

Microcredit in Uganda: Fundamental Reform or Just another Neoliberal Policy?Paige Miller²⁷, Jacqueline Murray Brux²⁸ and Clementia Murembe Neema²⁹**Abstract**

Widespread global initiatives aimed at improving conditions for the world's poor have frequently begun with the vision of just a few people. Examples are numerous but in this paper we focus on micro-enterprise credit (microcredit). In the case of microcredit, a widespread movement has placed projects in many countries throughout the developing world. Microcredit is typically made available to women who would otherwise not have access to loans on reasonable terms. While some view microcredit as a revolutionary means of improving both the lives of women and the poor more generally, others argue it is a band aid approach to development, rooted in a neoliberal logic that does very little in terms of enacting real, long-term change. These arguments, however, are often based on evidence from Asian or other non-African countries and so don't account for different models of microcredit or cultural context in shaping outcomes for women and their families. We address these issues through a qualitative study of three microcredit groups in the east African country of Uganda. Based on qualitative interviews, we argue that microcredit holds a number of possibilities for women and their communities including healthier families and educated children as well as more intangible benefits such as feelings of solidarity and self-confidence. While our interviews suggest a number of benefits of micro-enterprise credit, we recognize that such programs are not the single solution to poverty. Ultimately, though, we argue that the negatives do not dispel the benefits that can result for many women.

Keywords: Gender, Microcredit, Africa, Development, Neoliberalism, Poverty

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1 Introduction

Widespread global initiatives that have improved conditions for the world's poor have frequently begun with the vision of just a few people. Examples include fair trade cooperatives, the Millennium Development Goals, the Jubilee Year of international debt forgiveness, and micro-enterprise credit. In the case of micro-enterprise credit (also termed microcredit), a widespread movement has placed projects in many countries throughout the developing world. Non-governmental organizations (NGO's) offering microcredit have proliferated, and the Nobel Peace Prize has been awarded to the founder of a microcredit bank, Muhammad Yunus. Nevertheless, microcredit is not without controversy, including concerns about women being exploited, overworked, and strained in their relationships. Perhaps more importantly, microcredit has been viewed as a 'Band-Aid' solution that does little to alter the fundamental inequalities that exist in many developing countries. Even worse, it has been charged with diverting dollars from better investments by NGO's, international organizations, and governments and serving as a justification for other neoliberal capitalist policies throughout the developing world, policies that ultimately harm the poor.

This paper addresses these very issues through an examination of three microcredit projects in Uganda. Our results suggest that microcredit can bring dramatic benefits to women and their families in these contexts and can indeed create the fundamental reform necessary to overcome its inequalities. While fundamental reform occurs in a variety of ways, we focus on the use of income stemming from micro-enterprises to support the education of children and the empowerment of women. We argue that the redistribution of assets in the form of human capital (as well as other forms of capital) achieves long-term, *sustainable, fundamental change*.

To address these issues, we provide a summary of the background of microcredit, followed by a discussion of the controversy over microcredit, highlighting the tension between those who argue microcredit is an initiative that can and will create real change vs. those who take a more critical view. Next, the research methodology is described, followed by descriptions of three women's microcredit groups in Uganda. The subsequent analysis and discussion considers the benefits of microcredit and its role in creating fundamental reform.

1.1 Background

Microcredit is typically made available to women who would otherwise not have access to loans on reasonable terms. There are many barriers that deter women from pursuing conventional loans. Typically, formal lending institutions balk at making large numbers of small loans, due to high transaction costs. These institutions would prefer to lend \$1,000 to one person than \$100 to ten people. Informal moneylenders are often present in developing countries, but charge exorbitant interest rates made possible by their market power. Even when credit is available to small farmers and entrepreneurs at reasonable interest rates, women are often neglected in these markets because 1) lenders often require that the loan be made to the head of the household, normally deemed to be the husband, 2) they require that borrowers be literate (women in Africa are far less likely to be educated than men), 3) they require collateral (most land, livestock, and vehicles are formally titled to men, and when women do own assets, they are extremely risk-averse to using them as collateral), and 4) they are located in distant cities (women frequently cannot make long trips to urban lending institutions due to child care and other responsibilities).

Micro-enterprise credit programs, which by their very nature involve women, often avoid these difficulties (AUTHOR, 2005). Some microcredit programs are created by women who organize themselves into their own borrowing/saving (lending) groups. At the most basic level is the group of women (and sometimes men) who have organized themselves into what are called 'merry-go-rounds'. In its simplest form, this involves a group of people who typically know each other already and wish to form a saving and lending group. They elect a group leader, and there are typically weekly or monthly meetings. At each meeting, each member contributes a specific amount of money, and group members take turns borrowing this money. If, for example, a group has 20 members and each contributes 100,000 Uganda Shillings each month, the pot will be 2,000,000 Uganda Shillings given to a member. This money (approximately \$770 in U.S. dollars)³⁰ can be used to purchase the essentials for beginning or expanding a business. The borrower has a set schedule for repaying the loan and any interest, and continues the weekly or monthly contributions until all the members have borrowed their share. The merry-go-round is by far the most common type of microcredit group in Uganda (and much of sub-Saharan Africa).

