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Women and Microfinance: Why We Should Do More

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WOMEN AND MICROFINANCE: WHY WE SHOULD DO MORE

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The last twenty years have shown that microfinance is a proven development tool capable of providing vast numbers of the poor, particularly women, with sustainable financial services to support their livelihoods. The 2005 State of the Microcredit Summit Campaign reports that microfinance institutions reached over ninety-two million clients and benefited 333 million family members.[1] The success of microfinance represents a paradigm shift in the development industry: poor people are no longer recipients of charity, but customers to be served. Women make up approximately eighty-three percent, or sixty-six million, of reported microfinance clients.[2] They not only make good clients — women have proven better at paying on time than men — but are also key drivers of development. Investing in women, literally, has proven the most effective way to increase individual family expenditures on health and education, improve nutrition and food security, protect against emergencies, and begin the slow process of tackling the gender inequalities that hinder development in so many countries around the world.

This article examines the microfinance movement and the impact it has had on women who, in many ways, have been the reason behind its success. In developing countries, women play a pivotal role as risk managers and drivers of development, particularly in settings of severe poverty. Microfinance programs have enabled thousands of women to use small sums in creative and successful ways to develop livelihoods, improve their families' well-being, and build up savings. However, microfinance has proven limited in its ability to really empower women, create upward mobility, and contribute to long-term economic growth. More is needed if we are to help the poor, especially

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1. *See* SAM DALEY-HARRIS, STATE OF THE MICROCREDIT SUMMIT CAMPAIGN REPORT 1 (2005), *available at* http://www.microcreditsummit.org/pubs/reports/socr/2005/SOCR05.pdf.

2. *Id.* at 25.

women, move beyond subsistence-level, small income generating activities to become full social and economic participants in their country.

I. THE MICROFINANCE MOVEMENT

What started as micro*credit* in the 1970s and 1980s has evolved into micro*finance*, a recognition that poor people need access not only to credit, but also the wider range of financial services — loans, savings, insurance, leasing and other products — that wealthier, "bankable" people have. Imagine life without the option of having a checking or savings account, mortgage loan, or credit card. Without access to such financial services, the worst economic bumps in life could just as easily sink us "wealthy" people.

In part, thanks to the United Nations' proclaimed "Year of Microcredit" in 2005, microfinance has begun to gain recognition and publicity in higher circles. An increasing number of major newspapers including the *New York Times* and *Wall Street Journal* have featured articles on microfinance.[3] *The Economist*'s November 2005 issue called microfinance "micro no more."[4] Indeed, microfinance has even piqued the interest of wealthy multinational banks like Citigroup[5] and Deutsche Bank,[6] which now have their own microfinance departments; and it is becoming a hot topic among corporate foundations such as the Gates Foundation (Microsoft)[7] and Omidyar Network (Ebay).[8] Several social investment funds such as Calvert now offer private

3. See Saritha Rai, *Tiny Loans Have Big Impact on Poor*, N.Y. TIMES, Apr. 12, 2004, at C3; Rachel Emma Silverman, *A New Way to do Well by Doing Good — Microfinance Funds Earn Returns on Tiny Loans to Poor Entrepreneurs Abroad*, WALL ST. J., Jan. 5, 2006, at D1.

4. *Micro No More*, ECONOMIST, Nov. 5, 2005, at 13.

5. *See* Citigroup Microfinance, http://www.citigroup.com/citigroup/citizen/ micro finance/index.htm (last visited Mar. 10, 2007).

6. *See* Deutsche Bank, Microfinance Consortium, http://www.deutsche-bank.de/csr/en/ CommunityDevelopment_3247.html?dbiquery=1%3Amicrofinance (last visited Feb. 10, 2007).

7. *See* BILL & MELINDA GATES FOUNDATION, 2005 ANNUAL REPORT 30 (2006), *available at* http://www.gatesfoundation.org/nr/AnnualReports/annualreport05/programs_ other_initiatives_financial_services.htm.

