



Microfinance : Microfinance Basics

Microfinance: A Platform for the Empowerment of Women

Most people living on less than one dollar a day are women. Helping them means fighting poverty and promoting gender equality. Microfinance could be the weapon of choice.



'There are two different ways to look at this: one is that microfinance is good for women; the other is that women are good for microfinance,' says Susy Cheston of Opportunity International. (Photo: Adam Rogers/UNDCF)

Pioneering microfinance institutions (MFIs) have already recognized that the twin goals of empowering women and developing poor communities are closely connected. The Nobel Prize-winning Grameen Bank, for example, gives around 96 percent of its micro-loans to women, while the UN estimates that around 76 percent of all microfinance clients globally are women.

"There are two different ways to look at this: one is that microfinance is good for women; the other is that women are good for microfinance," says Susy Cheston of Opportunity International, a US-based organization that gives around 86 percent of its micro-credit loans to women. "There are lots of different reasons that people lend to women. For some, it's about having customers that are very credit-worthy and bring better value to the institution."

Related Articles

- What the Poor Really Need
- Millennium Villages: African Backwaters Go Avant-garde
- Micro-Insurance: Risk Management for the Poorest of the Poor

Studies have shown that women are more likely than men to repay their loans, which is important for any microfinance institution interested in profit, sustainability or long-term impact. Women also tend to work better in the cooperative, group-lending methodology used by many microfinance providers to reach large numbers of clients efficiently. MFIs like Opportunity International also look at microfinance as one way to correct some of the broader gender inequalities that exist around the world.

"The goal is to build a financial system where no person is excluded, and women are excluded to a greater degree than men in every culture, in every country," says Cheston. "The reasons for this exclusion include

cultural reasons, lack of mobility, legal restrictions such as lack of property rights, other kinds of social factors, and in some cases, restrictions due to household and childcare responsibilities.

Women empowerment as development vehicle

Wise business or household investments can increase a woman's status in communities where women otherwise seldom assume the role of owner, employer or decision-maker. Financial empowerment has, in many cases, helped women acquire more self-esteem, more respect within their families, and has even linked to decreases in domestic violence. Empowered women also have a positive impact on their communities, and are considered to be more responsive to the long-term needs of their households than men.

Some studies have illustrated that women are more likely to use surplus money to care for the nutritional and health needs of their children, or invest in their children's education. In what is sometimes called the "multiplier effect," a woman investing in the well being of her family can have positive, long-term impacts on their communities.

The UNICEF "State of the World's Children 2007" report released in December confirmed this connection between gender equality and levels of communal health and poverty. Among the report's conclusions was that if women had bigger decision-making roles in more families, there could be a 13-percent reduction in malnutrition in some areas.



MDG Picture Gallery (click on the image to start)

The eight Millennium Development Goals at a glance (Photo: Reuters)

"There is no tool for development more effective than the empowerment of women," said UN Secretary General Kofi Annan upon the release of the report.

Even for MFIs and organizations that have served women for decades, the process of improving services for women is ongoing. Susan Davis, who chairs the US-based Grameen Foundation, says one of the keys to sustainable community development is providing a bigger package of financial and non-financial services to women. She identifies Pro Mujer in Bolivia, as well as BRAC, Self-Employed Women's Association (SEWA) and Grameen Bank in Bangladesh, as some best-practice examples.

"If you look at Grameen's strategies in the "Sixteen Decisions," it has created separate companies to respond to various needs, such as health, education, nutrition, and energy," says Davis. "So, there is an intersection between loans and savings and the other value-added opportunities created through social enterprise intervention."

"I say microfinance is a platform for development," says Davis, who also heads Ashoka's Global Academy of Social Entrepreneurs. Indeed, along with enabling the expansion of financial and non-financial services, one of the major breakthroughs of microfinance has been to enable poor women to become positive forces in their own development and the development of their communities.

editor: Valdis Wish

publishing date: January 6, 2006

© Allianz 2007, All Rights Reserved