IOSR Journal Of Humanities And Social Science (IOSR-JHSS)
Volume 20, Issue 11, Ver. IV (Nov. 2015) PP 25-29
e-ISSN: 2279-0837, p-ISSN: 2279-0845.
www.iosrjournals.org

Micro-finance: Critical Views on Poverty Alleviation and Changing Gender Relations

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Abstract: *Micro-finance as an anti-poverty program addresses the poor and gender issue. Applying the documentary research method, this paper examines that it has both positive and negative impacts on poverty and gender relations. Different studies show that micro-finance alleviates poverty and empower women bringing changes in gender relations. Contrarily, it also becomes the cause of some people's further poverty, and gender based violence. Finally, this paper concludes that micro-finance is not a panacea, but it helps alleviate poverty and promote positive gender relations. It is considered as a means for the poor women and men to escape themselves from the poverty, and as the means for women's empowerment.*

Keywords: *Micro-finance, poverty, anti-poverty program, gender relations and women's empowerment.*

I. INTRODUCTION

Poverty means deprivation. It is not only the deprivation of money but also the other necessary elements like opportunities that help human beings to obtain a decent life. Most of the world population is still poor today, and they are living in the south. Poverty is not homogenous; it is multi-dimensional. Of 101 countries' 5.2 billion (75 percent) people, 1.6 billion people (30 percent) are identified as multidimensionally poor, and 54 percent live in South Asia (OPHI, 2015). Poverty affects people differently depending on individual's meager condition. Likewise, poverty affects women differently as women are more cultural norms-bound which confines them to the private arena or into their homestead depriving them to flourish their human potentials. A comprehensive development is not possible without removing the poverty of the poor especially the women. While there are different initiatives worldwide to reduce poverty, they are both concerned with the poor and gender. To what extent different measurements reduce the number of the poor and the poverty is debatable, but it can be said that they consider the issues of poverty and gender. To combat poverty, there are different anti-poverty programs both by the government and the non-governmental organizations under the auspices of the international financial institutions. Micro-finance is one of those anti-poverty programs which has been accepted in this paper to show how it addresses the poor and gender issues. Though, micro-finance is broader than micro-credit, they are now used interchangeably in the development discourse. As an anti-poverty program micro-credit has gained a worldwide response to address both the poverty and gender. Micro-finance/micro-credit and Grameen bank are synonymous word today. Micro-credit model of Grameen Bank is considered, to some extent, panacea regarding the problem of poverty and gender. So, different countries in the world are replicating the micro-credit model of Grameen Bank to address the poverty and the gender concerns especially the women.

In this paper, I will focus on micro-finance as an anti-poverty program to show how it addresses the 'poor' and 'gender'. To do so, the paper is divided into several portions. Firstly, I will explore the theoretical issues pertinent to this study, and secondly, I will elaborate about how micro-finance addresses the poor and poverty issues using case studies. Thirdly, I will discuss on the gender relations and how it is addressed by the micro-finance program using also case studies. Finally, I will draw a conclusion.

II. CONCEPTUAL AND THEORETICAL ASPECTS

2.1 Micro-finance/Micro-credit

"Microfinance is a form of financial development that is primarily focused on alleviating poverty through providing financial services to the poor. Most people think of microfinance, if at all, as being about micro-credit, lending small amount of money to the poor. Micro-finance is that it is also broader, including insurance, transactional services, and importantly, savings" (Barr 2005:278). Swope (2005:6) says that Grameen Bank's poverty alleviation approach is also known as micro-finance [http://tars.rollins.edu/olin/rurj/mpa.pdf].

Micro-finance is found to increase the income of the households and improve households' savings allowing consumption-smoothing in the volatility of income, and under some circumstances it can also empower women both in the households and in the society (*ibid:* 280). So, it is evident that micro-finance keeps an important role to alleviate the poverty and address the gender issue.