8. *See* Press Release, Tufts University, eBay and Omidyar Network Founder Launches $100 Million Microfinance Fund in Partnership with Tufts University (Nov. 4, 2005), *available at* http://www.tufts.edu/microfinancefund/?pid=8.

individual investors in the US an opportunity to contribute directly to the loan funds of Microfinance Institutions (MFIs) worldwide.[9]

What's all the fuss? The idea of microfinance is simple: *Providing poor people, who are ordinarily left out of the formal financial sector, with access to a range of financial services allows the power of choice and the ability to change one's life for the better.* Microfinance allows poor people to start or grow a small business, save for future needs, cope during emergencies, smooth income flows needed to manage daily household expenditures, and protect against shocks.

Despite the fact that some argue access to finance is a basic human right, others, including the author, believe that increasing the poors' access to finance just makes economic sense. Proponents of a human rights basis to microfinance argue that ensuring access for women to financial services is similar to women's right to education and reproductive health services.[10] They say that credit should be recognized as a basic human right, alongside the right to development, peace and the environment, or 'emerging' rights. The human rights argument, while not without merit, is well beyond the scope of this paper; a more practical, immediate and enforceable solution to increasing the poor's access to finance is a market-driven one.

Fortunately, the poor are establishing a track record that proves they are not only bankable, but profitable. Much to the shame of commercial banking, most MFIs maintain ninety-eight to ninety-nine percent repayment rates and less than one percent annual loan losses, while some promise fifteen percent or more return on investment.[11]

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9. Silverman, *supra* note 3, at D1.

10. *See, e.g.*, JESSICA BROWN & WHITNI THOMAS, NEW ECONOMICS FOUNDATION, BASIC BANK ACCOUNTS: THE CASE FOR A UNIVERSAL SERVICE OBLIGATION (2005), *available at* http://www.neweconomics.org/gen/uploads/ilifsj554nyi4i45pk2vpk4521112005154109.pdf.

11. *Focus on MFI Performance by Region*, 12 MICROBANKING BULLETIN 1, 47 (2006), *available at* http://www.mixmarket.org/medialibrary/mixmarket/ MBB12_2006.pdf (benchmark tables for 2004). The *MicroBanking Bulletin* compiles financial and portfolio data on a semi-annual basis, and groups MFIs by size, maturity, and region. The most mature (8+ years) MFIs report a Return On Equity (ROE) of 11.5% and Return On Assets (ROA) of 2.8%, compared to a ROE of 5.1% and ROA of 1.6% for young (5-8 years) MFIs. *Id.* However, in reality, most MFIs still need time, money and increased capacity to get near this level. Considering most investment capital and even donor money is concentrated in the few top performers, the challenge is to grow these "second and third tier" institutions. The Consulting Group to Assist the Poor (CGAP) reports that of the reported $1.2 billion in foreign investment in 2004, 89% went to less than 150 MFIs and the vast majority concentrated in Latin America. *See* GAUTAM IVATURY & JULIE ABRAMS, CONSULTING GROUP TO ASSIST THE POOR, FOCUS NOTE NO. 30, THE MARKET FOR FOREIGN INVESTMENT IN MICROFINANCE: OPPORTUNITIES AND CHALLENGES, 5 (2005), *available at* http://www.cgap.org /docs/Focus Note_30.pdf.

Microfinance enthusiasts believe that we could reach all of the world's poor people through credit and savings services if enough capital were available and regulatory environments permitted.

Not withstanding the recent hype, however, it should be noted that not all MFIs are winning success stories that make good business investments. Many have a long history of receiving heavy subsidies and still operate with inefficiencies and persistently high transaction costs. The industry still has challenges to address: overcoming the fragmentation of small MFI-NGOs, reaching poorer remote regions, putting stronger systems and internal controls in place, ensuring consumer protection, taking advantage of technology, tailoring products and introducing more flexibility for clients, and, finally, serving women better.