Other women's groups may work directly with financial institutions, or with layers of institutions below the level of the banks. For example, a group leader may represent a group of women. She and other group leaders are represented by a cooperative, and the leader of the cooperative participates in a larger organization of cooperatives. NGO's are frequently involved and offer training in business, numeracy, and money management and provide guidelines to assure fairness and transparency. In all of these cases, one literate woman can represent the group of women, thereby reducing literacy requirements for the rest of the women. Group lending also reduces the lender's transaction costs, as a large sum may be loaned to the group through its leader, who then dispenses the smaller loans to individual group members according to the wishes of the group (which reduces the need for banks to charge higher than market interest rates to make up for otherwise high transaction costs). Finally, acting as a group, women can also overcome the lender's need for conventional collateral. Such women's groups are well known to avoid default, since default by one woman in the group would endanger further loans to the group. Peer pressure and/or a willingness of the group to repay the loan results in miniscule default rates. As long as the larger, more complex organizations are not commercialized and for-profit, they can avoid some of the pitfalls noted later in this paper.

The Microcredit Controversy

Much has been written about the topic of micro-enterprise credit (Afrin, Islan, and Ahmed, 2010; Ahmad, 2003; AUTHOR 2005; Duvendack et al., 2011; Feiner and Barker, 2007; Ferry, 2007; Gehlich-Shillabeer, 2008; Gutberlet, 2009; Kaser et al., 2010; Knight, Hossain and Rees, 2009; Lawson et al., 2010; Mahoney, 2014; McPherson and Rous, 2010; Nieto, 2005; Poon and Thai, 2010; Ray-Bennett, 2010; Roy and Chowdhury, 2009; Rutherford and Arora, 2009; Sievers and Vandenberg, 2007; Stewart et al. 2012; Vaessen et al., 2014). While much of the literature focuses on Asia and Latin America, researchers have also studied microcredit programs in a number of African countries (Rooyen, Stewart, and De Wet, 2012) including Botswana (Morewagae, Seemule, and Rempel, 1995), Gambia (Sanyang and Huang, 2008), Ghana

³⁰ One U.S dollar was equivalent to approximately 2600 Uganda shillings at the time of research.

(Kwateng, 2009; Masakure, Henson, and Cranfield, 2009), Mali (Mwenda and Muuka, 2004), Nigeria (Obamuyi, 2009), Rwanda (Papias and Ganesan, 2009), Senegal (Africa Research Bulletin, 2010), South Africa (Hietalahti and Linden, 2006; Mogale, 2007; Mwenda and Muuka, 2004), Ethiopia (Guush, Gardebroek, and Moll, 2009), Kenya (Gulyana and Talukdar, 2010; Kithinji, 2002), Zambia and Zimbabwe (Mwenda and Muuka, 2004), among others. Much of the literature on the impact of microcredit is mixed, with some citing positive benefits for participants in women's microcredit groups, their families, and their communities. For instance, using a small loan a seamstress may purchase a sewing machine, which vastly increases her productivity and income, thus enabling her to repay her loan and interest and improve the well-being of her family. Women are widely observed to use their income to pay for items such as school fees, uniforms, and supplies; medicine; and nutritious food for their children. Additionally, some researchers argue that when women acquire greater income, their status within the household increases, enabling greater authority in choices such as those regarding fertility and education of children (AUTHOR, 2005).

Nevertheless, some voices have been less positive. For example, poor women micro-entrepreneurs may remain trapped in the informal labor sector, without work protections or rights; they may be charged above-market interest rates by micro-lenders who reap profits from high repayment rates; they may face not only an increase in their already heavy work burden but also hazardous conditions and low pay; and they may face conflict within the household and/or the women's group. Other concerns include the risk of loss of collateral when collateral requirements are in effect, potential strife between women and neighbors, and conflicts with law enforcement.

Yet perhaps one of the most significant criticisms of micro-enterprise credit goes something like this: *Microcredit can serve to alleviate some of the disadvantages of poverty, somewhat like a Band-Aid can serve to stop the bleeding of a deep-seated wound. It can generate income for some women, allowing for the purchase of a few more consumer goods and perhaps a higher level of comfortable living. But it does not create fundamental change in developing countries where the rich own the bulk of the wealth and command the greatest control over national resources. Without radical changes that alleviate these inequalities between the rich and the poor, microcredit cannot overcome the depths of poverty any more than a Band-Aid can prevent deep-seated infection that threatens the life of the injured.* For those seeking radical change over a grossly disparate distribution of resources, and thus a fundamental shift toward the alleviation of global poverty, this is a serious criticism indeed.

Feiner and Barker (2007), for instance, maintain that microcredit represents an example of neoclassical (neoliberal) policy. As part of a neoliberal philosophy, poverty would be seen as a personal failure, with the presumption that individuals must become more responsible i.e., people should "work harder, get educated, have fewer children, act more responsibly" (Feiner and Barker, 2007, p. 237). Thus, in the minds of neo-liberals, the solution to poverty would be behavioral change on the part of the poor. The implicit assumption is that poor people have the opportunities necessary to make the desired behavioral changes.

More specifically, Feiner and Barker argue that, “as an antipoverty program, microcredit fits nicely with the prevailing ideology that defines poverty as an individual problem and that shifts responsibility for addressing it away from government policy-makers and multilateral bank managers onto the backs of poor women. Microcredit programs do nothing to change the structural conditions that create poverty” (Feiner and Barker, 2007, p. 237). In other words, microcredit fails to produce the kind of change that is required for a lasting improvement in the conditions affecting the poor. It is just another neoliberal concept.

