Centre Emile Bernheim
Research Institute in Management Sciences

SolvayBrusselsSchool
of Economics and Management

Microcredit and Women's Empowerment: Have We Been Looking at the Wrong Indicators?

S. Garikipati

Impact evaluation studies routinely find that lending to women benefits their households, but not necessarily the women concerned. The reasons for this paradox are not well understood. This, I argue, is partly because of the obsession with viewing women's empowerment as *outcomes* alone and ignoring the *processes* leading to these. I investigate this paradox by examining the processes surrounding loan use for a case study from rural India. The way in which women's loans are used is found to be critical to their empowerment. Specifically, women whose loans are invested in household assets can find the process disempowering. This is because women lack co-ownership in household's productive assets. Where loan diversion by households cannot be controlled, women's joint ownership of household assets emerges as integral to their empowerment. This paper cautions against the excessive focus on women's *outcomes* as a measure of their empowerment.

Keywords: Microcredit, Women's Empowerment, Outcomes, Processes, India.

CEB Working Paper N° 10/030
2010

Université Libre de Bruxelles - Solvay Brussels School of Economics and Management
Centre Emile Bernheim
ULB CP145/01 50, avenue F.D. Roosevelt 1050 Brussels BELGIUM
e-mail: ceb@admin.ulb.ac.be Tel. : +32 (0)2/650.48.64 Fax : +32 (0)2/650.41.88

Microcredit and Women's Empowerment: Have We Been Looking at the Wrong Indicators?

Supriya Garikipati*
University of Liverpool Management School

Abstract

Impact evaluation studies routinely find that lending to women benefits their households, but not necessarily the women concerned. The reasons for this paradox are not well understood. This, I argue, is partly because of the obsession with viewing women's empowerment as *outcomes* alone and ignoring the *processes* leading to these. I investigate this paradox by examining the processes surrounding loan use for a case study from rural India. The way in which women's loans are used is found to be critical to their empowerment. Specifically, women whose loans are invested in household assets can find the process disempowering. This is because women lack co-ownership in household's productive assets. Where loan diversion by households cannot be controlled, women's joint ownership of household assets emerges as integral to their empowerment. This paper cautions against the excessive focus on women's *outcomes* as a measure of their empowerment.

Keywords: Microcredit, Women's Empowerment, Outcomes, Processes, India.

* The author acknowledges the financial support received from Department for International Development (award number R7617) and Newton Trust (award number INT 2.05[d]). The author thanks Sylvia Chant, Isabelle Guérin, Barbara Harriss-White, Susan Johnson and the participants of the workshop at the Université libre de Bruxelles (January, 2010) for useful comments on earlier versions of the paper. She is grateful to her field research team: Achari, Chandrasekhar, Lakshmamma, Narsimhulu, Lakshmi, Padma, Ravi, Rathish and Sridevi. Please send comments to S.Garikipati@liv.ac.uk

1. Introduction

Group lending or microcredit programs have become a prominent poverty alleviation strategy all over the developing world. The beneficiaries of microcredit are mainly women from the poorer sections of the population.[1] Lending to women is considered as a win-win solution to the dual problem of financial sustainability and poverty. From the viewpoint of lenders, women are seen as good credit risk because they are more likely to respond to peer-pressure and hence less likely to misuse loans. From the development perspective, they are more inclined to share benefits with others in their households, especially their children. Furthermore, women's increased role in the household economy is expected to lead to an improvement in their agency and result in their empowerment. This emblematic pathway that took women from the simple act of borrowing money to their emancipation was so fundamental to the early credit interventions that the possibility that this may not happen was simply not considered (see Ackerly, 1995). However, when the relationship between microcredit and empowerment began to be studied earnestly in the 1990s, it spawned an intense dispute within the microcredit literature.

On one hand, some of the evaluations find that microcredit helps women improve their ability to earn money incomes, leading to greater confidence and the ability to overcome cultural asymmetries (R. Rahman, 1986; Hashemi, Schuler and Riley, 1996; Pitt and Khandker, 1998; Kabeer, 2001; Pitt, Khandker and Cartwright, 2006). On the other hand, the negative evaluations find that loans made to women are typically controlled by their husbands, deepening their dependence on their husbands for repayments which in extreme situations results in domestic dissension and violence (Goetz and Gupta, 1996; A. Rahman, 1999; Leach and Sitaram, 2002;).

Where studies make diametrically opposite claims with respect to the empowering potential of microcredit, paradoxically, researchers nearly unanimously accept that microcredit improves the outcomes for the women's husband and household. Lending to women is found to improve household incomes and is also linked with other associated benefits like increased livelihood diversification, more labour market activity, improved health and education outcomes (Hulme and Mosley, 1996, Vols.1 and 2; Todd, 1996; Khandker, 1998; Morduch and Haley, 2002; Zaman, 2004; Garikipati, 2008a).[2]

This asymmetric impact that microcredit can have has been referred to as the 'impact paradox' (Garikipati, 2008a). The reasons behind this paradox are not very well understood. In this article, I argue that this is at least partly because studies that examine the impact of credit on women's wellbeing are obsessively concerned with measuring empowerment as women's *outcomes* alone. In doing so the *processes* that lead to an increase in women's agency are largely ignored. Studies commonly choose to measure empowerment by using proxy indicators that detail women's *outcomes* in various aspects of their lives like, the extent of their participation in minor and major financial decisions and their mobility in public domain (among others see Hashemi, Schuler and Riley, 1996; Pitt and Khandker, 1998). The *processes* that lead to these *outcomes* (positive or negative) are generally not considered.