II. MICROFINANCE AND WOMEN

In extraordinarily difficult economic environments, where the tipping point between staying above and falling below the poverty line is precarious, women with access to microfinance play a pivotal role in guarding against risk and effecting change. Of course, depending on the severity of the crisis, microfinance is not always an appropriate immediate response, because time is often required to move from relief to development. However, over the long term, microfinance enables borrowers to move from reactive to more productive risk management approaches.

For example, a study on Wisdom, an MFI in Ethiopia, examined the impact of microfinance on women borrowers in two regions most heavily affected by drought. The study compared two control groups of incoming borrowers and community members matched by sex and selected at random. The results revealed a statistically significant increase among the women borrowers (as opposed to male borrowers and non-borrowers) in nutritional status of both women and children, higher diversification of income, greater household income, greater land and home ownership, and reduced receipt of food aid.[12]

12. Shannon Doocy, Dan Norell & Shimeless Teferra, *The Emerging Role of Microfinance Programs in Mitigating the Impact of Natural Disasters: Summary of Findings of an Impact Assessment from World Vision's Ethiopian Affiliate*, 4 SEEP NETWORK, PROGRESS NOTE 1, 3-4 (2004), *available at* http://www.seepnetwork.org/ files/2082 _PN_4_Sept_2004. pdf.

In addition, women are most often the ones left behind to hold a family together after a conflict or natural disaster, and thus involuntarily assume the huge responsibility of rebuilding whole communities. The following stories of individual women illustrate this point.

A. Courage in the Face of Disaster

1. Dhafeera, client of CHF International in Iraq

Dhafeera, a nurse in the city of Najaf, decided to open a clinic adjacent to her house to improve prenatal and postnatal care for women. With her first loan in 2002, she set up the facility and later purchased additional equipment and expanded to accommodate additional beds. Little did she know at the time, but her clinic would eventually provide critical assistance to the casualties that resulted from a spate of violent fighting in August 2004, when local hospitals became so overcrowded and understaffed that they could no longer accept the injured. Today, Dhafeera continues to serve approximately 50 women in her clinic each month and was named "microentrepreneur of the year" at the annual Sanabel Arab Microfinance Conference in 2005. Dhafeera was not allowed past the border to attend the conference, so we humbly received her award on her behalf.

2. Tikush, client of MDF Kamurj in Armenia

Once a relatively wealthy woman, Tikush lost her savings when the Soviet Union fell apart, and after the earthquake of 1988, was forced to sell the rest of her assets — jewelry, even her gold teeth — one by one. Tikush found herself digging for food in the trash cans on the streets, when in desperation, she decided to borrow her cousin's car and with her first microfinance loan, repaired the engine and started a taxi service. The first and only female taxi driver I ever knew in Armenia, Tikush became a long time client whom we saw grow into one of the most outspoken community leaders in the town.

III. EMPIRICAL EVIDENCE

In addition to the many anecdotal stories, empirical evidence highlights the impact of microfinance on poverty and women's empowerment. Measuring impact has long been a subject of debate, and researchers have called for more rigorous methods that better classify what is "poor" and more carefully measure empowerment,[13] which is not readily observable and requires a different set of proxy indicators. One of the most widely cited studies is by World Bank economist Shahidur Khandker. Tracking microfinance and poverty indicators in Bangladesh since 1991-1992, Khandker showed that among the earliest microfinance borrowers, poverty rates decreased by more than twenty percentage points, over half of which was attributed to microfinance.[14] Due to the spillover effect of this impact on non-participants in microfinance programs, he also concluded that microfinance directly accounted for forty percent of the entire reduction of moderate poverty in rural Bangladesh.[15] Moreover, Khandker demonstrated in his re-release of the study in 2005 that this substantial impact was "much stronger for female borrowing than for male borrowing."[16]

There are hundreds of such studies that vary by scope, scale, geography, and approach (i.e. formal or informal) — some are well-known and documented, and others are less so. However, solid statistical evidence on the impact of microfinance at a global level is still lacking. Nonetheless, a sampling of published studies shows that by and large, the positive findings outweigh the negative or inconclusive ones.[17] For example, impact studies have demonstrated that microfinance:

- Allows clients to gain the means necessary to keep themselves out of poverty because poverty lines are never static;[18]
- Creates jobs and additional days of employment;[19]

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13. The term "empowerment" as used here refers to the process of enhancing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes.

