jeopardize their smooth functioning."

MFIs such as SBP and Grameen therefore hold a strong advantage over WEP both in terms of their ability to deliver larger loans in shorter times and in terms of their broader range of

financial services offered. While WEP's Village Banks are limited to savings and credit activities, "an MFI can broaden the services it offers to include products such as individual loans, insurance and business training that the independent groups cannot" (Ashe and Parrott, 2001). The trade-offs presented here involve choosing between building independent self-help groups with limited financial depth, and building a centralized, organizationally complex microfinance agency with larger loans and greater financial depth and breadth.

4.4. Making Room for Innovation

The WEP and WEEL models of microfinance move in direct opposition to those who argue for more minimalist programs focused exclusively on credit delivery and financial sustainability: "Over the past decade microfinance has evolved rapidly in the direction of ever larger, more centrally controlled and better managed institutions in order to reach scale, cover costs and even evolve into commercial financial institutions" (Ashe & Parrott, 2001). Yet these Nepalese programs, and WEP in particular, have proven to be legitimate and successful alternatives. Empowerment through literacy, scale, and cost issues are not mutually exclusive. Indeed the minimalism in the WEP design comes from its decentralized nature and its lack of heavy intervention.

Rather than focus exclusively on building centralized and profitable MFIs, the research presented here suggests that there are benefits to keeping the door open to innovative new programs. Indeed, the renown of the Grameen Bank is based upon its original and innovative design, which has now become mainstream practice. For microfinance, "[i]ronically it is the success of the 'first wave' finance for the poor schemes ... that is the greatest obstacle to future experimentation" (Hulme, 1995, in Rogaly, 1996).

The hands-off approach of WEP is especially important in a country such as Nepal, where the macro and micro environments have combined to weaken the morale of the Nepali people.

> Despite the fact that Nepal's mountain people had mastered the art and science of survival in one of the world's most difficult environments, with many attaining world acclaim as Gurkha soldiers and Sherpa mountaineers of extraordinary courage, endurance, and good humor, many Nepali villagers looked down on themselves as poor, backward, illiterate, and ignorant ... Even worse, they appeared to have even less confidence than previously that they had any power to change their situation without major and continuing help from outside .. The traditional self-reliance of Nepal's remote communities appeared to have been replaced with a dependency syndrome. (veteran development practitioner, quoted in Odell, 2001)

There is thus considerable value to be gained in placing the control and responsibility of microbanking in the hands of the poor. With decentralization and total loan control, program implementers act as "short term catalysts" to build the local capacity and skills of the poor and empower them to take charge of the future of the microfinance program (Ashe & Parrott, 2001). In the weekly management of their groups, women gain direct experience in decision-making, leadership, and group dynamics. Their complete ownership and control of the bank is also a source of pride (Cheston & Kuhn, 2002). In the case of WEP, the women have indeed demonstrated their self-reliance by spontaneously helping women in the same, or nearby, village to start their own Village Banks (Ashe & Parrott, 2001).

The WEP approach does have its weaknesses and trade-offs, showing that even in this innovative model, cost constraints come into play, and practitioners have to work a fine balance between competing objectives. The WEP model takes a long time for each group to grow and strengthen. A standard MFI holds the advantage of being able to offer deeper, more comprehensive financial services for the poor in shorter time periods than small, scattered village banks. This is an important service for the poor who often have diverse banking needs.

Broadly speaking there can be observed two operational approaches to microfinance. The first, that of the centralized MFI, tends to be a foreign/new way of banking imposed upon the poor.

The second, village banking, and ROSCAs, have quietly been around for hundreds of years in countries such as Nepal, and reflect systems designed by the poor themselves to meet their needs. Today the poor can be seen to be actively participating in both types of microfinance, as each serves a different side of their needs.

