



## **Why Microcredit Borrowing Projects are – at Best – a Limited Response to Poverty and Women's Inequality**

**Carolette Norwood**, University of Cincinnati

It's been a little more than ten years since the UN declared 2005 the Year of Microcredit – referring to an informal banking system that extends small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families. Microcredit had been promoted as a cure-all for the problem of economic development in the Global South. In particular, it has been widely advocated as a way to boost poor women's economic status, empowering them in other ways as well and increasing their willingness to use birth control to help themselves and reduce population pressures.

Microcredit is an informal, pre-industrial banking system. Although similar systems have existed for centuries in every part of the globe, the practice was renamed and revitalized by Muhammad Yunus, an economist, Nobel Prize winner and founder of Grameen Bank. Yunus and his supporters marketed microcredit as a medium for third-world development, poverty reduction, and gender equity. But such results are, as yet, far from fully apparent.

### **Translating Women's Neediness and Social Capital into Financial Capital**

Poor women are ideal targets for microcredit. They are often hard workers who can function as both providers and primary caretakers of their families. And creditors believe them to be more trustworthy with loans than men. Also, women in every corner of the world are the poorest of the poor. As a group, women are less educated than their male counterparts. This means they have fewer opportunities for employment in the formal sector, earn less money in wages, and therefore have greater need for alternative sources of cash. Due to cultural taboos and customs, women are often prohibited from owning or inheriting land. All of these factors in combination make poor women eager to use microcredit loans to invest in small business – for example, to purchase materials to weave baskets or buy produce to sell at markets.

In theory, what makes microcredit work is the use of social capital to facilitate returns to financial capital. Microcredit loans are dispensed to individuals who take part in groups – such as groups of women in a neighborhood who meet regularly to discuss their shared loans to members' enterprises – and the entire group bears some responsibility to make sure the loans are repaid in full. Development practitioners argue that social capital is an inherent aspect of microcredit loans. Mutual trust and dependency and shared values among participants in a social network create opportunities for individuals to access both information and credit.

- For Sociologist James Coleman, social capital is fundamentally about reciprocity. In the case of microcredit, individuals of like status and shared norms come together to negotiate for small monetary loans. One is given a loan that establishes the expectation and the obligation on behalf of the others to repay the loan. The microcredit group – the lenders – provide financial capital to its members on the basis of trust that each loan will be repaid.
- Political scientist Robert Putnam argues that social capital is about social connectedness, mutual trust, and reciprocity. Because poor women in developing countries are often socially and spatially isolated, the formation of microcredit lending groups is considered, in theory, a way to build ties and spread information in ways that further not just to economic gains for women and their families, but also boosts in political clout, gains in social status, and even greater individual willingness to engage in family planning.

### **From Cash to Personal Empowerment and Reproductive Autonomy?**

Given these ideas, most advocacy literature on microcredit assumes that microcredit embodies social capital that empowers participants and enhances women's status. However, exactly how empowerment materializes is not clear; nor is there agreement about how to measure empowerment. Activist Srilatha Batliwala describes a process by which the powerless gain greater control over the circumstances of their lives, but how can observers tell if this is happening and how does such empowerment translate to observable change? Furthermore, if poor women do make gains, how do we assess whether participation in microcredit groups is causally relevant? To investigate these issues, I have done research in the African nations of Ghana and Cameroon.

In my research, I find that the links between microcredit and empowerment are complex. Women participants sometimes experienced modest improvements in material conditions, but in some cases were newly burdened by debt they couldn't pay back. Material gains aside, women's personal engagement in meetings of their weekly loan groups built confidence, feelings of belonging, and pride. However, this confidence might translate into concrete empowerment – or not. Some studies find that women's access to credit lowers risk for domestic violence and improves women's willingness to control fertility and contraceptive use, while other studies have found that microcredit participation can subject women to more threats of violence, if dominating husbands or boyfriends try to seize the loans for their own use.

Observers often assume that microcredit group participants gain control of their sexual relationships, but contradictions are apparent. Grameen Bank includes reduced family size as one of its ten goals. Yet efforts to push the use of oral contraceptives can amount to over-reach by the Microcredit crusade, like efforts by U.S. state governments to prod welfare recipients to use birth control. Such explicit infringements on sexual autonomy can be considered disempowering.

## **The Persistence of Gendered Poverty**

Microcredit systems have certainly not proved a panacea. According to the United Nations, poverty rates around the world have declined significantly since 1970, though still more than half of the 58 million primary school age children not enrolled in school are girls. Only half of women of working age are participants in the formal labor force. And in most countries, poor or wealthy women who do work full-time in the labor market still earn only 70% to 90% of what men earn. Women hold only a minority of decision-making positions in public and private institutions; and violence against women remains ubiquitous. In combination, all of these deprivations reinforce women's subordination and collective poverty. Going well beyond microcredit, the solutions to women's disadvantage must likely be as multifaceted as the causes.