14. Shahidur Khandker, *Microfinance and Poverty: Evidence Using Panel Data from Bangladesh*, 19(2) WORLD BANK ECON. REV. 263, 284-85 (2005).

15. Shahidur Khandker, *Microfinance and Poverty: Evidence Using Panel Data from Bangladesh* 16 (World Bank, Working Paper No. 2945, 2003).

16. Khandker, *supra* note 14, at 284.

17. *See* NATHANIEL GOLDBERG, GRAMEEN FOUND. USA, MEASURING THE IMPACT OF MICROFINANCE: TAKING STOCK OF WHAT WE KNOW 46 (2004), *available at* http://www.grameenfoundation.org/pubdownload/dcl/index.php?GFUSA-MicrofinanceImpactWhitepaper.pdf.

18. *See* POVERTY REDUCED THROUGH MICROFINANCE: THE IMPACT OF ASHI IN THE PHILIPPINES (Helen Todd ed., 2000), *available at* http://www.microlinks.org.

19. ELIZABETH DUNN & J. GORDON ARBUCKLE, JR., THE IMPACTS OF MICROCREDIT: A CASE STUDY FROM PERU, EXECUTIVE SUMMARY 4 (2001), *available at* http://www.microlinks.org/ev_en.php?ID=8008_201&ID2=DO_TOPIC.

- Enables clients to more likely become homeowners;[20]
- Increases rates of school enrollment for boys[21] and sometimes girls;[22]
- Often, but not always, leads to greater female control of assets;[23]
- Has a substantial impact on children's health and nutrition;[24] and
- Helps smooth income and provide coping mechanisms for HIV/AIDs affected households.[25]

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20. CAROL BARNES, ET AL., THE IMPACT OF THREE MICROFINANCE PROGRAMS IN UGANDA 65-66 (2001), *available at* http://www.microfinancegateway.org/ files/2935_ Barnes_2001.pdf.

21. *Id.* at 65.

22. Helen Todd's study of SHARE Microfin Limited in Andhra Pradesh found no relationship between poverty status and school attendance for boys, but found that poor clients were more likely to send their girls to school, concluding that education of girls has more to do "with attitudes than income." *See* GOLDBERG, *supra* note 17, at 33 (summarizing Helen Todd, Paths out of Poverty: The Impact of SHARE Microfin Limited in Andhra Pradesh, India (unpublished Imp-Act Report, 2001)). Similarly, Nathalie Holvoet's study in South India found that women's membership in group-based lending methodologies strongly affected girls' enrollment in school, whereas girls and boys' education was unchanged by individual female versus male borrowing, illustrating the importance of support networks that build knowledge and awareness among women and help close the gap in education due to pro-male bias. Nathalie Holvoet, *Impact of Microfinance Programs on Children's Education: Do the Gender of the Borrower and the Delivery Model Matter?,* 6 J. MICROFINANCE 27, 45 (2004).

23. Some studies have indicated that women often turn their loans over to their husbands, and thus negate empowerment unless there is individual control over a loan. However, Todd finds that even in the case where women do not have control, women are better off. *See* HELEN TODD, WOMEN AT THE CENTER (1996); Manohar Sharma, *Empowering Women to Achieve Food Security Microfinance*, 6 2020 VISION FOCUS (Int'l Food Pol'y Res. Inst., Wash., D.C.) 1 (2001), *available at* http://www.ifpri.org/2020/focus/focus 06/focus06.pdf.