While studying women's *outcomes* is important from an evaluation viewpoint – it gives us little insight into policy. For example, if we find that membership of a

[1] A recent estimate suggests that 84 per cent of microcredit clients worldwide are women (Daley-Harris, 2006).

[2] For a discussion on conceptual and methodological issues see Morduch (1999), Kabeer (2001) and de Aghion and Morduch (2005).

credit group does not positively impact on women's participation in family decisions – then all we can say is that as a policy tool, microcredit failed to attain one of the intended development objectives. We are unable to comment on why this may have happened or what else needs to be done to enable a positive outcome for the women concerned.

The study of *processes*, on the other hand, should give us an insight into why microcredit works and why not. For instance, the *process* surrounding women's loan use is likely to determine her economic freedom – a fairly well accepted empowerment *outcome*. An appreciation of the *processes* leading to the *outcomes* is essential to understand how empowerment comes about and when it does not – it is likely to provide guidance on what went wrong, and what can be done to rectify the situation. In other words, *processes* help understand the reasons for the observed empowerment *outcomes* – both positive and negative.

In this study, I attempt to understand the reasons behind the 'impact paradox' by focusing on the *processes* that invariably occur after women access microcredit. Specifically, I examine the *processes* surrounding the decision to use loans in a particular way and those surrounding repayment of the loan. I use women's testimonies to substantiate the findings. The paper uses primary data from villages in Andhra Pradesh (AP) that participated in the Self-Help-Group (SHG) program – India's pivotal state-run group-lending scheme that targets rural women.

The remainder of the paper is organised as follows. Section two briefly outlines the issues surrounding measurement of women's empowerment with a focus on the literature on impact evaluation of credit programs. Section three provides a short description of India's main microcredit scheme. Section four introduces the data used in this study. The fifth section discusses the relationship between loan-use, repayment and women's empowerment. The final section closes with concluding comments and some suggestions for future inquiries.

2. Measuring Women's Empowerment: A Short Note

Empowering women is one of the top Millennium Development Goals. This is because it is widely recognised that empowerment is not only good for the women concerned but there are other developmental externalities associated with it. For instance, empowered women are more likely to bargain for better health and educational outcomes for their children. They are also more likely to raise their voice against social and cultural asymmetries and help build more equitable communities. It is not surprising then that there are more and more schemes with the specific objective of empowering women. Given scarcity of resources, however, it becomes imperative that the impact of these schemes is measured against some benchmark. It is in this context that a method that helps assessors to measure empowerment becomes necessary.

Measuring women's empowerment, however, is a tricky problem – counted among the big challenges facing development theorist. The difficulty is because empowerment is not only a multifaceted concept but it is also extremely sensitive to the social and cultural context within which it is being measured. Hence, achieving a consensus on its measurement is almost impossible. Some broad understanding of what entails women's empowerment, however, has emerged within the feminist development literature.

Overtime, feminist discourses have given us a fairly robust conceptual understanding of empowerment. Broadly speaking, empowerment is understood to be a *process* or a set of *processes* that result in the expansion of women's agency, i.e., in their ability to make choices affecting their lives and situations (Malhotra and Schuler, 2005). For instance, the *processes* surrounding the buying and selling of produce and assets, the use of women's work time and use of credit. Certain preconditions that characterise a woman's past and current environment, like parental education, asset ownership and access to credit are expected to facilitate an increase in her agency (Kabeer, 1999; Kishor, 2000). Expanding women's agency is further expected to affect their life *outcomes* or their ability to assert and fulfil personal preferences (Kabeer, 1999). For example, greater say in household-decisions, access to personal money and lighter domestic burden. Empowerment can thus be conceptualised as comprising both the *processes* that increase women's agency and the *outcomes* that embody this agency. In this study, we follow this notion when describing women's empowerment.

The study of *processes* is critical in understanding the true meaning of *outcomes*. If a woman works outside her household – this *outcome* alone is insufficient to conclude that she is empowered – it is important to study the *process* that caused her to hire out her labour. It is now well accepted that entering the labour market under conditions of duress may not be empowering. For instance, a number of studies show that inequitable division of labour obtained in the family and weak claim over family's productive assets may considerably diminish women's power to bargain for better wages and working conditions (Kapadia, 1993; Kabeer, 1994; Kalpagam, 1994; Rogaly, 1997; Garikipati, 2008b). In this context, greater employment may get re-channelled into intensifying gender inequalities and result in perpetuating both individual and systemic exploitations of women. On the other hand, in a society where the practice of *purdha* is prevalent, not practicing it may not necessarily denote an emancipated status. Women may prefer practicing it but may not be able to because of constraints like poverty and responsibility for household provisioning (also see Kabeer, 1999). Hence, any measure of empowerment that examines only *outcomes* without an appreciation of the *processes* may be simply missing the point.

Furthermore, empowerment *outcomes* when considered without the *processes* tend to implicitly assume that households are sites of conflicts alone – the focus is usually on the conflicting interests between husbands and wives. Indeed, some of the most commonly used empowerment *outcomes* have emerged from this assumption. For instance, a woman earning money income is considered as a positive *outcome* – the implicit assumption being that she may have difficulty in accessing money that her husband earns. Household relationships, however, are far more complex than this. A great deal has been written about the complexity of these relationships within the feminist literature and beyond (Kandioty, 1988; Folbre, 1990; Sen, 1990; Agarwal, 1997; Kabeer, 1994). It is well recognised that patriarchy or male dominance works differently in different contexts and hence women's accommodation of patriarchy means different things. In Foucault words "every form of power and domination engenders its own forms of resistance". Kandioty (1988) refers to this as 'patriarchal bargains'. It the context of a marriage, it can take the form of 'compromise' or 'resistance' (Agarwal, 1997). There is 'conflict' of course – conflict for resources, agency and power but there are also certain forms of 'cooperation' – even in highly patriarchal contexts (Folbre 1990; Sen, 1990; Kabeer, 1994). A form of 'unequal interdependence' is likely to develop between the man and wife – there is inequality for sure but there are some forms of interdependence (Kabeer, 1994). The basis for this interdependence is material of course but also emotional. When households have been sharing adversity, facing humiliation of poverty together, they may work together toward common goals and in the process are likely to develop ties of affection and loyalty toward each other. These forms of cooperation are likely to be visible only if one examines the *processes* behind the changes in woman's agency.