CONCLUSIONS

Credit alone has been shown to have positive effects on the economic security of households and to smooth the consumption patterns of the poor (Zaman, 1999). It is important to target women through microfinance due to their greater poverty and vulnerability, as well as to the gender-specific constraints that they face. The structure and distribution of power in societies such as Nepal and Bangladesh are deeply embedded, and unlikely to be shifted by microfinance alone. Nevertheless, microfinance plays a strong social intermediation role. In order to bring access to credit and savings facilities to those that lack it, social intermediation aims to strengthen the ability, self-reliance, and, ultimately, empowerment of these people to take full advantage of the financial services available to them.

To this end, there exists a spectrum of different microfinance models, all with varying objectives, philosophies, and program designs. Those that believe in providing core social services stand in contrast to those that specialize exclusively in the development of expertise in financial services, and who believe that credit, above all, holds the "key to unlocking a whole process of transformation" (Edgcomb & Barton, 1998).

Observations of programs in Nepal and Bangladesh point to some specific positive impacts, as well as limits to the empowerment of poor women through microfinance. In the programs analyzed, women clients surveyed reported positive effects in several areas beyond economic improvements. Through borrowing and/or savings activities, they gained a higher status within the household, with greater intra-household bargaining or decision-making power. They tended to have more say over their children's education, as well as their own contraceptive use. Their mobility increased due to the need to attend microfinance meetings, as well as to sell products in markets. The regular interactions of Grameen women with other borrowers in the

village led to the formation of social capital, which brought clear benefits to both the individual women and to the village society as a whole. To an extent, and to varying degrees across programs, these women also improved their literacy with regard to financial, nutritional, and political areas. Programs that focused more on literacy, not surprisingly, had a greater impact on the ability of women to be involved with marketing and accounting stages of their loan investments, and on their independence from NGO staff.

At the same time, there are limits to the extent of empowerment in the lives of these women. Issues of gender-biased market access and loan control have been raised by other authors. These limits are related to the patriarchal systems of Nepalese and Bangladeshi societies. Critics have thus argued that as long as these systemic biases remain, microfinance cannot be said to have a significant effect on women's empowerment. Exclusion of the very poorest of the poor, literacy training, and NGO institutional competition are additional issues that are related to the objectives of microfinance programs, and to the ways in which they are designed.

The empowerment of low-income women is not an automatic outcome of microfinance programs. In order to achieve the goals of social intermediation, empowerment must be stated as an explicit goal of microfinance programs, with specific performance indicators and steps built in to ensure the fulfillment of this objective.

Goetz and Sen Gupta used loan control in their 1996 article to challenge the assumption that women are automatically empowered through having access to credit. They single out "the importance of literacy and numeracy in enhancing women's managerial capacities." Indeed, literacy (financial, nutritional, and political) holds the power to shift the systemic biases that critics argue limit the empowering effects of microfinance. They then point out that "few special

credit programs are making the long-term investments in literacy and numeracy training which are necessary for the development of effective accounting and management skills." Practitioners have tended to exclude literacy components in their microfinance programs, due to cost constraints and scale trade-offs.

However, organizations at the grassroots *can* change the literacy situation in rural areas. And WEP in Nepal has proven that over 65,000 women can attain basic literacy skills in under thirty months, at very little cost, mostly with the women's own efforts and with the help of other women in their villages. The WEP strategy sidestepped cost barriers to including social services by employing local resources. Outreach was delegated to local NGOs, and the teaching was delegated to the more literate women within each group. The premise of self-reliance thus runs through the basic design of this program, which is a major cause for its empowering effects.

Nevertheless, WEP still, like any other organization, has to balance competing tensions within its program goals. With limited resources, there exist trade-offs to using mixed-income banking groups and with focusing more NGO attention on the groups with the most potential, rather than the weakest groups. The type of literacy highlighted in this program – financial and political/legal, also expose the organization's goals, ranking these above, say, nutritional literacy. Finally, this decentralization and focus on self-initiative adds to the already high work burdens of Nepalese women.