Bateman (2014) utilizes a more extensive, well-documented – and persuasive – analysis of the problems with microcredit. As with Feiner and Barker, he argues that microcredit is part of an overall neoliberal philosophy, and indeed, is accepted as a justification for continuing neoliberal policies rather than seeking true fundamental change that favors the poor. “[Microcredit shows] to the public, and to the poor in particular, that ‘something’ is being done’. ... [it] satisfies the need to ensure that ‘development and ‘progress’ are always and everywhere mainly seen as an outcome of individual capitalistic entrepreneurship processes, even in the very poorest communities, and that there is no real need for state intervention” (p.26 and p. 28). In Bateman’s (2014) words, microcredit has “very high PR value” (p. 28).

Indeed, Bateman argues that microcredit actually harms the poor by reducing “funding on other forms of intervention, such as health, education and infrastructure” (p. 25). Similarly, liberalization calls on privatization, even when it comes to the basic services needed by all citizens. According to Bateman, “privatization projects that deny the poor access to important services (e.g. water) can be temporarily supported by a microcredit program that for a period allows the poor to continue to access the now more expensive private services” (p. 25). Microcredit institutions, NGO’s, governments, and international organizations get away with less spending on and privatization of important services because the public, including the poor, can be pacified if microcredit operations can succeed in even modestly and temporarily raising the incomes of the poor. The ultimate consequence is that microcredit ensures “that the poor forget about any demand for the meaningful redistribution of wealth and power” (p. 7).

Bateman’s argument rests on a number of assumptions about the workings of microcredit. First, he brings in the concept of supply-side policy, not in the sense of Reaganomics of the 1980s, but of Say’s Law of the Classical view within economics; i.e., that ‘supply creates its own demand’. He argues that this law is, of course, incorrect and that the services and sales of micro-entrepreneurs are offered to markets already saturated with these same services and sales. If additional supply is offered, it only serves to replace sales by competitors and/or to depress prices, thus hurting all informal labor within this market. Second, he states that if potential micro-entrepreneurs resist microcredit and micro-enterprises due to their knowledge of these problems, they then become labeled as lazy and as people who should work harder, conforming to Feiner and Barker’s argument that neoliberalism views poverty as the fault of the poor. Third, he states that, “the poor are increasingly being forced to attempt to survive by informally producing an array of simple goods and services that are mainly sold to their equally poor neighbours in the same community” (p. 8). And finally, Bateman continues by maintaining that the commercialization and deregulation of microcredit institutions has resulted in high profits to the owners of these institutions, won on the backs of the over-worked poor who often lose their

collateral and fall into debt while trying to repay their loans. Bateman offers an impressive array of documentation of the failures of microcredit and argues that those professionals who still extoll the benefits of microcredit are choosing to ignore the evidence or are being deliberately deceitful in order to maintain profits or to justify the capitalist way.

We too see the neoliberal view as flawed insofar as it entails the commercialization, deregulation, and profiteering of microcredit institutions; but *we also* see the analyses of Feiner and Barker and of Bateman as flawed for a number of reasons. First, in contrast to Bateman's argument, women in our Ugandan groups are not selling to saturated markets. They carefully make business plans and often have them reviewed by NGO's. As we shall see with the Ugandan groups, the women are quite innovative. One group sells unique products such as hybrid flowers and tree seedlings along a non-competitive highway that transports people from a multitude of geographical areas. Another group sells collected rain water to people in a severely water-deficient area.

Furthermore, even poor slum women selling to other poor slum women in other groups can benefit each other, with one woman buying wholesale (such as cloth) at low prices and selling smaller amounts (adequate to make an article of clothing) at higher unit prices, or selling gathered items (such as large amounts of tree branches) and reselling smaller pieces of wood sufficient to start cooking fires. None of these women can be assumed to be ignorant, which seems to be the implication of some of Bateman's arguments.

Second, and perhaps most significantly, virtually all of the many case studies described by Bateman in his text focus on Asia (particularly Bangladesh and India), Latin America (especially Bolivia and Mexico), parts of Europe (particularly post-conflict Bosnia), and South Africa. The nature of these regions (for example, the traditional landscape of Asia marked by market power in the entire lending, selling of inputs, and purchasing of outputs; the more urbanized and commercialized Mexico; the historically industrialized Bosnia; and the industrialized and much higher income South Africa) and the nature of microcredit (commercialized, unregulated, and very profitable) are in stark contrast with the three groups we studied in Uganda and most likely with much of the rest of sub-Saharan Africa that shares similar characteristics with Uganda, notably poor, rural, and non-industrialized. Bateman does make one specific reference to the African continent, only to state that Africa remains in poverty essentially because of the many micro-entrepreneurs, informal microenterprises, and self-employment ventures that have shifted focus away from "the institutional (financial and non-financial) and associated organizational structures, including 'developmental state' structures, required to raise productivity through carefully establishing and supporting much larger manufacturing-based/industrial businesses operating in the formal sector" (p. 13).