Despite this robust understanding of women's empowerment, studies evaluating the impact of microcredit typically measure it by using proxy indicators that detail women's *outcomes* in various aspects of their lives without any concern for the *processes* that lead to these.[3] The most common approaches are to identify outcomes indicative of empowerment and to measure them directly (like Holvoet 2005) or to use these measures and construct composite variables (like Swain and Wallentin 2009). Some of the *outcomes* routinely studied are: the extent of women's economic contribution; freedom from domestic domination; the extent of their participation in minor and major financial decisions; their access to personal spending money; and their mobility in public domain (Hashemi, Schuler and Riley 1996; Pitt and Khandker 1996).

One reason why evaluation studies rely heavily on *outcomes* alone is because of the difficulties surrounding the study of *processes*. Not only are the data on *processes* difficult to collect but their analysis and interpretation is also time consuming and fraught with interpretational ambiguity. The study of *processes* demands a commitment far beyond the 'cheap and cheerful' data collection techniques that conventional questionnaires provide which are sufficient for recording *outcomes.* Moreover, *processes*, unlike *outcomes*, cannot generally be 'measured' in a way that is suitable for rigorous statistical analysis. This implies that unless assessors have the time and resources to undertake ethnographic type of fieldwork and policy makers have the time and inclination to examine detailed evidence of this sort – the study of *processes* is really not viable. Indeed the attraction of studying women's *outcomes* is that data on these are quick and easy to collect and interpret. For instance, woman sharing domestic chores with others in the household is taken as a positive outcome with little regard for what this means. Less house work for the woman may in fact mean greater burden for her daughter-in-law, which may denote intergenerational transmission of woman's dual burden. In some sense the problem with *processes* are that they are burdened with information that is difficult to analyse and use.

In this paper, I make an attempt to study the *processes* surrounding women's loan use in a way that allows for them to be 'measured' in the same objective way as *outcomes*. But because we are actually examining the 'unfolding of events' – these indicators do not suffer from the same drawbacks as *outcomes.* This unfolding of events is achieved by dividing events into distinct stages. Woman's loan use is examined by asking three distinct questions: what is the woman's role in procurement and use of loan; how is the loan used and how is repayment made. I argue that studying processes around loan use allows a better understanding of the paradoxical outcomes that microcredit can sometimes have.

[3] There are some notable exceptions like the study by Kabeer (2001) and Garikipati (2008). Kabeer makes a firm distinction between *processes* and *outcomes* and Garikipati examines the reasons behind observed *outcomes*.

3. Microcredit in India: A Brief Description

India's rural financial institutions have come a long way since the initiation of its rural cooperatives more than a hundred years ago. Perhaps the biggest change over this time was the nationalisation of its 14 major commercial banks in 1969 which joined the rural sector in a big way. State intervention has been the hallmark of rural credit initiatives ever since. While this resulted in an extensive rural banking network, it also made it easier for politicians to use subsidized credit and credit waivers for short term political gains.

Two major initiatives launched in the 1970s saw the average rural population covered by a bank branch decline from 65,000 in 1969 to 12,800 in 2003 (Basu and Srivastava, 2005).[4] These initiatives also meant that about 51 million people living below the poverty line could access credit. However, they came under severe criticism mainly on account of large proportion of non-performing loans (Narasimham Committee, 1991). Loans to the priority sectors (agriculture and cottage industry) were frequently waived, especially during the times of elections. This eroded borrower discipline as subsequent borrowers expected loan waivers and did not repay even where they could (Mahajan and Ramola, 1996). The formation of the National Bank for Agriculture and Rural Development (NABARD) in 1982 – an apex refinancing and capacity building institution – did little to mitigate the inherent weakness that had crept into the system. The loan recovery rate measured as a percentage of loans collected to total amount due was down to 50 to 60 per cent throughout the 1980s to mid-1990s (NABARD, 1999). By early 1990s it became clear that refinancing of a large number of loss-making units could not continue and that monitoring and enforcing repayments could not be sustained using conventional banking methods and that grassroots initiatives were essential.

Inspired by the global success of the microcredit movement, the Indian state launched its own version of a microcredit scheme in 1992 – the SHG programme. An SHG typically consists of around 10-15 women from poor communities who come together to save and access credit. While group formation is facilitated by non-governmental organisations or government agencies, the primary focus is on credit, with little attempt at capacity building. A group begins its credit activity with each member saving 1 rupee per day. These savings are collectively used as a revolving fund to provide loans to individual members. After six months of regular saving, the SHG is eligible to enhance its revolving fund by obtaining loans from private and public financial institutions. These institutions are in turn 100 per cent re-financed by the NABARD.

The existing institutional structure is thus linked to individual SHGs and is referred to as the SHG-bank linkage programme. It uses the extensive state banking apparatus to provide credit to the rural poor, alongside innovations such as joint-liability and peer-monitoring to cultivate borrower discipline. With around 40 million clients and an average annual growth rate of 112.2 per cent between 1999 and 2007, it is the biggest and the fastest growing microcredit scheme in the world (Garikipati, 2008a).