24. Two evaluations by Freedom From Hunger, an organization that combines credit with education in all of its programming, indicates a positive correlation between better educated women and child nutrition, maternal and child health, children's enrollment in school, and women's participation in decision making. *See* BARBARA MKNELLY & CHRISTOPHER DUNFORD, FREEDOM FROM HUNGER, RESEARCH PAPER NO. 4, IMPACT OF *CREDIT WITH EDUCATION* ON MOTHERS AND THEIR YOUNG CHILDREN'S NUTRITION: LOWER PRA RURAL BANK *CREDIT WITH EDUCATION* PROGRAM IN GHANA (1998), *available at* http://www.ffhtechnical.org/resources/research-and-evaluation/impact-studies/; BARBARA MKNELLY & CHRISTOPHER DUNFORD, FREEDOM FROM HUNGER, RESEARCH PAPER NO. 5, IMPACT OF *CREDIT WITH EDUCATION* ON MOTHERS AND THEIR YOUNG CHILDREN'S NUTRITION: CRECER *CREDIT WITH EDUCATION* PROGRAM IN BOLIVIA (1999) *available at* http://www.ffhtechnical.org/resources/research-and-evaluation/impact-studies/.

25. See Carol Barnes, *Microcredit and Households Coping with HIV/AIDS: A Case Study from Zimbabwe*, 7 J. MICROFINANCE 55 (2005). Barnes study of Zambuko in Zimbabwe, where 40% of client and non-client control groups were most likely affected by HIV/AIDs, showed the positive impact of microfinance on borrowers' household income, investment in boys' education, and group support mechanisms; but it also showed a need to better

IV. EMPOWERING WOMEN

Part of the appeal of microfinance as a development tool is not only its ability to increase overall family welfare, but also its potential to empower women. The U.N. Millennium Development Goals, renowned Economist and Nobel Peace Prize winner Amartya Sen, and even conservative US policy makers all recognize gender equality and women's empowerment as central to achieving long-term development goals.[26] Some of the most obvious gender inequalities that microfinance attempts to address are well known — of the 1.3 billion people living in poverty: (1) seventy percent are women; (2) women perform a greater proportion of work and work longer hours, but their earnings remain fifty to seventy-five percent of men's earnings; and (3) women make up forty to over seventy percent of the informal sector depending on the country, entering the labor force often through microenterprises, yet they almost always are excluded from access to finance.[27]

There are whole schools of thought on gender and microfinance, and because of the complexity behind gender imbalances, many questions remain over the extent to which microfinance really empowers women.[28] Most studies try to measure empowerment using a number of proxy indicators such as increased involvement in major family decision-making, wider participation in public action, greater physical mobility, participation in political and social events, and larger awareness of political and legal rights.

Some studies have revealed negative impacts of microfinance, such as increasing the burden of workloads, upsetting the balance of

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understand appropriate terms and conditions for financial products that avoid placing undue pressure of debt on families. *Id.*

26. *See* Millennium Declaration, G.A. Res. 55/2, ¶ 1, U.N. Doc. A/RES/55/2 (Sept. 18, 2000).

27. DEENA M. BURJORJEE ET AL., U.N. CAPITAL DEV. FUND, SUPPORTING WOMEN'S LIVELIHOODS: MICROFINANCE THAT WORKS FOR THE MAJORITY 3 (2002), *available at* http://www.uncdf.org/english/microfinance/documents_and_reports/thematic_papers/gender/supporting/supporting.pdf.

28. The term "gender" refers to the perceptions or expectations of men's and women's different roles in a given culture or location that we learn at an early age, and that are often influenced by class, age, ethnicity and religion. *See* RUXANDRA BOROS, ET AL., FOOD AND AGRIC. ORG. OF THE U.N., A GUIDE TO GENDER-SENSITIVE MIRCOFINANCE (2002) (prepared for the International Conference on "Women's empowerment or feminisation of debt? Towards a new agenda in African microfinance" held in London, 21-22 March 2002) (a thorough analysis of gender and how it can be incorporated into microfinance programming); *see also* Sustainable Micro-finance for Women's Empowerment, http://www.genfinance.info (last visited Mar. 21, 2007).

family and leading to increased divorce rates or domestic violence, and women serving only as conduits of loans to their husbands.[29] Many of these cases, singled out because they are so alarming, have since been refuted by other research that proves the exact opposite — reductions in domestic violence, improved family relations, and testimonies that if given a choice, most women would gladly accept an increase in workloads simply to have the choice in itself.[30] Nevertheless, even if the negative impacts are rare, they should not be dismissed.