These statements are profoundly flawed. While there probably *are* more informal micro-enterprises, as well as microcredit operations, in Africa than anywhere else in the world, this is because, lacking better opportunities, women have found it enormously beneficial to organize themselves in this way. These microcredit operations are not commercialized or making profits for an outside enterprise. Indeed, women shun commercial banks, stating that "they will take my goat". They are risk-averse and know enough to avoid higher than market interest rates. The

presence of these microcredit operations is not a negative thing. Additionally, sub-Saharan Africa is indeed poor, but it is a big step to state that Africa's poverty is due to the prevalence of microcredit. Africa is poor for many reasons, not the least its struggle to release itself from its recent colonial structure and the global imposition of structural adjustment policies and neocolonial policy. Finally, it is a mistake to focus on the need, as Bateman states here and in several places elsewhere, for a larger manufacturing-based/industrial business structure. Development economists are well aware that most people in sub-Saharan Africa live in the rural sector; and more specifically, most of the poor live there. What is especially important is to improve the well-being of this sector by raising agricultural prices to market levels, and by assisting the agricultural sector through infrastructure, extension services, education, health care, roads, and assistance to low-income net buyers of food. Rural small-scale labor-intensive industry, such as that involving the processing of agricultural products, further enhances the income to and employment in this sector. Focusing on urban industry alone, without this more balanced approach, will only result in the continued migration of impoverished rural residents to the urban informal sector, exacerbating the problems that Bateman himself describes.

Rooyen et al (2012), in their meta-analysis on the impact of microcredit and microsavings on the poor in nine different African countries, share our concern about the focus of so many studies on non-African countries. They suggest "microfinance works differently in different regions where the population density, attitudes to debt, group-cohesion, enterprise development, financial literacy, and financial service providers all vary" (p. 2250). They continue by pointing to "an increasing need to understand the evidence from sub-Saharan Africa" (p. 2250). We couldn't agree more. The major contribution of this study is the variety of outcomes achieved by each of the studies included in the meta-analysis, depending on the country, its rural vs. urban location, the objectives of the programs, the types of programs, the array of services offered, and so on. It is especially interesting that their three studies of microcredit in Uganda varied in how they impacted the lives of the poor in terms of education, accumulations of assets, and empowerment of women. Thus we come down to the need for careful studies that account for specific features of the context in which microcredit is employed.

In sum, we share the view of Feiner and Barker and Bateman that poverty is far more complex than the simplistic neoliberal view would have us believe. The alleviation of poverty, as they maintain, does indeed require fundamental change. As Duflo notes (cited in Parker 2010, p. 83), institutional change is necessary once we face "the very essential revelation that even if you take people who are entirely rational, just being poor changes your set of opportunities". Similarly, Zeller et al (1997) state that "the poor's access to institutions, markets, and infrastructure set narrow limits within which equitable economic and social development could proceed" (p. 1). However, we differ from Feiner and Barker and Bateman in our view that microcredit may well be able to achieve this fundamental change when carefully accounting for the context in which it is being employed. Our study, described as follows, thus challenges both the neoliberal view and the objections of Feiner and Barker and Bateman to micro-enterprise credit, specifically as it relates to the Ugandan experience.

2. Research Methodology and Context for the Study

Qualitative Analysis

This research project consists of a qualitative analysis of oral discussions with participants in microcredit operations in the East African country of Uganda (Seidman, 1998). We used a standardized set of open-ended interview questions for three women's microcredit groups, writing down both their responses and any further discussion by the group. One of our authors, a Ugandan woman, served as a translator in the groups and presumably made the women more comfortable in their responses. By using open-ended interview questions, and by varying these questions according to the natural flow of discussion within the group, our data became more nuanced and dynamic. In this manner, the discourse created a more intimate environment where participants were able to tell their stories.

We recorded the responses, paying special attention to common themes and topics, as well as contradictory or negative responses regarding microcredit. We observed whether husbands were present, as women do not always openly discuss their views when their husbands are present and they may downplay their involvement in and uses of income generated by their entrepreneurial activity (AUTHOR, 2005). For example, one woman outside of these three groups told us that women will sometimes use a small amount of their borrowed money on household items that provide comfort for their husbands as a means of receiving his approval for her borrowing. Then they will use the remainder for their own purposes.

The three women's groups vary in terms of size, location (rural/urban/semi-urban), income, standards of living, AIDS-affected, and other characteristics. The forms of the microcredit operations vary as well, from the simple merry-go-round structure to a more sophisticated structure involving funds borrowed from NGO's. The differences among the various groups allow us a more robust and dynamic analysis of the topic.

In addition to the interviews with *core participants* (the women's group members), we utilized interviews with *key participants* with specialized knowledge and experience, including women's group leaders, women in other microcredit groups, NGO representatives, directors of cooperatives, academicians, and representatives of financial institutions. These interviews with key participants enabled conversations with knowledgeable people offering their own experienced viewpoints on women's microcredit.

Despite careful planning, a number of limitations became clear. Some of the women to assumed that the principal investigator, a white skinned, English speaking woman, represented an NGO, and that their answers might influence whether they were to receive additional funding. The researcher attempted to explain that her purpose for the research was academic, but realized that writing a research article seemed to be a more nebulous concept than her simultaneous role as a teacher. She explained that while she could be of no direct assistance to them, she could assist them indirectly by "teaching Americans about Uganda". While it is possible that some answers may have been fabricated or exaggerated or simply the answers the women thought the researchers wished to hear, by triangulating the results of the interviews with certain literature, and conversations with key participants, we can be more confident in the robustness of our results.

The Ugandan Groups

The three Ugandan women's groups were well-established in borrowing money, establishing their businesses, and experiencing outcomes of their micro-enterprises. These three microcredit groups are located in proximity to the town of Mbarara, which is approximately 220 kilometers southwest of Uganda's capital city, Kampala. The women's groups include the following: 1) Nyamitanga Arise Women's Group, 2) Kabingo-Isingiro District Group, and 3) Rwakiruri Credit and Savings Association. The first two groups worked with NGO's. Working with an NGO assures greater transparency and fund-raising ability as these NGO's must be registered with the government.

