

## Women and Microfinance in the Global South

Originally conceived as small-scale loans allowing impoverished women to invest in informal-sector economic opportunities, microfinance programs have grown rapidly across the globe over the past two decades to become the most common development tool used to empower women in low- and middle-income countries. *Women and Microfinance in the Global South* incorporates a meta-synthesis of thirty qualitative empirical cases from Asia, Africa, and Latin America to explore the links between microfinance and women's empowerment, questioning how microfinance facilitates the economic and sociopolitical empowerment of women. The theoretical framework assesses both positive and negative outcomes of microfinance at the grassroots level, considering how such market-based interventions intersect with patriarchal beliefs and practices, and analyses the different mechanisms through which microfinance can empower or disempower women. It will interest scholars of developmental studies and women's issues, as well as practitioners, NGOs, and policymakers.

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# Women and Microfinance in the Global South

*Empowerment and Disempowerment Outcomes*

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## Preface

Many date the global microfinance “revolution” from the creation of the Grameen Bank in Bangladesh in the 1980s under the leadership of Muhammad Yunus (Bateman 2010).<sup>1</sup> Yunus envisioned providing poor women microloans to invest in small-scale income-generating activities in order to alleviate their poverty and socially uplift them. The Grameen model of lending incorporated several innovative practices that served as a model for the virtual explosion of women’s microfinance programs over the next several decades. First, the Grameen Bank focused its lending on women whose poverty and gender excluded them from access to formal credit. It also employed a group-lending model in which women without the collateral to obtain individual bank loans assumed joint liability for repayment (Bernasek 2003, Rahman 2001, Weber 2002).

In the following years, international financial institutions (IFIs), multilateral and bilateral development agencies, foundations, and major international donors promoted microfinance across the globe. It soon became the most widespread and important development intervention aimed at women in low- and middle-income countries. In 2013, women made up 75 percent of the approximately 211 million individuals worldwide with outstanding microfinance loans. The majority of these women borrowers, some 94 million, were poor or extremely poor (Reed et al. 2015, 12).

<sup>1</sup> Following the lead of Bateman and Maclean (2017), this book employs the term “microfinance” as interchangeable with “microcredit.” In addition to small-scale loans, microfinance can also include financial services such as micro-insurance and micro-savings, which proponents suggest can aid women in financial planning, risk management, and “income smoothing” (Bateman 2010, 12, Reed et al. 2015). This book, however, focuses almost exclusively on loan services offered by NGOs.

Proponents saw in microfinance not only a powerful tool to enable women to lift themselves out of poverty, but also the key to broader social and political empowerment (Iskenderian 2013, Watkins, Swidler, and Hannan 2012). A 1997 UN General Assembly Resolution highlighted microfinance as “an important anti-poverty tool that promotes asset creation, employment and economic security and empowers people living in poverty, especially women” (UNCDF 2005, 22).

### Encounters with Microfinance in the Field

By the mid-2000s, when I met with women’s organizations in rural zones in Nicaragua and El Salvador to explore empowerment processes, microfinance seemed to be everywhere. Low-income rural women enthusiastically joined these programs to access loans to invest in their “microenterprises” – almost always a version of sewing, small livestock, backyard garden (*huertos de patio*), or food preparation projects – and to cope with meeting household basic needs under conditions of chronic and acute poverty. In talking to women, however, the links between microfinance and their empowerment seemed much more complicated than the linear optimism of the programs’ promoters.

In one Pacific-coast Nicaraguan community I had visited over several decades, for example, the impacts of a recent European NGO-funded revolving women’s credit fund were decidedly uneven. Many women had limited knowledge of or control over the loans taken out in their names and referred me to their male partners for details. Where women did keep control of loans, the poorest – single elderly women, women with disabilities and chronic health issues, and women whose male partners were underemployed and/or abused alcohol – rarely invested in income-generating projects. They most commonly used the funds to pay for food, medications, children’s educational expenses, and migration of family members to neighboring countries. Many had defaulted on their original microfinance loans and were cut off from future access.

I also encountered microfinance success stories, albeit fewer in number. One of the women, Maria Luz,<sup>2</sup> whose male partner had abandoned her and their seven children several years earlier, used microfinance funds to purchase inputs to maintain her orchard of plantain trees, which provided a small but steady stream of income for her household. Loans were one piece of Maria Luz’s complex and longer-term path toward

<sup>2</sup> The names in this chapter have been changed.



empowerment, which also included participation in NGO social programs, housing projects, and health training; access to income from adult children; and her agency in asserting her rights to land titles and a role in male-dominated community organizations.