One of the few things that gender experts can agree upon is the need for greater awareness among MFIs of women's needs and the barriers women face when designing and delivering products to women. Going back to the human rights approach to microfinance mentioned earlier, the author would argue that this involves *access,* coupled with other, non-financial interventions that *enhance women's capacity to transform choice into action.*

V. MOVING WOMEN UP MARKET

While there may be potential for microfinance to empower women, the blaring truth remains: credit alone does not empower. Why do we, even the microfinance practitioners, still always equate women with what is *micro*? Why do we not see more women clients among the small and medium enterprise (SME) lenders, who naturally overlap with microfinance and represent the next leg up?[31]

While MFIs have proven extremely successful in "moving down market" to reach poor women as part of their social mission, microfinance can actually perpetuate women clustered in lower return

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29. *See also* Susan Johnson, *Gender Norms in Financial Markets: Evidence from Kenya*, 32 WORLD DEV. 1355 (2004) (discussing negative implications of microfinance on women); Naila Kabeer, *Conflicts over Credit: Re-evaluating the Empowerment Potential of Loans to Women in Bangladesh*, 29 WORLD DEV. 63 (2001).

30. Susy Cheston & Lisa Kuhn, *Empowering Women through Microfinance, in* OUT OF POVERTY: INNOVATIONS IN MICROFINANCE FOR THE POOREST FAMILIES 167 (Sam Daley-Harris ed. 2002); *see also* Syed M. Hashemi et al,, *Rural Credit Programs and Women's Empowerment in Bangladesh*, 24 WORLD DEV. 635-53 (1996).

31. The definition of "micro" versus "SME" varies by country and is usually defined by loan size, number of employees, and business turnover as indicators. As one example, the European Commission has defined microenterprises in Europe as having 0-9 employees and less than 10 million Euro annual turnover, requiring loan sizes of no more than 25,000 Euros, whereas small enterprises have 10-49 employees and less than 10 million Euro annual turnover. Commission Recommendation of 6 May 2003 Concerning the Definition of Micro, Small and Medium-Sized Enterprises, no. 2003/361/EC, O.J. (L124/36) 2, 3, *available at* http://europa.eu/eur-lex/pri/en/oj/dat/2003/l_124/l_12420030520en00360041.pdf.

businesses. First, women typically have smaller loan sizes than men and due to collateral constraints, find it more difficult to graduate from group to individual loans that offer larger amounts with more flexibility to grow their businesses. Second, women often lack the skills and ideas to innovate and respond to market opportunities and threats, and as a result hold weak market positions. Third, women also tend to stay in the types of businesses that can remain low return, leading to saturation and a "glass ceiling."[32]

Let's face it. Not every woman is a microentrepreneur by choice or has the ambition and desire to move up in the circles of business. But the few who do often face barriers that go beyond access to finance. The reasons we find so few female SME owners are complex. In addition to the more obvious cultural barriers and gender roles specific to a given country, industry sector can also play a factor. A recent survey by the International Finance Corporation (IFC) in the Middle East found that women SMEs are more often in the service industries where banks have difficulty quantifying output, as there are no physical assets (machinery, etc.) as a basis for loan assessment. Banks have identified the garment sector, however, as a growth area, which could help address the gap, at least for women, engaged in that industry. IFC also found that women reported access to finance as less of a barrier to entry than that posed by the combination of women's lack of confidence and the banks' not making themselves approachable.[33]

Some practitioners have begun to take up this issue in a series of online discussions that beg the question of how to bring women into markets and help them overcome the cultural and social constraints that leave them largely disconnected. They say that the most appropriate interventions, in addition to credit, include skills development and training, marketing, assistance purchasing inexpensive inputs, market research and product diversification, and links to new markets.[34] In other words, to help move women beyond low-return micro to potentially bigger more profitable enterprises, it

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32. Susan Johnson, *Gender Relations, Empowerment and Microcredit: Moving on from a Lost Decade,* 17 EUR. J. DEV. RESEARCH 224, 244 (2005) (summarizing research by Lisa Kuhn, Opportunity International).