Nyamitanga Arise Women's Group (and Caritas): The Nyamitanga Arise Women's Group works with the NGO, Caritas. Caritas is the social service arm of the Catholic Church, and it works for community development, in part, by encouraging women's groups to undertake saving and loan activities. It also encourages people to work for community improvement in the areas of 1) sanitation and hygiene, 2) gender relations in household activities, 3) sustainable agriculture, and 4) nutrition. In most cases, Caritas selects areas where people are very poor, ignorant of business and money management, and lacking in knowledge of improved agricultural methods. Caritas trains the people in these matters. It also promotes diversification in agriculture, which in this case, includes the production of bananas, cassava, sweet potatoes, yams, and millet. Caritas teaches people to boil drinking water, bathe daily, and construct and use toilets. Whereas Caritas was instrumental in launching the Nyamitanga Arise Women's Group, and the coordinator of Caritas is a member of the group, she is now more like a 'friend and advisor' to the group, and the group manages its own affairs. Once a member has begun to generate her own income, she may borrow directly from Caritas.

Nyamitanga Arise is an urban group composed primarily of poor women and is mostly known for its community nursery activities. Its primary activity is raising seedlings for trees, flowers, and fruit, which are sold to people who drive along the Mbarara-Kabale highway. Some members have received training that allows them to crossbreed plants, including flowers and fruit trees, thereby furthering their productivity and incomes. They have also learned how to make candles and baked goods for sale. The group members have also diversified their activities to include the sale of second-hand clothing, commercial gardening of food crops, and tending to pigs, poultry, and goats. These activities have all met with a market for their goods and a substantial increase in household incomes. Members make regular financial contributions to the group and take turns borrowing. Interest is charged, and if the borrower ultimately fails to repay the loan, the other members may take ownership of some of her assets.

The main challenge for this group seems to be that money is insufficient and they have yet to accomplish all of their goals. For example, they would like to buy better seed packs from South Africa, but these are costly. Constraints on finances include the fact that the land on which they plant the seedlings belongs to the Catholic Diocese of Mbarara, to which members must pay rent. Furthermore, group members hire workers in order to better manage their time. This, of course, may imply a reduction in profits, but also potentially less drudgery for women in the group.

The Kabingo-Isingiro District (and CCS): The Kabingo-Isingiro District Women's Group works with the Center for Community Solidarity (CCS.) CCS is an NGO supported by Church World Service. CCS works specifically with families of AIDS 'Orphans, Vulnerable People, and Caretakers' (OVC's), which include widows and children. CCS works with twenty different (mostly) women's groups in this area, including groups that are rural and semi-urban. CCS does not monitor the individual microcredit group operations and does not determine their credit-worthiness. And, unlike Caritas, CCS does not lend to individuals. Instead, it offers support, business and money management training, and loans to the group leaders. The groups establish their own rules and constitutions (which must be approved by CCS). They meet monthly, members make their financial contributions and/or loan repayments, and they take turns borrowing from the group leader.

Rainwater harvesting is the main project of the Kabingo-Isingiro District Women's group. Before rainwater harvesting initiatives, water was obtained from seasonal ponds or streams following the rains. However, these sources are depleted during the dry seasons of May-August and December-February, previously forcing group members and their children to travel some distance to collect polluted river water. In addition to directly harming health, water collection required extensive time spent by women and children. Indeed, children would either first collect water before going to school, which would make them reach school late and tired, or they would fetch after school, sometimes late into the night.

The members of this group decided to act by first organizing themselves into an OVC and writing a constitution. Each individual member contributed money to the group leader, who then borrowed additional money from CCS. Additionally, each participating member agreed to contribute local materials and labor for construction of a family water tank. Group members now have a constant water supply that is clean and safe. It is also reported that children's performance at school has improved, as they are able to devote more time to their studies and less time to gathering water for their families. Sale of water in the dry seasons to non-members has also improved the incomes of CCS members. Once the family water tanks were paid for, members began borrowing for other entrepreneurial reasons.

Rwakiruri Credit and Savings Association: The Rwakiruri Credit and Savings Association operates by itself, with no assistance from an NGO. This rural group, composed of men and women, started as a result of their members' desire to pool their own capital, which they could readily borrow at their convenience. These individuals had difficulties in accessing bank loans as the majority of the people lacked required collateral, and once they owned assets that could be used as collateral, they were reluctant to use them as such. Furthermore, the high monthly interest rates attached to commercial banks did not favor small entrepreneurs. The group members wrote a constitution and set of rules and all group members were required to sign an agreement. All members must repay the borrowed funds before they are eligible to borrow again. The microcredit structure is a variant of a simple merry-go-round operation. One member cannot borrow twice when other members have not yet borrowed.

An interesting aspect of the group's constitution is that the first money borrowed by a member must be spent on the purchase of a goat. One member shared that over time, the number of goats

multiplied, with females typically delivering two kids. Presumably the women were able to sell the goats and/or their milk. Other members pointed out that there has never been a default reported. Members were able to borrow increasingly larger amounts over time, as the group became more prosperous. One member of this group was able to borrow the equivalent of \$370 for one of her children's university education.