My most vivid image of microfinance, however, occurred in the highlands of Matagalpa, Nicaragua. A local women's group leader took me to visit former hacienda day laborers who had received parcels of land in Nicaragua's 1990s land reform. We hiked up and down muddy coffee fields to arrive at a one-room NGO-built cement-block house. Although it was breakfast hour, the clay stove in the corner was unlit and no bags of corn or beans were in sight. Pieces of burlap were laid out as bedding on the floor. The house's owner, Veronica, offered me a plastic chair, the home's only piece of furniture, to sit on.

That morning, Veronica was distraught. Like other women in the community, she'd taken out the equivalent of a \$50 loan to plant squash (*chayote*). The night before, however, a vindictive ex-partner, trying to pressure Veronica to give him title to her parcel of land, had smashed her nearly ripe crop and torn down the wire trellis she'd purchased with her loan. Both Veronica and the women's group leader felt that going to the police, who had few incentives or resources to intervene in domestic disputes, would be of little use. Veronica feared further violent retribution from her ex-partner if she made a formal complaint and despaired that she would never be able to pay back her loan. With a single act of male violence and intimidation, microfinance had shifted from a new opportunity for Veronica to lift herself and her family out of poverty to a seemingly insurmountable trap of debt and further destitution.

As IFIs' and donors' most favored market-centered poverty-reduction intervention for women in the Global South, microfinance has embodied potential opportunities and intensified risks. Such risks, however, are not neutral, evenly distributed, or inevitable. As this vignette illustrates, risk was intensified by Veronica's sex, poverty, and rural location; by the weaknesses of state institutions; and by wider macroeconomic policies that undermined the position of small farmers.

### Microfinance in Contention

This complex set of microfinance experiences in Central America is reflected in the hundreds of largely quantitative studies carried out over two decades on the impacts of microfinance on women's economic status and well-being. Favorable empirical findings have been limited, and

beset with methodological issues (Duvendack et al. 2011, Stewart et al. 2012, Vaessen et al. 2014). At times, microfinance projects benefit women. In other cases, they have a neutral or even negative impact on women's lives.

A lack of clear evidence that microfinance was a consistently effective tool for poverty alleviation and women's empowerment did little to dampen the initial waves of IFI and donor enthusiasm that funded the expansion of microfinance from its original base in South Asia into Latin America and Africa by the mid-2000s. A body of scholarship critically appraising microfinance also took form during this period. It highlights methodological flaws and empirical weaknesses in the campaigns to promote microfinance, and links microfinance to a global neoliberal policy agenda (Bateman 2010, 2017, Fernando 2006, Mader 2015, Maclean 2017, Roy 2010, Weber 2006).

Specifically, the microfinance boom formed part of a broader World Bank-led shift from the market fundamentalism of Washington Consensus policies to inclusive neoliberalism or post-Washington Consensus policies (Craig and Porter 2006, Murray and Overton 2011).<sup>3</sup> Post-Washington Consensus policies kept intact many of the earlier core neoliberal assumptions and policies, while adding a new focus on targeted anti-poverty interventions and women's empowerment (Bedford 2009, Eyben, Kabeer, and Cornwall 2008, Gill 2008, Isserles 2003, Molyneux 2007a). IFIs and donors have promoted microfinance as a centerpiece of an array of anti-poverty interventions targeting girls and women, which also came to include hybrid "graduation programs" for the very poorest women and, in Latin America in particular, conditional cash transfers (CCTs) – payments to women in exchange for enrolling their children in health and educational interventions – and measures to "invest in girls" and improve their human capital (Hashemi and de Montesquiou 2011, J-PAL and IPA 2015, Valencia Lomelí 2008).

While, recently, IFIs and donors have begun to retreat from more ambitious empowerment goals, empowerment remains a potentially valuable tool by which to evaluate microfinance (Consultative Group to Assist the Poor 2012, Reed et al. 2015, World Bank 2012). Empowerment is a comprehensive concept that extends beyond a narrow, economic approach to women's well-being. It encompasses multiple domains of collective and individual processes of gender change. The concept of empowerment can

<sup>3</sup> I use the terms "post-Washington Consensus" and "inclusive neoliberalism" interchangeably in this book.

help bridge two largely separated fields of practice and research: gender and development (GAD) anti-poverty interventions and women's social activism (Cornwall and Rivas 2015, Tandon 2000).