---

[4] The Rural Finance Access Survey for 2003, however, indicates that poorer households in rural India still have very little access to formal finance. For instance, 70% of marginal/landless farmers do not have a bank account and 87% have no access to institutional credit (Basu and Srivastava, 2005).

4. Data

Fieldwork for this study was carried out between 2002 and 2003 in two villages; Gudimalakapura and Vepur, of the Mahabubnagar district in the Telangana Region of the state of AP, India. With over 45% of its rural households living below the poverty line, Mahabubnagar is one of the poorest districts of AP (Government of AP, 1996). The state government has resolutely pursued the SHG program as part of its poverty-alleviation strategy. As a result, Mahabubnagar has one of the oldest, biggest and fastest growing SHG programs in India (NABARD, 2003).

The data for this study were collected as part of a larger study that investigated female labour market participation and issues surrounding pro-poor growth. Interviews were carried out by six enumerator, three men and three women, who were at least graduates and trained by the author in basic survey techniques. At least two enumerators, one male and one female, were present at every interview. The author, fluent in the local dialect, randomly participated in over one third of all interviews and carried out all the focus group interviews.

Survey was conducted with members of SHGs in the two villages that had completed at least one loan cycle. A total of 397 married women belonging to 27 SHGs were interviewed as part of this survey. The survey included questions on the details of women's most recent loan, the extent of her control over the loan, how it was used and the processes surrounding its repayment. On average groups comprised 14.7 members and had completed an average of 3.8 loan cycles, ranging from a minimum of one to a maximum of six. Loan terms varied from 6 to 24 months and the average loan amount received by a group was 26,138 Rupees (US$545) and ranged from 18,000 Rupees (US$375) to 91,500 Rupees (US$1908). Only occasionally did loan amounts vary from cycle to cycle. SHGs generally divided the loan equally among its members. In the case of two SHGs, members had started businesses as a group by pooling their loans. Individual loans were mainly used to meet households' productive and consumption requirements and in some cases to finance self-managed enterprises. Repayment rates were reported to be 100 per cent.

During 2002-3, I also carried out several individual and focus group interviews with some of the SHG-women interviewed in the above survey. These interviews were typically unstructured and were designed to capture the nuances behind several distinguishable experiences within the borrower groups. These interviews were used to contextualise the findings of the survey data.

5. Processes Surrounding Loan Use and Repayment: Implications for Empowerment

The 397 SHG-women surveyed used their loans in broadly four different ways: as working capital for family farms or businesses (57 per cent), in enterprises that they manage or help manage (21 per cent); towards household maintenance (12 per cent); and to purchase or improve family land (10 per cent).[5] This suggests that nearly 80 per cent had their loans diverted into household requirements. This, in turn, implies

[5] This includes one case of gold jewellery purchase. In all other cases land was bought in husband's name.

that the demand for credit within the household, both for production and consumption is high. It is also the case that the loans received by women are mainly used to enhance or procure assets controlled primarily by their husbands, indicating that lending to women may actually amplify the existing resource divide between men and women.[6]

In this section, I examine the processes surrounding these different loan uses in order to understand the linkages between loan use and empowerment. There are three steps to this enquiry. First, I examine whether there is a relationship between control over loan and loan use. Second, I ask whether the way women's loans are used has any bearing on its repayment. Finally, the relationship between the process around loan use and women's empowerment is explored by examining some of the common experiences among the women concerned.

(a) Woman's control over loan and loan use

Control over loan is defined as a continuous variable. The degree or extent of woman's control over loan is measured by how she relates to five distinct processes surrounding loan use. These are: whether she had a say (either individually or jointly with another member of her household or community) in the decision to join the SHG, in the use of the loan (full or partial), in book-keeping, in marketing the product and in keeping the profit from the sale. If a woman did not participate in any of these processes, she is assumed to have lost control over her loan and is given a score of 0. A woman who participated in one of the processes is given a score of 1 and so on. The maximum score is 5 which is given if the woman participated in all the stages of the process around loan use and is therefore assumed to be in full control of her loan.

The first panel in Table 1 shows women's loan use by the extent of control they exert over their loans. To begin with, note that just 5 per cent of the women are seen to retain fully or nearly full control of their loans (scoring 4 or more), with just over a third of them retaining significant control (scoring 3 or more). This compares with Goetz and Gupta's (1996) findings for BRAC, Bangladesh.[7]

From this Table it is also clear that there is a relationship between the degree of woman's control over loan and its use. Nearly all women who have full or near full control over their loans invest their loans in a business they manage or help manage (90 per cent, N = 21). The majority of the others see their loans used on household production or consumption (83 per cent, N = 376). This means that, from the viewpoint of the women concerned, investing in self-managed enterprise is the best outcome. Indeed as women lose control over their loans, they are less likely to be able to invest in their own ventures. Women may not prefer using their loans on household requirements as this may mean further erosion of their control over loans. It may also leave them in a weaker position with respect to repayments and jeopardise access to future credit. Indeed this emerges as a possible reason when the data on loan repayments is examined.

[6] In an accompanying study, carried out in the same villages, 291 randomly selected households were surveyed. According to this survey, households on average own 2.85 acres of land, women on average control a mere 0.09 acres, or just 3.06 per cent of the household land.

[7] If we reclassify all women scoring two or more points as in significant control of their loans then the data suggests that 67.5 per cent of the women exert a significant degree of control. This compares with findings from studies for Bangladesh's Grameen Bank (Goetz and Gupta, 1996; Hashemi, Schuler and Riley, 1996 and R. Rahman, 1986). To some extent, this exercise reflects the drawback in using a binary variable (taking values 1 or 0) to indicate woman's control over her loan. Researchers can define a cut-off point to signify control over loan in a way that suits their argument.