3 Results from Uganda Microcredit Groups

For women, their families, and their communities, our findings reveal that the benefits of microcredit are tangible (healthier families, educated children, improved nutrition, etc.), as well as intangible (a sense of peace, comfort, and self-confidence). One finding that emerged repeatedly is the importance that women place on the education of their children. This is the case in all of the interviews with the women's groups, as well as the literature and interviews with key participants. In interview after interview, core and key participants consistently mentioned the benefits of microcredit to their children's education. For instance, one participant noted

"Our higher incomes are used for our children's education [noting that when politicians say that education is free, 'that is a lie'.] We must pay school fees, pay for books, and purchase uniforms. These expenditures are greater than the tuition that is covered by the government."

Higher income not only pays for school fees, supplies, and uniforms, but also frees children from working so that they can attend school. And while perhaps the exception, at least one of the children received a university education. As one participant commented, *"Our children now attend school. They never miss, they are never late, and they always have clothes and school fees."*

Aside from education, children (and the family) benefit from medical care, improved nutrition, clean water, and better hygiene and cleanliness. They have more clothing and live in better homes. The following comments are particularly emblematic of participants' views:

"Some of us are able to rent better housing and all of us have home improvements"; "We are able to buy household items and medicine"; "We have been able to improve our home structures, acquire mattresses, plates, and other household items"; "We use our money to pay school fees for our children, and to purchase more nutritious food, clothing, and medicine"; "Our children are healthier."

These benefits, of course, exhibit synergy. Healthier and better-nourished children learn better at school and are less likely to be absent. Furthermore, there is a greater sense that all of these tangible benefits will continue, that the risk of unforeseen failure will not wipe them away. According to one woman,

"Before the loans, life was very risky, as our survival was based on agriculture and the weather is variable. [Their particular geographical area was dry and required adequate rain.] During bad times, our children could not go to school,

and their survival was at risk. In fact, it was after our crops died that the group decided to organize to save. This reduces our risk.” [Furthermore] “Our ownership of goats provides income security”.

Of course, tangible benefits lead to intangible ones, which are perhaps even more meaningful. People are happier and enjoy their new lives. They feel healthier and more financially secure. They experience more *“solidarity, peace, comfort, and happiness”*. Some have *“freed up time”*, and some are free from drudgery. Indeed, *“one elderly woman previously had much difficulty collecting water, and now [with the water tanks] she is much happier and comforted.”* Another stated that, *“our children now are able to bathe and be clean and comfortable”*. Finally, *“social relations within the family improved, spiritual relations improved, hospitality increased, and income increased substantially.”* “When asked about women’s feelings about themselves, virtually everyone stated that microcredit creates benefits. Comments from core and key participants include: *“microcredit definitely raises a woman’s status in society”*; *“women achieve self-confidence from the group and her micro-enterprise”*; and *“the concept of women accumulating assets is empowering”*. One group member *“achieved enough self-esteem and confidence that she had the courage to leave a bad marriage”*. As a result of microcredit, women have greater self-confidence and self-esteem, and higher status in the community. Perhaps most importantly, they *“all have hope for [their] futures and those of [their] children.”*

A concern about microcredit identified in the literature involves the potential conflict between women and spouses and other group members, and may especially be an issue given that one group permitted group members to take the collateral of a defaulting member. Nevertheless, there were no references to conflict among women in any of the three women’s groups. Women help each other with child care, and take care of community women who are destitute. The women we spoke with indicated pleasure that they can now bring food and presents to baptisms, holidays, and funerals, thereby providing support through their hospitality. Comments from key participants in other interviews include, *“we have been organized for twenty years, we are good friends, and we help each other”*, *“my daughter calls each group member ‘auntie’”* and *“we have more solidarity”*. As has been noted and has been stated in many different contexts, *“all African women belong to at least one women’s group,”* serving a variety of emotional, physical, familial, and other needs.

Conflict can also arise between women and their spouses. Again, while there is certainly potential for this, we did not hear of it or observe it. Microcredit groups often consist of widows and other single women, so that conflict with husbands is not relevant. In other cases, microcredit may well improve relations between spouses, as indicated by the improved hope and happiness women have noted. Women in one group commented that that while *other* women’s groups *may* have quarrels with their spouses over microcredit, this does not occur in her group. We also recall that women may be sly in soliciting male support, as in the case where men appreciate the home improvements that come with a small portion of the additional income.

A final theme emerging from our interviews relates to women’s increased work burden. When asked about negative aspects of their microloan projects, women responded about *“suffering from long hard work and limited time”*. Indeed, one of the most consistent statements made by

women in some way related to their work burden. Not only are they working for an income, but they also “*care for our infants and children while we work,*” which sometimes constrains their time and activities. On the other hand, many women also noted that they cared for each other’s children and some used a portion of their additional income to pay wages to workers to help them. For example, one woman noted that she was able to plant “*a larger garden and hire someone to help*” her. This means that in some cases, women’s work burden may actually decrease. In the case of the community water tank, “*time was a major constraint prior to construction of the water tanks*”, meaning that women’s (and children’s) work burden decreased following the building of the tanks. It is generally accepted in the literature that a lower work burden for women almost always improves conditions for their children (and less work burden for girls improves their likelihood of attending school) (AUTHOR, 1991). Of course, hiring workers to assist in various activities also “*cuts into our profits from our enterprises.*”

4 Discussion: Microcredit as Fundamental Reform

Before drawing conclusions about areas of potential benefit and concern related to microcredit. Let’s focus attention on the issue of fundamental reform. First, fundamental reform must certainly alter structural inequities. Dualism is a condition whereby stark differences exist side by side, including those between the wealthiest and poorest within developing countries. Dualism models, as described by Todaro and Smith (2012), imply that extreme differences in wealth and living conditions are rampant throughout the developing world. The notion of dualism rests on the assumption that disparities between wealthy and poor do not automatically go away over time and that benefits do not ‘trickle down’ from wealthy to poor. Furthermore, we know that redistribution of wealth is necessary for income redistribution. According to Todaro and Smith (2012), “the ultimate cause of the unequal distribution of personal incomes in most developing countries is the unequal and highly concentrated patterns of asset ownership (wealth) in these countries” (p. 244).