The Micro-credit Summit (1997) defines micro-credit as programs that extend small loans to the poor for self employment project that generate income and allow them to care for themselves and their family [http://www.gdrc.org/icm/what-is-ms.html]. It has been proved as an effective tool to fight against poverty making easy way for the poor to access financial institutions, and to address women's empowerment. Micro-credit is a part of micro-finance, but they are also used interchangeably. Current policy on micro-credit is dominated by 'financial self-sustainability paradigm'. In this paradigm women's group formation is seen as 'social capital' which provides impetus for poverty targeting and women's empowerment. However, this model has little support for active 'social capital' in enhancing the income and challenging gender subordination. Again, evidences from Cameroon shows that 'social capital' can indeed make a significant contribution to women's empowerment' but different types of necessary norms, networks and association are to be promoted (Mayoux 2001: 436).

2.2 Poverty Reduction

Simanowitz and Walter (2002) define " poverty reduction is in part a process of increasing income and economic stability, which leads to improved fulfilment of basic need and services" (Qorinilwan 2005: 16). Micro-finance has a great role in poverty reduction both for women and men. According to Rogaly et el (1999:59), credit imparts results in the improvement of the poor individuals and households out of poverty (Basu 2008:7)

2.3 Gender Relations

Bravo-Baumann (2000) defines Gender relations as the ways in which society and culture defines rights, responsibilities and the identities of women and men in relation to one another [http://www.fao.org/docrep/007/y5608e/y5608e01.htm]. Micro-finance impacts on gender relations. However, it does not 'directly or automatically lead to women's empowerment and gender transformation' (Hunt 2001:50).

Grameen Bank in Bangladesh is considered the pioneer of micro-credit. Its foundation -process is the concept of group lending. The Bank believes that focusing on women's economic status is the best way to improve the live standard of people in Bangladesh. It thinks that women's improved economic status can be the foundation for better social and political upliftment. To Yunus, study shows that five percent of the borrowers on an average move out of poverty each year. The members of the Bank have also access to the better sanitation, education, nutritional status and information services; group lending of the Bank have improved women's social status and brought women's empowerment (Human Development in South Asia 2006: 61). Gender lobbying agencies within USAID and World Bank argue that 'micro-finance targeting women is a viable means of marrying gender, poverty and efficiency concerns' (Mayoux 2001:437). Again, group based micro-finance is found to have significant contribution for women's benefit, not only in poverty reduction but also in their empowerment through interlinked and mutually reinforcing 'virtuous spirals'. Economic empowerment, subsequently, enables women to renegotiate gender relations which lead to social and political empowerment (*ibid:* 438-439).

III. MICRO-FINANCE AND POVERTY REDUCTION

Micro-finance as an anti-poverty program is seen as the means of poverty reduction and empowerment by non-governmental, governmental, multilateral and bi-lateral donor agencies with the ultimate goal of economic growth. It tries to combat poverty through lending the money to the poor households in a cost-effective manner, so that it can also promote the institutional capacity of financial systems. For the complexity of collateral system, usually the poor people are deprived of the opportunity of formal banking systems; in this situation, the micro-finance activities has created a way for the poor people to decrease the risk and costs of making small, uncollateralized loans. Micro-finance programs have shown that even the poor households can save a certain amount. Various success stories are being documented around the world starting from Jakarta to Dhaka to Nairobi to La Paz (Morduch 2000: 617). Micro-finance as an anti-poverty program has got a wider response from the different corner of the world, be it developing or developed world.

A great deal of studies shows that micro-finance can reduce poverty of both women and men. A poor woman from Madras in India alleviated her poverty after taking loans from Working Women's Forum- a self-help and micro-credit based organisation. Due to poverty, she had to sell her seven-year-old daughter into a bonded labour to a merchant for 2000 rupees. With her first loan from the Forum, she made her daughter free from the bonded labour, and with the second loan, she did buy her son a loom with which he earned US$ 25 per month for their households (Daley-Harris 2002: 2). Another study from Bangladesh shows that Sufia -an abandoned woman- finding no other way to feed her children, chose begging as her livelihood. One day, she met Monwara-President of Basanti Landless Women's Group, which had an affiliation with an eminent national NGO, ASA. At first, she had a fear to take loan; after being encouraged by Monwara, she took a loan of about US$ 40 with which she bought chocolates, dry fish, biscuits, nuts and other foods, and travelled to small rural villages to vend them. Being successful to manage the loan, she took second loan of US$ 80 to flourish her petty business. With her profit she bought a cot for her children and put a tin-roof on her house (*op. cit.* 2004: 32). The evidences show that micro-finance can reduce poverty.