33. Interview with Carmen Niethammer, Program Manager, Gender Entrepreneurship Mkt, Private Enter. P'ship- Middle East and N.Am., Int'l Fin. Corp., World Bank Group (Mar. 2006).

34. ALISON HAIGHT, SEEP NETWORK, REACHING LOW-INCOME WOMEN WITH ENTERPRISE DEVELOPMENT SERVICES: CHALLENGES AND OPPORTUNITIES (2005), *available at* http://www.seep network.org/files/3137_file_Final_Reaching_Low_Income_Women_with_Enterprise_Development_Services.doc.

takes a larger strategy for change that helps women improve internal and external factors of doing business.

A. From Micro to Small

1. Leontina, client of CHF International in Romania

When Leontina started her porcelain production and decorating business in Deva, she was working from her kitchen table with two part-time employees. Today, twelve years later, Leontina is the owner of UNICORN Ltd, a thriving company that sells its products throughout Romania and occasionally exports to Hungary and Italy. With the help of several loans from CHF Romania, her business now employs 38 people (35 women) who paint porcelain figures by hand, and Leontina intends to keep on growing. Of her experience with CHF, Leontina says, "No bank was willing to listen to my needs or work with me to resolve them, while CHF was open and interested."

2. Sawsan, client of CHF International in Lebanon

Sawsan started a small business out of her home selling women's underwear to friends in order to help her husband cover the household expenses and support their two young daughters. With her first loan of $1500, she rented a small shop next to her house and managed a monthly income of about $600. Over the next several years of borrowing and repaying additional loans in increased increments, she expanded and diversified her inventory, hired a full-time employee, moved locations to a central shopping area, and opened a small food stand in the summers when school is out. With her fifth loan of $4000, Sawsan now generates a monthly income of $1750, and plans to participate in a bid to run a cafeteria in a nearby university.

B. The Need for Research Aimed at Women

Women clients who have become business leaders are more exceptions to the rule than the norm. However, they can help make a business case for paying more attention to the full package of business development, support networks and financial services that women need to help them move up. If MFIs and banks are able to think about women as emerging market opportunities, and market research as well as impact data could be designed with an end outcome on products and services specifically designed for women, we may see a significant improvement in client retention and risk reduction, not to mention fulfillment of social performance.

Social Performance Measurement refers to the process by which MFIs assess social performance relative to their social mission and objectives, and to those of their stakeholders, in order to uphold their "double bottom line." The United States Agency for International Development (USAID) is funding an ongoing project to improve social performance measurement by standardizing and incorporating impact indicators for all microfinance operations. However, because data is based on household-level indicators, which are difficult to segment by gender, this new tool does not address the gender question and thus cannot aid individual MFIs in improving products and services with gender in mind.[35]

Ultimately, empowering women requires fundamental changes within each country context. It necessitates more direct policy instruments that can replace the rules sustaining gender inequality and establish incentives that will improve access to and quality of education as well as offer opportunities for professional advancement. Fundamental change such as this does not happen easily or quickly; at least in the near term, however, microfinance offers one platform for change. Whereas the last decade has seen a move away from the multi-sectoral development approaches of the 1980s, and towards microfinance as a separate activity to better track costs and measure sustainability, it may be time for a modified version of integrated service delivery to make a comeback. Armed with better market research methods and simplified, practical impact information that feeds back into developing better products and services, we will realize that the key to improved service delivery is what we knew from the beginning: *Know your customer.*

