United Nations Nations Unies

Division for the Advancement of Women

Department of Economic and Social Affairs

SYNOPSIS

OF A DESK REVIEW ON

REDUCING THE GENDER DIMENSIONS OF POVERTY: MICROFINANCE POLICIES, PROCESSES AND PRACTICE

2001

Introduction

Poverty reduction has become a major focus for development policies and practices, globally and nationally, particularly since structural adjustment programmes and other economic circumstances exacerbated the plight of the poor, increased their numbers and widened the gap between the rich and the poor, globally and within nations. The global conferences of the mid-1990s, particularly the Beijing World Conference on Women and the World Summit on Social Development, stressed poverty reduction as central to sustainable human development. Available statistics agree that women constitute over 90% of the poorest globally. However, existing national and global policies and programs on poverty reduction are yet to make reduction of the gender dimensions of poverty a central focus.

The Desk Review assesses microfinance as a tool for poverty reduction. Special emphasis is placed on analyzing the extent to which micro-finance services and institutions are effective in enhancing [illegible] of the "poorest of the poor". This [illegible]

The extension of the definition of poverty by the World Bank from the traditional focus on income and consumption, to include social and psychological deprivation has implications for defining and measuring the gender dimensions of poverty. The Bank's recent shift to poverty reduction strategies emphasizes four major dimensions: lack of opportunities; low capabilities, especially in

[illegible]

natural disasters; and low levels of security indicated by exposure to economic risks and income shocks at national, local, household and individual levels. Since the poor also lack political power and voice, it sees empowerment as a necessary condition for poverty reduction. These characteristics are especially applicable to women in general and to poor women in particular.

The recognition of powerlessness (defined by the World Bank as lack of representation in decisionwidowhood, divorce), in addition to obvious gender differences in education, employment opportunities and access to assets, do men and women slide into poverty and stay there?

There is also need for careful and context-specific gender analysis of how poverty is created and perpetuated. In other words, an understanding of the economic and social aspects of poverty is as crucial for sustainable eradication of poverty as is an understanding of structural poverty and the related power issues. Understanding the relationship between gender disadvantage and poverty is also crucial for effective and sustainable poverty eradication.

Access for women:

In order to be effective as a tool for poverty reduction, microfinance must address the major obstacles to access by the poor, especially women, to formal institutions of credit and savings.

Women in particular have found financial services provided by the formal banking systems inaccessible, cumbersome and demanding. The skills demanded for filling complex forms, the time, mobility and resources required to make repeated visits to the banks, the high cost of loan applications in terms of formal and informal fees, are some of the constraints that women faced in accessing credit through mainstream banks.

From their perspective, banks wrongly perceived women as credit risks, and have been put off by the small scale and seasonality of women's enterprises as these require only small loans, the [illegible] involves high transaction costs for the banks. Additionally, most women loan capital from external sources. It is generally argued that the ability of the credit unions to grow through savings was destroyed by the receipt of loan capital as this undermined incentives to raise deposits. It is therefore not appropriate to give grants or loans for capital or basic operational support to credit unions, so the argument goes. It is also argued that this discourages the emergence of effective microfinance institutions and services from the multi-dimensional organization in which it is nestled. The experience from Africa, however, clearly indicates that credit union growth and ability to service members effectively based on their savings alone is too slow. There is no doubt that the unions can use external funds to boost their ability to earn income

and build equity.

Sustainability:
The issue of sustainability of microfinance institutions is extremely important. However, the current over-emphasis on sustainability is probably at the expense of other issues of equal importance to the clients that they are structured to empower. Given the rate at which sustainable microfinance institutions are formed, how feasible is the attainment of the goal of reaching 100 million families by 2015, especially in many countries where these institutions do not exist? For instance, In the Middle East and North Africa, only ten of the sixty Microfinance institutions surveyed in 1997 achieved or were close to achieving full sustainability. At least $1.4 billion is needed to reach the region's estimated 4.5 million entrepreneurial poor who require microfinance services.