This relationship becomes sharper when we focus on one dimension of women's control over their loans: their role in deciding how to use the loan. The second panel in Table 1 shows loan use by the nature of women's participation in the decision on loan use. According to this, all women who invest in their own businesses actively engage in deciding on how to use their loans (100%, N = 82). In some cases women even put up a physical fight in opposition to the way their loans were going to be used – vindicating our earlier finding that women prefer to use loans on own-enterprises. Here is what one such woman told us.

> When I returned from our group meeting, my husband was hiding behind the door. He knew I was going to get my loan money. As soon as I entered the house, he pounced on me and snatched it away…(to invest in his business)…he is a barber. But I knew that if I let him take it, then I am never going to see a *paisa*. I fought him back and took away half the money to buy some goats. (V1W8)

While it is clear that investing loan in own-business is the outcome most preferred by women – other 'second best' outcomes are also acceptable to women for various reasons. The Table also shows that whilst many women who have their loans diverted into family requirements have no say in how their loan is used (29 per cent, N = 315) and some oppose the decision (9 per cent, N = 315), a large number of them actively agree with this decision (62 per cent, N = 315). Significantly, in 9 per cent of the cases, this decision has been made by the woman entirely (N = 315). What motivates women to give up their loans in this way? The experiences of the women interviewed suggest that women take this decision very deliberately. They may take this decision because they believe that this is the best use of the loan and that giving up their loans will not matter for their status within the family – indeed, as a consequence they may enjoy better status than before. In these cases, it was clear that women gave up their loans in exchange for family goodwill and to negotiate for better outcomes elsewhere. Similar evidence is reported by other studies like Kabeer (2001) for Bangladesh and Johnson (2005) for Malawi. In our sample G2W8 is one such woman who gave up her loan to her husband and father-in-law for investing in their family business because she considered herself well looked after by them and was not confident about using it herself. Here is her experience.

> My husband and father-in-law have a *kalu* (local liquor) business. I have given them the money. They know how to do business and money matters…. What will I do with the money – if I do some business and fail, who will give money (for the repayments)? (G2W8)

> G2W8 has a good relationship with her in-laws. Why should she spoil it by doing something on her own? After all it's her family and in family we have to *kalasi melasi undali* (live together in harmony). (G2W1 – the group leader, talking about G2W8's loan use).

On the other hand, some women may be compelled to give up their loans in times of family emergencies – in which case, the question of whether it is a good outcome for them personally really does not matter. In fact over 85 per cent of the woman whose loans have been used for family's consumption needs actively agreed to this decision (N = 48). G7W2, V4W9 and G5W12 are some such women who had voluntarily used their loans to avert a household crisis. Their experiences suggest that they had little choice in this matter – mainly due to poverty and the urgency of the situation. In G7W2 and V4W9's case it was due to food shortages and in G5W12's case it was her husband's ill health. In such cases, lack of any security net or insurance diminishes the effectiveness of microcredit as a tool for development.

Table 1: Loan use by Woman's Control over Loan and Woman's Role in Decision on Loan Use

Control over loan	Loan-use				
	Self-managed enterprise	Family farm/ enterprise	Buy or improve land[1]	Consume	No. of cases
Control = 0	0	19	8	0	27
Control = 1	6	89	18	20	133
Control = 2	25	62	7	15	109
Control = 3	32	55	7	13	107
Control = 4	14	2	0	0	16
Control = 5	5	0	0	0	5
No. of cases	82	227	40	48	397
Role in Decision on Loan Use					
No Role	0	83	3	6	92
Opposed	0	26	0	1	35
Jointly With Others	26	109	34	25	186
Entirely Hers	56	9	3	16	84
No. of cases	82	227	40	48	397

Source: Author's fieldwork.
Notes: [1] Includes the purchase of gold jewellery in one case.

(b) Loan use and repayment

As mentioned earlier, in this section I examine the relationship between loan use and sources of repayment in order to establish the linkage loan usage may have with women's empowerment. Table 2 presents women's loan use by responsibility for repayment and source of repayment. Reported repayment rates in our sample are 100 per cent, but as seen here, this single figure may camouflage the various problems women encounter in repaying loans (also see Mayoux, 2005).

The first panel of the Table shows even when loans are used on household requirements (both production and consumption), repayment of the loan is nearly always the woman's sole or shared responsibility (89 per cent, N = 315). In around 57 per cent of the cases women bear this responsibility alone (N = 315). So how do women go about making repayments in these cases? The second panel of the Table shows that while majority of the women who use loans for own-enterprise repay the loans from their businesses (85.4 per cent, N=82), women whose loans were used on household requirements mainly had to rely on their own wages (87 per cent, N=315). Even though a high proportion of women's loans are used to enhance household's productive assets (67.3 per cent, N=397), most are unable to access the incomes from these assets to make repayments. This suggests that women lack co-ownership in household's productive assets even when their loans are invested in these assets. In order to investigate women's experiences further, unstructured interviews are used to gather testimonial evidence.

The experiences of women like G6W14, G7W7, V7W1 and members of G9 who use their loans in own-businesses perceived a positive change in their statuses. They spoke about their newly found confidence in their ability to earn incomes independent of their husbands and without recourse to wage labouring. They felt a change not only in the attitudes of their family members but also the society at large. Here are a couple of examples.