Secondly, as suggested, redistribution of wealth and income must be more than transient, so that sustainability must be part of the concept of fundamental reform. To be sustainable, the benefits of microcredit cannot dissipate when the NGO pulls out, or dissolve when a non-profit lending institution folds as a result of charging below-market interest rates. We will consider both elements of fundamental reform in turn.

Fundamental reform must certainly require some type of redistribution of assets. For example, land reform in Latin American or southern African countries is essential for a redistribution of income to occur (Gini coefficients measuring income distributions are high in these regions due to even higher Gini coefficients for land distribution). Traditional forms of wealth in developing countries can include not only land but also physical capital (including community rain-saving infrastructure, family water tanks, farming tools, and infrastructure); as well as livestock (poultry, goats, and pigs). Women in the Ugandan groups acquired all of these latter forms of capital.

There are other mechanisms of wealth redistribution, however, most commonly referred to as the acquisition of human capital. The concept of human capital accumulation as a means of redistribution is highlighted by Todaro and Smith (2012), who suggest that “human capital in the

form of education and skills is another example of the unequal distribution of productive asset ownership” (p. 244). Acquisition of human capital by the world’s poor would indeed represent a form of wealth redistribution. Examples among the women in our study include their training in business and money management; the improvement of their English language and numeracy skills; their training in candle-making, baking, and horticulture; their use of extension services; and so on. Furthermore, health is another form of human capital. We argue that greater access to medicine, nutritious food, and clean water, as well as the HIV/AIDS information offered by the various NGO’s, improves the health, longevity, and productivity, and therefore the human capital, of these women and their families.

Education of children is the most significant form of human capital accumulation in developing countries. More than anything else, the education of children was by far the most common use of income from micro-enterprise stated by the women among the three Ugandan groups. These educated children will become educated adults, and girls specifically will become educated mothers. Education of mothers correlates strongly with higher incomes of women, improved well-being and survival of children, and lower fertility of the mother (due to the opportunity cost of foregone income if a woman chooses to continually have more children). Furthermore, education of mothers correlates strongly with the education of their children, including girl children (AUTHOR, 1991). Thus, the benefits of education are not only temporal, but also inter-generational. In other words, the benefits are sustainable.

Finally, many core and key participants interviewed for this project believe that microcredit improves women’s confidence, self-esteem, and status. If microcredit does indeed empower women in these ways, they may well have more control over household resources and greater decision-making ability within the home and community. Empowerment can give women greater voice in issues such as the education of children. The concept of women’s empowerment is not without contention (Rahman, Junakar, and Girijasankar, 2009) but it is noted by a number of researchers, including Fatima (2009), Hoque and Itohara (2009), and Mwenda and Muuka (2004). We are not arguing that empowerment should be taken for granted as a by-product of microcredit, but our research confirms that empowerment can indeed take place. When viewed as a form of human capital, this is another form of wealth redistribution.

In addition to the sustainable benefits of education and the other forms of human and physical capital, several factors determine the sustainability of microcredit operations. Notably, in the context of financial institutions, these factors include: 1) the interest rate charged, 2) the risk involved (the default rate), and 3) the transactions costs. We’ve noted that the group lending process reduces risk and transactions costs for lenders, as discussed more extensively in Shankar (2007), Hartungi (2007), Papias and Ganesan (2009), and Rhyne (2009). This makes the requirement of collateral and the charging of above-market interest rates unnecessary. Thus the problems that worry Bateman; i.e., the loss of land and other collateral and continued indebtedness can be avoided in an otherwise competitive microcredit market. We also know that the use of market interest rates is more likely to be sustainable for lenders than lower (charitable) rates espoused by some (such as Feiner and Barker). Furthermore, market interest rates are vastly superior to the rates charged by traditional moneylenders, often in Asia, who take advantage of their market power and the desperation of poor people by charging exorbitant rates. We argue

that market interest rates are not inherently exploitive of the poor, but can actually promote sustainability of the microcredit program.

5 Conclusions

This paper addressed the critique that microcredit does not lead to fundamental reform. Such critiques suggest that microcredit is both unsustainable and does not entail a redistribution of income, wealth, or other assets. The results of this study, based on an analysis of qualitative interviews with three microcredit groups located in Uganda, as well as a review of certain literature and conversations with key participants, demonstrate that microcredit has the potential to both bring improvements to the lives of women, their families, and their communities AND to *bring about fundamental reform, at least within the contexts we've described.*

Past research and our results suggest that poor women, who have never found it easy to save, are capable of making financial contributions to a group, borrowing money, and repaying it; women who are illiterate and uneducated can be trained to manage money, make business plans, and run a business; and women can support each other and achieve more benefits in groups. Their businesses can be profitable and, perhaps most importantly, the benefits sustainable. More than simply improving the lives of women and their families, however, our results suggest that well-run microcredit programs can contribute in meaningful ways to achieving fundamental reform. Microcredit can be *sustainable* for NGO's and other non-profit microcredit organizations (while charging market interest rates, substituting the internal workings of the group rather than requiring collateral, and minimizing transactions costs). Perhaps more importantly, microcredit entails a *redistribution of assets* as participating women use small loans to purchase physical capital; including materials, livestock, and structural improvements that enhance their ability to generate income. If we consider capital more broadly, in terms of the inter-generational improvements in the education and health of children and even increased self-esteem and training/education of their mothers, then the requirements for fundamental reform have been achieved.