Also, if, as it is generally argued, clients of microfinance institutions are the measure of success or failures of each program, it is important to make the needs of the entrepreneurial poor the through their governments, to improve productivity, employment and incomes. In 1997, about $4.1 billion – approximately 29% of the Bank's investment lending, was for projects targeting the poor. The World Bank is additionally emerging as an effective knowledge organization on poverty. International perceptions of global poverty and its eradication are strongly influenced by the World Bank's approach. After the dismal failure of its Structural Adjustment Programs that ended up exacerbating poverty, especially for women and youth, the World Bank has paid increasing attention to poverty reduction strategies and methods. It is beginning to address the gender dimensions of poverty. Its definitions and measurement of poverty have shifted from income and

initiatives among African microfinance practitioners. The selection criteria of countries and
... report include proven track records on serving significant numbers of the poor

families and themselves. Assistance was given through grants to intermediary organizations such as treat these as a separate cost center. Such an institution develops accurate and transparent reporting systems that will strengthen donor and client confidence, enabling it to move rapidly towards self-sufficiency. The Microstart program is overseen by the Special Unit for Microfinance (SUM) that was established by UNDP in 1997.

Initiatives at the National/Local level:

User-owned, group-based, informal financial services such as savings clubs (Mexico); rotating/revolving associations (most parts of Africa); savings and credit associations (ROSCA);

credit and other financial services so as to reduce their dependence on moneylenders. The institution and its activities are specifically geared to meeting the particular economic management and productive capacity needs of women in India. Its approach to microcredit is participatory. The institution is owned and operated democratically by the borrowers themselves. The system is therefore kept simple and the traditional forms of collateral are replaced by a system of collective responsibility and pressure within a group of peers who are committed to the success and sustainability of the institution.

Within such solidarity groups, it has been possible to develop leadership skills and provide other services such as daycare services; schools; playgrounds; clinics; clean, potable water; fuel efficient institution to address the acute problem of financing micro and small-scale entrepreneurs under a law governing non-bank financial institutions (NBFIs). It targets women micro-entrepreneurs and offers financial services to micro and small business individuals who belong to recognized groups, bolstered by compulsory group savings, credit discipline and close supervision through

weekly meetings and home visits.

The surge of interest in the Grameen style of credit in the 1980s and 1990s motivated a number of measures aimed at facilitating its institutionalization and replication in different contexts, to meet the demands from donors, academics, governments etc. International Grameen Dialogues were established as a forum for sharing experience and problems from the experience of adapting and replicating the Grameen strategies. CASHPOR (Cash and Savings for the Hard-core Poor) – a

At the individual, enterprise and household levels -

- Supply-side assistance for women's enterprise activities tends to be most effective when it includes a combined package of credit, technology and training rather than a single type of assistance.

Jordan, Lebanon, the West Bank and Gaza have recently been restructured to facilitate the spin off into three MFIs – Jordanian Women's Development society (JWDS), Al Majmoua, and the Palestine for Credit and Development (FATEN).

<u>...from NGOs:</u>

A major problem encountered by some of the Grammen-type replications, in cultures where the ... the family are devalued, was persuading women to use loans

In addition, the processes and mechanisms that encourage or discourage women from acting as effective economic actors, independent of their male relatives, (dependence, fear of domestic violence, illiteracy), should be explored and effectively addressed at the same time as savings are mobilized and loans disbursed. Training to motivate the women, updated information, simple structures that are easy to understand and operate (e.g. SEWA), regulations that women assist in

- Local practitioners and the poor should be involved in the decisions to introduce changes for these changes to be successful.

- Although microfinance services hold a lot of promises for reducing poverty, anti-poverty strategies and programs should give equal weight to the impact of macro policy on the poor. National governments should strengthen their political wills and poverty reduction policies.