> *Mahalaxmi* (name of the SHG, but also the name of the Hindu Goddess of Wealth) has made me what I am today. I manage not one but two businesses now. I cook meals for the *aganwadi* (pre-school group) and in the afternoons I manage a tea-shop…. I could not imagine even two years back that one day I will own a mobile phone – but I need it for my business. The *aganwadi* teacher has to call me every morning to tell me how much food to prepare. (V7W1)

> I have changed, everyone around me has changed. We are now business-women. We have to deal with all sorts of people in our fertilizer business… At first, people only saw us as women – but now they are used to us. They know we run a good business – they respect us for this...My son wants to start a business of his own. He comes to me for advice…. (G9W1)

In contrast to these, the testimonies gathered from women who have their loans diverted into family requirements suggest that credit can have a detrimental effect on the women concerned in terms of constraining their livelihood options and their influence over household decisions. G3W7, G3W11, V2W6 and V11W3 are women whose loans were used as working capital in family farms and G5W12, G7W2 and V4W9 loans were used to avert a household crisis. The experiences of these women indicate that they retained little influence over the assets and incomes created from their loans. Before obtaining SHG loans, many of these women worked on family farms or within their households, but now they work as wage labourers mainly to meet repayments. Interviews indicate that these women were resentful at this perceived fall in status. Here is what some of these women said.

> I was happy working in my home and on the farm (before joining the group), but now I have to go for *kulie pani* (wage work) everyday. Sometimes I think I should leave the group, so I can stop this *chakiri* (drudgery)…I know I have to clear all my debts before I can talk like this. (G3W11)

> I gave my (loan) money to my husband to buy a motor for the farm, but this was a mistake. He does not discuss anything with me now-a-days…he feels that if he tells me anything, I will pester him for money. Instead of helping me with repayments, he asked me to go for *kulie pani* (to repay the loan). (V11W3)

> My husband is actually a good man, but lack of money is an evil thing – it can change people. He used to hand over every *paisa* to me… But after he got TB and I had to use the SHG loan to pay his hospital bills – things have changed. He does not give me all his money – only what I need for the house – he thinks I will use it to repay the loan. He even goes to the *zamindar* and collects my wages. (G5W12)

Among the women who used their loans on family farms or businesses, G3W7 and V11W3 were explicitly told by their husbands to take up agriculture wage labouring to repay their loans. Agricultural wage work in rural India is considered socially inferior to work on own assets (see da Corta and Venkateshwarlu, 1999). In addition, these women, compelled by their need to make repayments, had pledged their labour for very low wages. This severely eroded their bargaining positions in the labour market. It is not surprising then that G3W11 expressed the desire to discontinue SHG membership so that she could stop working as a wage labourer. Not only is women’s bargaining power in the labour market diminished but their household status is also threatened. For example, V11W3 finds that her husband, who used to discuss household finances with her, is now secretive about income from crop sale and remittances for fear that she may ask him to make repayments. These interviews reveal a deep resentment among women at having to withdraw their labour from work in their own farms and homes and work for wages instead. Their experiences at least partly explain why women who exert significant control over their loans would prefer not to use it in family farms or businesses.

Among the women whose loans were used to meet the consumption needs of the household, G5W12, G7W2 and V4W9 had voluntarily used their loans to avert a household crisis. G5W12 and V4W9 also exerted significant control over their loans (scoring 3 or more). All three women were involved in wage labouring prior to joining the SHG but now had to divert their wages into repayments. In addition, as a result of peer-pressure, hostile at times, G5W12 had to sell her copper vessels and V4W9 her goat. Their families did not consent to these sales and both women are suffering the consequences. For instance, G5W12 is not allowed to keep money from sale of crop or her husband's wages, both of which she controlled prior to the incident. She has even lost control over her own wages, which her husband now collects directly from her employer to stop her from using her wages to repay the loan. This was also the experience of several other women I interviewed, like G3W5, V4W9 and V10W2. Although not common, women were also actively punished for what was seen as acts of defiance. For instance, G7W2 and V4W9 experienced deliberate negligence from their families with respect to their food consumption during particularly lean periods. Testimonies suggest that, prior to procuring loans, these women had a greater say over household decisions and incomes, which has now diminished lest they try to divert resources away from the household. Some women also experienced abuse and coercion in their struggle to repay loans.

Table 2: Loan use and Repayment (N=397)

	Loan-use				
Ultimate Responsibility for Repayment	Self-managed enterprise	Family farm/ enterprise	Buy or improve land	Consume	No. of cases
Entirely husband's/others in household	0	36	0	0	36
Shared by woman and husband/others in household	0	83	6	12	124
Entirely woman's	82	108	34	36	237
No. of cases	82	227	40	48	397
Source of Repayment					
Self-managed enterprise	70	0	0	0	70
Family farm/enterprise	11	21	7	2	41
Own wages	1	199	33	42	275
Sale of assets	0	7	0	4	11
No. of cases	82	227	40	48	397

Source: Author's fieldwork.

(c) Loan use, repayment and 'impact paradox'

Having considered the varied experiences of SHG women – we can now comment on the paradoxical impact that microcredit can sometimes have – where household benefits but the woman herself does not. We find that loans procured by women may help their households improve incomes and enhance assets, but women's lack of co-ownership of family assets means they are unable to divert income from these sources towards repayments. In such cases, they may lose control over the allocation of their work time and may even find their relative powers in domestic relations depreciate. Where loans are used to avert a family crisis, using own wages or selling assets for repayment can result in loss of authority over household resources and in some instances even result in hostility towards women. These experiences reveal some of the difficulties women face in repaying loans which are misleadingly obscured by high repayment rates. High repayment rates may in fact be a sign of social pressure that compels women to access credit for others in the household.

