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Microcredit and the empowerment of women

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Context

To improve benefits from livestock, which include production for household consumption and surplus for sale in the market, it is necessary for livestock keepers to adopt new production and productivity improvement practices and technologies. But achieving this may require access to credit that might not be readily available, particularly for women.

Many women face barriers in accessing credit as individuals because they lack collateral and often use group social capital as collateral. When microfinance institutions deliver their financial services to clients through group-based lending programs, groups are used as a platform to guarantee the loan, to train, mentor, mobilize savings and insurance, collect loan repayments from members and share the burden of learning what works or does not work for members. By lending to women, microfinance organizations enable them to broaden their participation in community social networks and programs, increasing their opportunities and empowerment.

Positive and negative impacts of microcredit

Whilst in theory, microfinance services combined with interventions to empower women lead to positive benefits, including enhanced household economic status, improved status and decision-making power of the borrower within the household and the community, and reduced economic and social subordination for some women, this is not always the case. In reality, there are cases where married women, in particular, exercise little or no control over their loan; such women have less control than men over the enterprise for which the money was borrowed, and 'joint management' often hides men's dominance in decision-making.

Methodology

An adapted Women's Empowerment in Agriculture Index (WEAI) was used to compare the empowerment of beneficiaries and non-beneficiaries of an agricultural microcredit project.

Measuring women's empowerment

To capture the complexity and multi-dimensional nature of empowerment, indicators for measuring women's empowerment have evolved from use of single proxy indicators, such as income and women's education, to composite and multi-dimensional indicators. Common composite indicators include the Women's Empowerment Index (WEI), Gender Development Index (GDI), the Cumulative Empowerment Index (CEI) and the WEAI.

WEAI is a composite empowerment index that uses two sub-indices - the five domains of empowerment (5DE) and the Gender Parity Index (GPI). The 5DE include: (1) decisions about agricultural production, (2) access to and decision-making power over productive resources, (3) control over use of income, (4) leadership in the community, and (5) time use, and are made up of ten indicators. GPI measures the proportion of women who are as empowered as men within their households. WEAI is calculated as a weighted average (relative importance) of 5DE and GPI.

Using an adapted WEAI, this study compared, in terms of empowerment, women who had obtained credit, with those that had not obtained credit. The WEAI was adapted to include a sixth domain, 'health', with two indicators on women's vulnerability - women's perceptions of gender-based violence and women's decision-making on their reproductive health. A third indicator on custody of identity card was added to the leadership domain. The adapted WEAI thererfore has 13 indicators. A woman is considered empowered if she has adequate achievements in four of the six domains, or is empowered in some combination of the weighted indicators that reflects 67% total adequacy.

Data was collected from 111 households in Trans Nzoia County, Rift Valley province, Kenya in June 2012. The adapted WEAI of women who had obtained credit and those who had not was computed and compared.

Microfinance is the provision of small amounts of affordable credit (or other financial services and products) that enable the poor to increase their incomes and improve their living standards. Financial outcomes, as a result of access to microfinance, include savings and accumulation of assets. Non financial outcomes include improved health, food security, nutrition, education, women's empowerment, housing, job creation, and social cohesion.

Juhudi Kilimo

Through targeted loans, Juhudi Kilimo helps marginalized farmers in rural Kenya with little access to financial services to build sustainable businesses. The average loan of about Ksh 40,000 (US$454) is used to buy designated agricultural assets (e.g. livestock and agri-inputs). Repayments are usually made over 12-18 months. Juhudi provides training on its requirements and services, and on financial management. Clients repay the loan using income generated by the assets, which also act as collateral.

Farmers that have benefited from loans made by Juhudi have been seen to substantially strengthen their livelihoods, making improvements in housing, educating children and adding employees and assets to their farming enterprise.

Results

The average size of land operated ranged between 0.10 and 3.73 acres, with male headed households servicing a loan owning the largest acreages and female headed households not servicing a loan owning the smallest.

Empowerment

A larger proportion of women with loans (43%) than those without (36%) was empowered according to the adequacy head count. In terms of the six dimensions of empowerment (6DE) and the WEAI, women who took loans were more empowered than those who did not. Women without loans had higher gender parity with their husbands than those with loans. Removing female heads of households (n=16) from the samples used to compute the WEAI (n=109), resulted in a decrease in the WEAI (from 0.74 to 0.70), which might suggest that loans empowered women from female headed households and not those from male headed households (Table 1).