This book explores the tensions between microfinance's reliance on market processes and its wider social mission of women's empowerment. In this task, I bring together two interrelated strands of critical scholarship: 1) the role of microfinance as part of a global neoliberal policy agenda of deepening "free market" capitalism; and 2) the feminist scholarship on gendered representations and the impacts of poverty-reduction policies and programs that target women.

Because the term "empowerment" is now widely used by disparate actors with distinct underlying assumptions and criteria, it is crucial to first define the concept. I delineate two contrasting models, market and transformative empowerment, as applied to microfinance. I also consider processes of women's disempowerment – the conditions under which women experience increased poverty, economic vulnerability, social stigma, and collective demobilization – as intrinsically intertwined with microfinance market-based opportunities.

The study of microfinance holds a particular policy and ethical urgency, as women in the Global South experience high levels of poverty, compounded by gendered discrimination and barriers in accessing employment, income-earning opportunities, and capital. Practical gender needs – food, healthcare, housing, employment, education, and physical security – are often at the forefront of women's concerns and demands for change. Women also struggle to gain voice, status, and power in the household and political spaces (Charmes and Wieringa 2003, Cornwall and Edwards 2010, Fernando 2006).

Microfinance offers several features that distinguish it from other anti-poverty policies and make it of particular theoretical and policy interest as a possible tool to address women's material needs and (dis)empowerment more broadly. First, in comparison to targeted redistributive policies that rely on government funds, donations, and subsidies, which can be withdrawn at any time, microfinance offers, in theory, a more sustainable response to the material needs of women in the Global South. Second, unlike CCTs, which target women primarily in their domestic roles, microfinance requires women to engage in new or intensified entrepreneurial activities. As such, it can deepen our understanding of the (dis)empowering potential of women's market engagement and the links between women's shifting public-domain roles and power and well-being inside the household. Third, many microfinance beneficiaries are required

to create groups to collectively administer loans and to serve as spaces of social empowerment. An analysis of the inner workings of microfinance groups can provide grounded insights into the tensions between neoliberal values and practices and the processes of building women's solidarity and capacity for collective mobilization in favor of strategic gender change.

While there are now several high-quality meta-analyses of quantitative microfinance studies, there is not as yet a systematic review of the rich set of qualitative research on microfinance and women's empowerment that has accumulated over the past fifteen years. To help address this gap, this book incorporates a meta-synthesis of thirty high-caliber qualitative studies of microfinance and women's empowerment conducted in South Asia, Africa, and Latin America. This meta-synthesis systematically reviews and integrates key findings of ethnographic observations, in-depth interviews, and focus groups to extract insights into the underlying processes and meanings of microfinance. It responds to the call that feminism should engage with policy and practical problems (Hankivsky 2005, 978). A meta-synthesis allows for a grounded analysis of women's (dis)empowerment. It can also make case-study findings more widely available in an accessible and synthesized form that may provide guidance in policymaking.

Several questions are addressed in the chapters that follow. Does microfinance, as a market-centered intervention, facilitate economic, psychological, and sociopolitical empowerment of women? Under what conditions and through what pathways? While my analysis approaches microfinance empowerment as a dominant, market-centered intervention promoted in specific forms by powerful global actors, it is also a highly contested project. This book considers the ways NGOs as organizations, NGO frontline workers, and women borrowers mediate, subvert, or openly contest dominant policies on the ground. It analyzes empowerment as a complex, contentious set of assumptions, values, and practices, and asks, how do women themselves understand empowerment? What processes (economic and/or associational) contour and change women's perspectives on themselves and their roles in society? I bring in women's agency both as part of the process of empowerment and as an outcome. My empirical synthesis also examines contextual factors – in particular macroeconomic policies and the confluence of patriarchal gender regimes and neoliberal ideologies – that shape women's experiences of deepening market integration.