Other evidences show that after taking micro-enterprise credit poorest people get worse off, and micro-credit does not go to the poorest section of the people. It implies that the program fails to alleviate poverty of the poorest. A survey conducted by Hulme and Moseley collected impact data providing financial services to the poor in twelve programs from seven countries. It showed that the performance was different: the less poor the borrower the greater the increase in income from the loan. Even some poorest borrowers got worse off due to the micro-enterprise credit (Rogaly 1996: 105). Thus, micro-finance is very much related to poor and their poverty issue.

IV. MICRO-FINANCE AND CHANGING GENDER RELATIONS

There is a huge debate on credit and its impact on gender relations, whether it brings positive or negative changes in women's lives and gender relations in the households and society. Actually, it does both. However, it is difficult to draw a link between poverty alleviation and women's empowerment (Basu 2008:80). Some argues for and some argues against, and some argues for both.

The positive argument is that micro-finance programs can contribute significantly to the empowerment of women through building the social capital. When the necessary conditions are fulfilled, micro-credit can bring a positive gender relation in the private and public domain. Encouragement for entrepreneurship and self-employment through women's access to collateral free small loans has been proved to be successful (Human Development in South Asia 2006:60). Micro-credit has a significant role in empowering rural women. Hashemi, Schular, and Riley (1996) showed positive changes in women's lives using some indicators of empowerment like a) women's economic contribution, b)mobility in the public domain, c)ability to make large and small parchase d) ownership of productive asset-house, homestead and savings, e) major decision making power-purchasing land, livestock and rickshaw, f) freedom from family domination-taking decision according to their own for doing any work, g) political awareness and participation in political action, and h) composite of all these indicators. They found the women reported that there was a contribution of women credit holder in economy; women made asset in their own name; they increased their purchasing power; they became legally and politically aware. The study shows that BRAC loanees achieved higher levels of mobility and political participation, while Grameen Bank members obtained higher involvement in decision making power. The study also showed that access to credit appeared to reduce the violence against women (Kabeer 2001: 65).

Another study by Pitt and Khandker (1995) explored the decision making outcomes of the loanee women and men members to look at the gender dimension. Here the indicators were value of women's non-land assets, women and men's total working hour for cash income, fertility level, children's education and consumption expenditure. The study revealed that loanee households were better off than the non- loanee ones, and gender influenced the decision outcomes; women's preferences had greater weight in decision making outcomes than the male-loanee and non loanee households *(ibid)*. Thus evidences show that micro-finance brings empowerment for women changing the stereotypical gender relation in the households and society.

However, micro-finance is not always empowering for women, so there are also some incidences which show that it has brought negative gender impact. Study conducted by Goetz and Sen Gupta (1994) show that micro-credit is not empowering women in such a way as it is expected. They applied five-point index of 'managerial control' over loan use as empowerment indicators. They saw that some women had no control for lack of knowledge or they did not give any effort, and some women were considered to exercise full control over their credit; majority of women exercised little or no control over the credit (Kabeer 2001:63). They showed three possible repayment scenarios which unpacked actual reality where women had no control over their credit. In the first stage, women gave their credit to their husband, and he is repaying it. Here, the actual objective is negated; women are not being empowered. In the second stage, husband is taking the credit money from her wife and wife is repaying it. Here, women have responsibility, but no control over the credit. In the third stage, husband is taking the credit money from her wife, and unwilling to repay. When the wife is unable or making delay to repay, he is torturing her wife (*ibid:* 64). Thus, women are victims of violence rather than being empowered. This is the negative change in gender relations. Another study by Montgomery, Bhattacharya and Hulme (1996) showed that micro credit did little changes in gender relations in the households of Bangladesh. It is not like that as it is expected. The findings state that only 9 percent of first-time women borrowers were primarily managers of the loan-funded activities, and 87 percent performed jointly. Contrarily, 33 percent of the male borrowers managed their loan-funded activities solely while 56 percent told they managed jointly. Joint management here indicates male supremacy in disguise (Kabeer 2001:64). The study implies that access to credit brought little changes in management for women and men in the households.