Table 1: Empowerment scores of women with and without credit

Measure/score	Loan status	
	Taken loans	Not taken loans
% women empowered	43	36
6DE	0.726	0.697
GPI	0.86	0.87
WEAI (all women)	0.74	0.71
WEAI (with FHH removed from sample)	0.70	0.71

To investigate this matter further, the contribution of each indicator to the inadequacy of women and men from households with and without loans was investigated (Table 2).

Contribution of indicators to disempowerment

Looking at indicators at the aggregate level, women who had loans were more empowered than women who had not taken loans, but were less empowered in four indicators: input in production decisions, group membership, satisfaction with time allocated for leisure, and satisfaction with their work distribution. Women who had not taken loans were less empowered than women who had taken loans in two indicators: autonomy in production and control over use of income. Overall, men were more empowered than women in nine of the 13 indicators (Table 2) irrespective of whether they had taken loans or not.

Table 2: Factors contributing to disempowerment (inadequacy) of women and men

Domain	Indicator	Taken loan		Not taken loan	
		Men	Women	Men	Women
Production	Input in production decision	–	+	–	–
	Autonomy in production	++	++	++	+++
Resources	Ownership of assets	+	+++	+	+++
	Purchase or sale of assets	+	+++	+	+++
	Access to and decision on credit	+	+++	+	+++
Income	Control over use of income	–	+	–	+++
Leadership	Group membership	–	+++	+++	++
	Speaking in public	–	++	–	++
	Identity card	–	+++	–	+++
Time	Leisure	–	+++	–	++
	Work distribution	–	+++	–	–
Health	Reproductive health	+	+++	–	+++
	GBV attitude	+	+++	+	+++

Key: – = Adequate or barely inadequate; + = Slightly inadequate; ++ = Moderately inadequate; +++ = Substantially inadequate

The women's inadequacy in input in productive decisions may have been caused by the fact that most women do not own productive assets and their decisions are contingent upon their relationships with men who own them. Even with access to loans, women might have been constrained from exploiting the loans because of having weak decision-making capacity over the assets required to obtain the loans. The other indicators are associated with women's constraints in terms of time once they acquire the asset e.g. a dairy cow. Women assign most of their time attending to it, in order to attain maximum productivity so that the asset is able to pay for itself quickly. The fact that women with loans were more empowered than those without, in terms of autonomy in production and control over use of income, suggests that women taking loans gain in terms of these two indicators.

Conclusions

In terms of proportions of adequacy, (indicators 6DE and WEAI), women who had access to credit were more empowered than those that had no access. Further investigation, in terms of removing female heads of households from the sample and re-computing WEAI, however, suggested that women from male headed households that had access to credit did not become empowered. Their inability to become empowered by the credit intervention might be explained by the fact that they had limited input to productive decisions and were constrained in terms of time. This finding supports the need to measure empowerment using composite indices because they are able to demonstrate specific dimensions and components of dimensions (demonstrated by different indicators) that contribute to empowerment. The fact that men culturally own and control more assets (land and other resources) than women places men at greater advantage than women before the intervention. Differences in empowerment between male and female beneficiaries of the microcredit intervention could have been influenced by these underlying gender differences. In spite of having access to loans, therefore, most women might have still depended on men to provide the land and other resources required for production, as well as for decision-making.

Recommendations

- Access to microcredit by women should be pursued, as women who access credit are more empowered, in spite of men owning and controlling most productive resources. Credit interventions should, nonetheless, be provided simultaneously with interventions to prevent or mitigate against the reduction of decision-making and control over productive assets by women.
- Based on findings from this study, there appears to be a need to transform community gender ideologies that require men to control most productive assets, which might be associated with undermining the empowerment of women in male headed households. One way of attaining this transformation may be by involving both economic and rights development practitioners in planning and implementation of microcredit projects. The rights practitioners could help to influence ideologies by demonstrating the ones that violate women's rights, in what ways, and how this can be stopped.

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Farmers who have benefitted from loans have strengthened their livelihoods

Loans are used to buy agri-inputs and livestock

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