With respect to the 'impact paradox', we can identify three broad points. First, the credit needs of poor households are high and families are by and large able to divert loans procured by women into these activities. If the loan was not available, many households would be worse-off in terms of their incomes while substantial numbers could have plunged into consumption crises. Second, women's lack of co-ownership of household's productive assets means that they are unable to divert any income from such sources into repayments and have to rely on the limited means available to them – wage labouring and sale of smaller belongings. This has an adverse impact on both allocation of women's work time and on their say over family resources. Finally, if loans given to women continue to be diverted into household needs without any change in their asset positions then this can widen the existing resource divide between men as owners and women as labourers and prove to be a disempowering experience for the women concerned.

From the findings of this study it is also clear that the nature of gender relations, mainly within the household but also in the community, is an important determinant of the impact microcredit can have on the women concerned (also see Hunt and Kasynathan, 2001; Johnson, 2005). Whether gender relations facilitate or impede women's empowerment seems to be determined largely by the ownership of resources – who owns women's loan, who owns the investments made using the loan and who controls the incomes earned from these investments. For credit programs to support empowerment there must be a greater emphasis on strategies that transform these gender relations. Property right over women's loan seem to emerge as the key to transforming these relations.

From the policy viewpoint, these findings have two main implications. First, they indicate that microcredit may not be the right intervention for the very poor women. Instead a social security programme like the Income Generating Vulnerable Group Development Program intervention offered by BRAC, which provides monthly food rations to the very poor, may be more suitable (for details, see, Ahmed *et al.*, 2007). This may not only mitigate their repayment burdens but also give them the opportunity to be better prepared for future credit interventions. Second, where loan diversion by households cannot be monitored, women's joint ownership of household assets is integral to their empowerment. One way to challenge the patriarchal hold on family's productive assets is to make credit conditional on asset transfers in favour of the women concerned. This is likely to be most effectively achieved where assets are acquired using woman's loan money.

6. Concluding Comments

Impact evaluation studies routinely find that lending to women benefits their households. However, a number of them also find that this may not empower the women concerned. The reasons for this paradoxical result are not clearly established in the microcredit literature. This, I argue, is at least partly because studies that assess the impact of microcredit programs view empowerment primarily as women's life *outcomes* with little concern for the *processes* that lead to a change in women's agency. This is mainly because of the difficulties surrounding the study of *processes*. Not only does the information related to *processes* take a great deal of time and effort to collect but its analysis is complicated by the fact that it cannot be presented in a way that is readily interpreted.

This study attempts to understand the reasons behind the ‘impact paradox’ by examining the *processes* around woman’s loan use – a process that invariably occurs after loan procurement. Fieldwork was carried out in two villages participating in the SHG program in India. The focus was on collecting information on the process surrounding loan use in a way that is conducive to ordinal interpretations. This is done by dividing the process into three distinct stages: who decides on loan use; what is the loan used for and who is responsible for repayments.

Analysing loan use in this way reveals that women’s loans generally get diverted into fulfilling household requirements. While loans are typically used for productive purposes, using loans for consumption is not uncommon and in some cases they are used to avert family crisis. Only around 20 per cent of the women are able to use loans in their own-businesses. In these cases, the findings of the study suggest that women do experience a significant improvement in their status – both within their households and communities. They also gain in confidence and are able to run successful business and make repayments from this source in most cases.

In cases where women’s loans are used to meet the needs of the family – clearly the household is likely to benefit – either in terms of enhanced means of livelihood or as a coping strategy in times of emergency. In some of these cases the women also benefit, but more often they find themselves struggling with difficult situations mainly because they are responsible for repayments. Typically, women are unable to access the income from the household’s productive assets to make repayments – this is even when their loans have been used to create or enhance the assets. Most women whose loans have been used on family needs have to rely on their wages to make repayments. Before becoming a member of the SHG many of these women worked only in their own homes and farms. Women associate working for wages as a fall in their earlier status. Some also find that their husbands have become severe with their control over money incomes to stop women from using these to make repayments. Women also face intense peer-pressure from their group members for repayments, which at times can turn quite unpleasant. These factors have a cumulative negative effect on women’s bargaining position in the labour market and several of them end up pledging their labour for very low wages. So even though their households may have benefited, many women find their situations to have deteriorated after having obtained credit. How loans are used rather than loan procurement itself emerges as a strong determinant of women’s empowerment.

The circumstances which cause microcredit to benefit loanee households but not the women concerned became apparent because we examined the *processes* responsible for the change in women’s agency. Studies that examine only women’s *outcomes* would only encounter a paradoxical result without being able to appreciate the reasons behind it. This is not likely to help design better policy. Failure to incorporate an understanding of *processes* means that opportunities to enhance microcredit’s empowerment impact have been lost. There is an urgent need to move away from assessing the benefits of microcredit through the lens of *outcomes* alone.

References

Agarwal, B. (1997). 'Bargaining' and gender relations: within and beyond the household, Feminist Economics, vol. 3, no. 1.

Ahmed, Akhter U.; Quisumbing, Agnes R and Hoddinott, John F. (2007). Relative Efficacy of Food and Cash Transfers in Improving Food Security and Livelihood of the Ultra-Poor in Bangladesh. Report submitted to the World Food Programme, Bangladesh, (Washington DC: International Food Policy Research Institute). (http://documents.wfp.org/stellent/groups/public/documents/liaison_offices/wfp144615.pdf) (accessed 23 June 2009)

Armendáriz de Aghion, B. and Morduch J. (2005). *The Economics of Microfinance* (Massachusetts: Massachusetts Institute of Technology Press)

Basu, P., and Srivastava, P. (2005). Scaling-up Microfinance for India's Rural Poor, *World Bank Policy Research Working Paper 3646*. Washington DC: World Bank.

Daley-Harris, S. (2006). *State of the Microcredit Summit Campaign Report 2006*. (Washington DC: Microcredit Summit Campaign) (http://www.microcreditsummit.org/pubs/reports/socr/2006/SOCR06.pdf) (accessed 17 June 2009)

Garikipati, S. (2008a). 'The Impact of Lending to Women on Household Vulnerability and Women's Empowerment: Evidence from India', *World Development*, 36:12, 2620-42.