This book also explores empowerment in distinct domains, in particular the relationships – mutually reinforcing, contradictory – between

women's empowerment in public and private spheres. It examines the assumptions, rooted in the Women in Development (WID) paradigm, that women's engagement in informal markets is no longer a survival mechanism, but potentially emancipatory. It seeks to look inside the "black box" of household relations, not easily captured in quantitative studies, with a focus on power relations and interpretive processes. Likewise, it asks, how do microfinance groups manage the tensions between the pressures of market efficiency and the goals of gender solidarity and enhancing women's political agency and capacity for collective action?

### Outline of the Book

The chapters that follow first set out to evaluate key theoretical and policy debates surrounding the microfinance model of women's empowerment. Chapter 1 delineates the particular assumptions, values, and practices of the dominant microfinance model, what I term "market empowerment." Chapter 2 presents a critical analysis of this empowerment model as part of a broader global neoliberal project that may serve to demobilize and depoliticize women. It also draws on feminist analysis of gender instrumentalism, and concludes with an outline of the transformative empowerment model. The challenges of measuring women's empowerment and the limitations of quantitative studies are explored in Chapter 3. This chapter introduces the concept of meta-synthesis and details the methods through which the thirty qualitative empirical cases in this book were collected and analyzed.

The empirical section of the book, which follows in Chapters 4 to 9, centers on three areas: 1) a grounded exploration of NGO policies and practices of empowerment; 2) the relationships between economic (dis)empowerment and women's psychological and social empowerment at the household level; and 3) the processes of (dis)empowerment inside of women's microfinance groups and links to broader processes of gender change. Chapter 4 examines the top-down incentives and pressures through which diverse microfinance NGOs have converged toward market-centered policies and practices. NGOs' uneven implementation of microfinance gender-equity policies and the factors behind these gaps are the focus of Chapter 5. This chapter highlights in particular the instrumental logic behind the microfinance focus on women, its representations of and accommodations to male authority, and the mediating roles of frontline workers.

The following chapters shift attention from NGOs to individual and household-level (dis)empowerment impacts of microfinance. Chapter 6 opens with an analysis of women’s motivations for seeking microfinance and their concepts of empowerment, focusing on practical gender needs. It next explores the empowerment implications of household loan control, as well as the pre-conditions and macroeconomic contextual factors that influence the economic viability of women’s microfinance investments. Chapter 7 continues to look inside of the “black box” of household gender power relations with an examination of the bidirectional linkages between economic empowerment and women’s household status and voice. It places special emphasis on interpretive processes, the role of women’s agency, and patterns of men’s resistance.

Collective experiences of (dis)empowerment in microfinance groups are the focus of Chapters 8 and 9. I first provide an analysis of how NGO market-oriented activities shape group formation and practices. Chapter 8 next analyzes the conditions and collective interactions that lay the groundwork for transformative empowerment, women’s covert resistance, and the characteristics of disempowering, conflictive groups. Chapter 9 expands the focus outward to the frequency and quality of women’s political participation and the wider implications of this microfinance mobilization for gender norms and women’s rights. It considers the potential bridging role of microfinance groups in facilitating collective political action.

Chapter 10 brings together the major themes of the meta-synthesis to highlight the deep tensions between market values and practices – experienced directly in the informal economy and mediated through microfinance – and women’s empowerment. Finally, Chapter 11 provides an exploration of the recent policy trends in global women’s anti-poverty measures of deepening marketization and targeted, bounded spaces of redistribution. It expands the book’s scope of analysis beyond microfinance to evaluate the comparative empowerment implications of CCTs and graduation programs. It finishes with a series of grounded recommendations drawn from the cases as possible guideposts for women’s empowerment.

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## Abbreviations

AMSED	Association for Solidarity and Development (Morocco)
AMSSF	Moroccan Association for Solidarity without Borders
BRAC	Building Resources Across Communities (Bangladesh)
CCT	conditional cash transfer
CEE	Credit with Education (Mali)
CGAP	Consultative Group to Assist the Poor
CRS	Catholic Relief Services (USA)
DFID	Department for International Development (UK)
DoC	Daughters of Charity (Ethiopia)
GAD	gender and development
IADB	Inter-American Development Bank
IFI	international financial institution
IMF	International Monetary Fund
INGO	international non-governmental organization
MFI	microfinance institution
NGO	non-governmental organization
PROSHIKA	Human Development Center (Bangladesh)
PRSP	poverty reduction strategy paper
RCT	randomized control trial
SAP	structural adjustment program
SHG	self-help group
USAID	US Agency for International Development
WID	Women in Development