There are other evidences that show that women credit-holders are also mentally tortured by the bank personnel. Rahman (1999a: 70) shows that after being locked in the bank room by the bank personnel, one woman hanged herself from the ceiling fan with sari. It shows that vulnerability is the means of enforcing repayment (Mallick 2002: 154). Another case study (Kabeer 2001: 79) shows the attitude of *samity* (association) people and the Grameen Bank personnel:

> If you take say, 1000/- from Grameen, you have to repay 10/-takas a month or the members of your samity will have to make it up for you. The cashier refuses to get up and says to you, until you have given your repayment, I will not leave. With SEDP, they allow you to give it 2 months late. In Grameen, your samity members will come and sell whatever is in your house to repay your loan. Grameen says, even if your husband or your son has died, even then you will have to make sure that you have made your repayment.

The study depicts the real picture in the credit activities. Women loanee is mentally harassed by their own colleague when they are unable to repay. Again, when their daily necessaries are sold to repay, they further fall into the poverty trap. They might be mentally harassed by other people when they will ask for money from them. It is surprising that while Grameen Bank model is being replicated by the many other developing and developed countries of the world, the women members in Bangladesh are being harassed by the Bank personnel.

Thus, the credit brings changes in gender relations; sometimes the changes are positive and sometimes they are negative. But, it is true that it is trying to bring positive changes in gender relations with poverty alleviation.

V. CONCLUSION

Micro-finance is a burning issue today. There is an assumption as well as evidences that it addresses both the poverty and gender issue. Different studies conducted across the countries of the world show that micro-credit is alleviating the poverty of the poor; at the same time, some studies show that it does not reach the poorest section of the people. Evidences from Bangladesh show that women are alleviating their poverty using micro-credit taken from Grameen Bank, BRAC, ASA and other local NGOs; using the credit money they are also empowering themselves. Marking this success story, many countries today are replicating Grameen Bank model to alleviate the poverty of their countries. In some cases, they are successful and sometimes they fail; it depends on the context. It is not that it will be successful everywhere, as it not only depends on the mechanism of the model but also on the people who operates the program. It also depends on the clients' ability to repay and effective use of the credit money. Micro-credit reaches only to those people who have some assets; those who have not anything do not get the credit. So, the poorest are not benefited, and women who are considered the poorest also do not have the opportunity to be benefited from the credit. There is a surprising fact that beggar gets micro credit from the NGOs in Bangladesh as they can repay, but the people who live without begging and have not ability to repay do not get the credit. Actually, there are many criticism of micro-finance. It does not reach the poorest; it is rarely financially sustainable; it is potentially harmful for women also; it may create further debt trap for the poor; it is not universal in application.

While there are many evidences that microfinance empowers women and brings positive changes in gender relations, in real sense, it is still far from the actual empowerment of women. Feminist critics (Scott 1995) argue that Grameen Bank does not empower women as it does not challenge the patriarchy, so it worsens women's lives (Bernasek 2003:378). Mizan argues that Grameen Bank does not have significant role in women's voting behaviour in local and national elections (*ibid:* 382). This is a complicated situation of micro-finance in changing gender relations.

However, for some negative results we should not undermine the contribution of micro-finance. According to Hulme and Moseley (1996), micro-credit is necessary for the poor although it is not panacea (Ahmad 2003:72). It is not panacea because its success depends on various factors. Only the micro-credit can not bring success; it needs proper environment. Although, it alone can not bring positive changes in gender relations or empowerment, it leads to women's empowerment bringing positive changes in prevailing gender relations. We should consider that women have no other option to get loan other than micro-finance. Leaving the negative things, we should create such environment where people, after taking the credit, can use it properly to alleviate poverty, and can bring positive changes in gender relations.

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