Garikipati, Supriya. (2008b). Wage Work, Migration and Widening Gender Gap: Evidence from a Semi-Arid Region of Andhra Pradesh, *European Journal of Development Research*, 20(4), 629–48.

Goetz, A. M. and Gupta, R. S. (1996). Who Takes the Credit? Gender, Power and Control over Loan Use in Rural Credit Programs in Bangladesh. *World Development*, *24* (1), 45-63.

Government of AP. (1996). *Below Poverty Line Survey for IX Five-Year Plan: 1997-2002*. Hyderabad: Government of AP.

Hashemi, Syed M.; Schuler, Ruth Sidney and Riley, Ann P (1996) 'Rural Credit Programs and Women's Empowerment in Bangladesh', *World Development*, 24:4, 635-53.

Holvoet, N .(2005). The Impact of Microfinance on Decision-Making Agency: Evidence from South India', *Development and Change*, 36 (1), 75-102.

Hulme, D., and Mosley, P. (1996). *Finance Against Poverty: Vol. 1 & 2*. London: Routledge.

Hunt, J., and Kasynathan, N. (2001). Pathways to empowerment? Reflections on microfinance and transformation in gender relations in South Asia. *Gender and Development*, *9* (1), 42-52.

Johnson, S. (2005). "Gender relations, empowerment and microcredit: moving on from a lost decade." *European Journal of Development Research* 17(2): 224-248.

Kabeer, N (1994), Reversed realities: gender hierarchies in development thought, Verso Books.

Kabeer, Naila (1999). 'Resources, Agency, Achievements: Reflections on the Measurement of Women's Empowerment', *Development and Change*, 30:3, 435-64.

Kabeer, N. (2001). Conflicts Over Credit: Revaluating the Empowerment Potential of Loans to Women in Rural Bangladesh. *World Development*, *29* (1), 63-84.

Kalpagam, U. (1994). *Labour and Gender: Survival in Urban India*, Delhi: Sage Publications.

Kapadia, K. (1993). Mutuality and Competition: Female Landless Labour and Wage Rates in Tamil Nadu, *The Journal of Peasant Studies*, 20(2), 296–316.

Khandker, S. (1998). *Fighting Poverty with Microcredit: Experience in Bangladesh.* New York: Oxford University Press for the World Bank

Kishor, S. (2000). Empowerment of women in Egypt and links to the survival and health of their infants, in H. Presser and G. Sen, eds. *Womens empowerment and demographic processes: moving beyond Cairo*, Oxford: Oxford University Press.

Leach, F. and Sitaram, S. (2002). Microfinance and Women's Empowerment: Lessons from India. *Development in Practice, 12* (5), 575-88.

Mahajan, V. and Ramola, B. G. (1996). Financial Services for the Rural Poor and Women in India: Access and Sustainability. *Journal of International Development*, *8* (2), 211-24.

Malhotra, A. and S. R. Schuler. (2005). Womens Empowerment as a Variable in International Development, in D. Narayan, ed. *Measuring empowerment: Cross-disciplinary perspectives*, Washington DC: The World Bank.

Mayoux, Linda (2005). Women's Empowerment through Sustainable Micro-Finance: Rethinking 'Best Practice', Enterprise Development Impact Assessment Information Service (EDIAIS) Discussion Draft, Manchester: EDIAIS.

Morduch, J., and Haley, B. (2002) *Analysis of the Effects of Microcredit on Poverty Reduction*, New York University Wagner Working Paper No. 1014. Hull: Canadian International Development Agency.

NABARD. (1999). *Task Force on Supportive Policy and Regulatory Framework for Micro Finance: Summary and Recommendations*. Mumbai: NABARD.

NABARD. (2003). *NABARD's Microcredit Initiatives*. Mumbai: NABARD.

Narasimham, Committee. (1991). *Report of the Committee on Financial System.* Mumbai: Reserve Bank of India.

Pitt, M. M., and Khandker, S. R. (1998). The Impact of Group-Based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter? *Journal of Political Economy*, *106* (5), 958-96.

Pitt, M. M., Khandker, S. R., and Cartwright, J. (2006) Empowering Women with Micro Finance: Evidence from Bangladesh. *Economic Development and Cultural Change*, *54* (4), 791-831.

Rahman, A. (1999). Microcredit initiatives for equitable and sustainable development: Who pays? *World Development*, *27* (1), 67-82.

Rahman, R. I. (1986). *Impact of Grameen Bank on the situation of poor rural women*, Grameen Bank Evaluation Project Working Paper No.1. Dhaka: Bangladesh Institute of Development Studies.

Rogaly, B. (1997). Linking Home and Market: Towards a Gendered Analysis of Changing Labour Relations In Rural West Bengal, IDS Bulletin, 28(3).

Sen, A. 1990. Gender and co-operative conflicts, pp. 123–49 in Tinker, I. (ed.), Persistent Inequalities: Women and World Development, New York, Oxford University Press

Swain, R. B., and Wallentin, F. Y. (2007). Does Microfinance Empower Women? Evidence from Self Help Groups in India, *Working Paper No 2007:24*, Department of Economics, Uppsala University. Sweden.

Todd. H. (1996). *Women at the Centre: Grameen Bank Borrowers after One Decade*. Colorado: Westview Press.

Zaman, H. (2004). *The Scaling-up of Microfinance in Bangladesh: Determinants, Impacts and Lessons*. World Bank Policy Research Working Paper No. 3398. Washington DC: World Bank.