As we learn more about successful microcredit programs, we learn more about the conditions that enable a program to succeed or to fail. For example, well-run programs recognize the benefits of communal projects and required individual expenditures, such as the family water tanks in the Kabingo-Isingiro District group and the individual goat purchases in the Rwakiruri Credit and Savings Association. Certainly training in numeracy, money management, English, and business management is important, as is training for improving agricultural production (including the hybrid plants) and the production of consumer goods (such as the candles and baked goods of the Nyamitanga Arise Women's group). Good communication, fairness, and transparency are important. Working with an NGO can be extremely helpful, though we noted that the women of the Rwakiruri Credit and Savings Association made vast improvements in their lives without outside assistance.

Micro-enterprise credit is not the single solution to world poverty; nor do all poor women--especially the 'poorest of the poor'--necessarily benefit. Benefits may be more likely in one part of the world, such as Uganda, than in others. One nagging problem is that in some cases in our

study, already over-worked women took on even greater and more strenuous workloads with their microcredit operations. Additionally, micro-enterprise credit programs cannot replace other elements of fundamental reform. Other mechanisms of wealth redistribution, including tax reform, land reform, and others, will continue to be important. National and international governments and organizations must continue to extend services (including free education) and infrastructure to the poor in rural and urban settings.³¹ In these ways, we concur with Feiner and Barker's and Bateman's critique of 'band-aid' solutions. However, this doesn't dispel the benefits that can result from microcredit for many women, especially if we consider the world as it is and not the ideal that it could be.

Furthermore, Bateman argues that NGO's are misusing their funds by spending them on microcredit when they could be doing greater direct good, for example by spending them on the education of children. However, the two NGO's in our examples would not be able to sustain the education of all children in the groups they work with (as the women themselves might be able to do themselves with microcredit), nor would it be appropriate to tell a group of women that they should build water tanks or purchase goats. Isn't it far better for the women themselves to decide how to use their borrowed funds, as long as they are profitable ventures? In other words, NGO's like the ones in our examples, may be more likely to be sustainable and appropriate to women's needs when providing microcredit rather than direct services. Furthermore, there is no reason that the NGO cannot provide a variety of services, including microcredit.

Similarly, we agree that Bateman (2014) has made a significant contribution to the microcredit discussion by arguing that the commercialization, deregulation, and profit-making of the microcredit industry has had disastrous effects on poor people. Thus, not just the context of the women's group but also the form of the microcredit operations are critical in determining the success of microcredit in alleviating poverty and redistributing resources. Our examples of microcredit from Uganda are within a very different context and/or involve a very different form of microcredit operation than the examples so heatedly criticized by Bateman (2014).

Finally, in an ideal world, people would be employed in formal sector jobs, with job and income security and safe and decent work conditions. In the world as it is, there are very few opportunities for this type of employment for women, especially women who lack education and training and who must care for young children and other family members. Furthermore, in an ideal world, governments and citizens would recognize that there will always be people who are unable to work due to mental or physical disabilities or other limitations, and they will always need appropriate forms of assistance. However, these arguments do not *necessarily* negate the potential benefits of microcredit for these women. Instead, they call for informed studies of the social, cultural, and economic milieu; the abilities of clients; and the opportunities for other forms of assistance; while assessing potential benefits of microcredit programs.

³¹ Education is often expensive, including tuition, fees, and costs of supplies and uniforms. In addition to truly eliminating all direct costs of education, governments and international organizations can address the opportunity costs of foregone child labor by providing subsidies, meals, or bags of groceries to children attending school.

In conclusion, we do not support the neoclassical model for the economic development of most of Africa, nor do we support the use of microcredit in the commercialized, deregulated, for-profit models described by Bateman. In fact, we oppose them both in favor of a more eclectic model. That is, we believe in pursuing that which works from all philosophies for a particular country or region, its people, its level of poverty and development, its customs, its history, and all that is relevant. For example, we may support deregulation of agricultural prices, but also the creation of a safety net for net buyers of food. We support government intervention in the form of providing free, quality education, health care, sanitation, water, roads, and other infrastructure, for these are indeed rife with positive externalities, while at the same time providing an investment in the growth of the economy. We do not ignore the role of large-scale urban industrial development, as long as it is appropriate for the country in question, which is not the case in a largely rural, poor, and agricultural economy such as Uganda (other than the rural small-scale labor-intensive form of industry already mentioned). And more relevant here, we support the careful use of microcredit, as in our examples in Uganda, as long as it is not commercialized, deregulated, and for-profit; as long as it is associated with programs such as extension services and training in business and money management; and as long as it does not displace other worthy aid expenditures or serve as an apology or justification for the use of privatization and other neoclassical policy. Primarily by permitting an investment in human capital that is self-sustaining, microcredit can indeed be considered one element of fundamental reform.

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