The structural and systemic forces that critics say limit women's empowerment through microfinance cannot be overcome in one day or with one program alone. The research presented in this paper shows that empowerment is a *process*, which should not solely be criticized for what it has yet to achieve. Attention should be paid to what has changed so far. Improvements in

well-being, and improvements in individual agency are inter-connected, and the latter can rarely happen without the former. One force pushes the other forward, and they work in tandem.

This thesis began by outlining the current popularity of microfinance as a tool for poverty alleviation, and the trend towards using the subsidy-dependence index (SDI), financial sustainability, and repayment rates as criteria for success. The examination of empowerment here should make it clear that empowerment is not an automatic outcome of microfinance, and that there exists more than one approach to designing a microfinance program for the poor. Ultimately, "[t]he correct balance of specialization versus diversification is specific to each organization, reflecting the existing organizational capacity, management talent, and judgments of the boards of directors that establish policy" (Edgcomb & Barton, 1998). Regardless of which perspective an institution chooses to adopt, the success of empowerment through microfinance depends on two factors.

First, empowerment needs to be defined as an explicit objective of the program to be worked towards, and specific steps need to be built into the program design to achieve this as a goal. Programs that place organizational goals above client needs will have a lesser ability to empower their clients. WEP, for example, ranks the empowerment of women first. Microfinance and literacy were recognized as important *instruments* to achieve this goal. In addition, performance indicators for each program should include empowerment measures. For example, one could add evidence of empowerment – such as improvements in literacy – as a measure of a loan officer's effectiveness, on top of portfolio quality and quantity (Cheston & Kuhn, 2002). Impact indicators that focus solely on financial viability and repayment rates will skew incentives in such a way as to lead loan workers to neglect the otherwise stated empowerment

objectives of a program. The result could then be encroachment and competitive behavior between microfinance programs, at the cost of client welfare.

Programs that neglect literacy will increase the dependence of borrowers on loan workers to handle the accounts and limit the degree of borrower involvement in the loan activity. The origins of WEP are rooted in awareness of the demand for literacy in Nepal, as well as to the long tradition of ROSCAs that exist in the villages. The subsequent success of this program suggests that paying attention to empowerment objectives and the social context in which microfinance operates can in fact improve program design and ensure that products delivered to the poor are appropriate to their needs.

Second, for the case of NGO-based programs, there needs to be a clear, contractual relationship established between the organization and the program participants. The strict relationship ensures that responsibilities are divided between the two parties, and that participants do not perceive the program as a welfare package on which to depend. The Grameen Bank and WEP operate at different ends of the spectrum as far as centralization and control of loan activities are concerned. Furthermore, Grameen is focused on financial services, while WEP adopts a more holistic approach. Both programs, however, share a common minimalist design, that evidence suggests contributes to a greater empowerment of their clients. The manner in which credit is *delivered* to women sends strong signals to the poor, and determines the incentive structure to which borrowers will respond. The ritualistic recitations of the "Sixteen Decisions" and disciplined loan meetings of Grameen are similar to the WEP approach which – eschewing external credit, external trainers, and instant loans – emphasizes self-reliance.

Microfinance programs have the ability to empower women in areas beyond the economic realm. Empowerment, however, means more than simply credit delivery to the poor.

In order to affect women's power and agency through microfinance, empowerment needs to be built into a program as a specific goal. In particular, literacy training in skills and information useful to the poor will enable women to enhance their well being and agency. This thesis has shown that literacy training can be incorporated into microfinance activities in a large-scale and cost- effective manner. In addition, the contractual relationship established between the program and its clients is important. Programs that disregard empowerment considerations and that take the approach of a "gravy train," offering loans quickly and indiscriminately with neither preconditions nor explanations in the pursuit of maximum clients and financial sustainability will have a more limited impact on improving the lives of their women clients. In contrast, programs that take the hands-off approach from the out-set, with the basic premise that women are going to have to take charge of their own lives, will have a greater empowering effect on their clients.

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