VI. BRINGING GENDER TO MARKET

The extent to which we can make gender relevant to the market — the still untapped market that women borrowers represent — depends on how well we establish appropriate incentives to encourage recruitment of women into the ranks of both management and clientele. If commercialization of microfinance is inevitable and the

35. *See* PATRICK CROMPTON ET AL., SEEP NETWORK, CONCEPTUAL NOTE ON SOCIAL PERFORMANCE MANAGEMENT (2005), *available at* http://www.microfinancegateway.org/files/31589_file_ConceptualNoteonSocialPerformanceManagement.pdf.

banking sector at large is any indication, the prospects are not promising. In the United States, where one could argue that the gender gap is less pronounced, in 2005 women held only 12.6 percent of executive positions at the top fifty U.S. commercial banks, with one bank having a female CEO and seven banks having female CFOs. Although community banks fared better, only eight women were CEOs among the 100 largest credit unions. This is particularly striking if you consider the fact that the financial services industry has a workforce that is over seventy-five percent female.[36] In India, another country where education has started to level the playing field between young women and men, women make up seventy percent of the workforce in banking. Nonetheless, women in both developing and developed countries remain "virtually absent from top management positions."[37]

Although the microfinance industry has a better historical track record of focusing on women, an initial survey conducted by Women Advancing Microfinance (WAM) International — an organization that promotes women's leadership and career development in microfinance — reveals room for improvement. The survey shows a remarkably low representation of women in senior management, and even less in governance, of microfinance organizations — even those organizations presumably focused on lending to women. Although the survey is still ongoing, in late 2005 WAM collected information from female microfinance practitioners in 198 institutions and sixty-five countries. Whereas the number of women clients reached seventy to ninety percent depending on the MFI and region, the number of women in senior governance or management positions of MFIs was only thirty to forty percent in most cases.[38] Women in managerial positions of the international network NGOs faired best, at just over fifty percent. Governance in those same NGOs, however, was approximately one-third women. It may not be fair to assume that increasing the number of women in leadership positions will automatically improve the quality of microfinance services for women. However, it seems logical that maintaining a gender balance in both management and governance is a prerequisite to narrowing the gender gap, no matter what industry

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36. John Adams et al., *25 Most Powerful Women in Banking, 25 Women to Watch*, US BANKER, Oct. 2005, http://www.us-banker.com/article.html?id=20050928HPW3F3I4.

37. *See* Swasti Mitter, *Who Benefits? Measuring the Differential Impact of New Technologies*, *in* MISSING LINKS: GENDER EQUITY IN SCIENCE AND TECHNOLOGY FOR DEVELOPMENT, ch. 10 (United Nations Commission on Science and Technology for Development ed. 1995), *available at* http://www/idrc.ca/openbooks/765-5/.

VII. CONCLUSION

So far, what microfinance has done best is to offer people a way to cope with risks, build assets, and keep themselves above the poverty line. But *we could do more* if microfinance were better targeted with other services and interventions to help advance its clients up the financial ladder — then we could begin to make a dent in the economic development of poor countries. The "poverty lending" segment within microfinance certainly has its place. However, more MFIs and banks should address the upper micro- and small enterprises that have better chances of expanding their markets, creating employment — for those who may not really want to be self-employed entrepreneurs — and contributing to overall economic growth.

To fully realize the potential of women as stronger risk managers, peace makers, business leaders, and change agents we must take advantage of the "market forces" in microfinance that are finally bringing commercial actors and informal finance closer together, and make a concerted effort to address market imperfections that exclude women from the benefits. The microfinance of the future should: (1) provide a more sophisticated range of products and services; (2) capitalize on the increasing interest of banks, financial infrastructure and advances in technology that make outreach easier and faster, even to remote areas; (3) invest more in the promising "upper micro" and small/medium enterprises that can create jobs and employ low-income families; (4) operate not in isolation of, but in better coordination with, other actors addressing individual enterprise and overall economic development, including legislation and reform policy to support small business and women's rights; and (5) finally, establish long-term borrower (customer) relationships designed to help both men and women move up the financial ladder.