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Microfinance and Women's Empowerment: Exploring Gender-Power Dynamics in the Lives of Women Borrowers from Rural Chakwal

* Luqman Ahmed, PhD Scholar (Corresponding Author)

** Dr. Aisha Anees Malik, Assistant Professor

Abstract

Access to microfinance has come to be seen as a potent means of empowering women and changing gender-power dynamics in favor of women. The current study employs framework for resources, agency, and achievements developed by Kabeer (1999) as well as Mayoux's (1999) three paradigm model to assess the impact of microfinance programs targeting women in Pakistan. It highlights that as far as ability to earn money, mobility, and access to public spaces go, microfinance does play an important role in empowering women. It also assists women in gaining prompt access to crucial funds. The research findings go on to show that women were more likely than men to participate in microfinance programs due to the perception that they are worth the credit risk. Patriarchal norms, however, lead to male household members being the ultimate users of loans taken out by women. The microfinance programs also lack training and capacity building initiatives, making them less effective. Women borrowers eventually become victims of a never-ending debt cycle where men realize their interests through pushing women to take loans and microfinance providers pushing women to repay loans.

Keywords: Microfinance, Gender, Power, Women's Empowerment

Introduction

In recent years, non-governmental organizations (NGOs) and microfinance providers (MFPs) have concentrated on women-focused microfinance programs. As a result, a significant amount of work has poured into empowering women through microfinance. Many organizations that provide development aid highlight the positive effects of their microfinance programs on the lives of poor women while underscoring the significance of fostering transformation in the form of entrepreneurial skills. Interventions to improve community livelihoods are another priority of the programs. The basic premise is that empowering women comes from taking steps to expand their access to financial resources.

Previously, a large portion of the population had unmet financial needs and was therefore dependent on conventional money lenders. People who were unable to obtain the financing through conventional financing channels, such as commercial banks, were the main beneficiaries of microfinance interventions. The origin of microfinance can be found in earlier experiments done in Bangladesh, where Muhammad Yunus' Grameen bank is based. Drawing on his discovery that credit may assist women enhance their output by enabling them to expand their capacity and purchase the necessary inputs, it swiftly developed into a significant women-focused microfinance program.

Pakistani women's participation in microfinance programs has been widely acknowledged by the development finance institutions, microfinance providers, national and international non-governmental organizations (Safavian & Haq, 2013). Numerous surveys and studies have been conducted, the bulk of which were done as impact studies of these programs (Niaz & Iqbal, 2019). These studies usually laud microfinance programs for helping women get quick access to essential funding for their economic development. The return of their loan payments has also been seen as an empowerment strategy. It is commonly known that microfinance has a role in empowering women in terms of their ability to earn money, mobility, and access to public spaces.

Many studies have looked into the impact of microfinance on women. Some contend that it enhances the women's agency. However, a number of studies contest these results. The debt trap that it creates for the poor and downtrodden, however, has received little academic attention. When

* Department of Anthropology, Quaid-i-Azam University Islamabad Email: ahmed.luqman@gmail.com
** Centre of Excellence in Gender Studies, Quaid-i-Azam University Islamabad Email: aamalik@qau.edu.pk

discussing the history of microfinance, local cultural structures, power dynamics within the community, and interactions between microfinance organizations and female borrowers are also not taken into consideration.

Methodology

This research study explores microfinance and empowerment in terms of gender-power dynamics by using primary data from a year-long field study done in 2021 in *Nara Mughlan*, a small village of *Chakwal* district in Punjab. The study used the resources, agency, and achievements framework developed by Kabeer (1999) and the Mayoux's (1999) three paradigm model. Resources, according to Kabeer (1999), are the ways to access natural, human, and social resources. Agency is the ability to negotiate, participate in, and have an impact on decisions in life, and Achievement is associated with an improvement in wellbeing as a result of increased agency. Mayoux (1999) regarded empowerment in terms of economic empowerment, increased wellbeing, as well as social and political empowerment.

50 female and male borrowers from the three microfinance providers (MFPs) in the area were interviewed for the study; two of which use a group-based lending method, and one of them uses the individual lending approach. The investigation of the dynamics of gender-power in microfinance in this research is also supported by contemporary literature on women's empowerment.

The three subsections -"The transformation of women's empowerment," "Microfinance as a contested women's empowerment approach," and "Intersection of microfinance and women's empowerment"- lay the groundwork for the discussion in this article that are strengthened by direct quotes from the respondents.

The respondents' names have been omitted from the study to ensure ethical consideration. Pseudonyms have been used in their place. In order to distinguish them from any abbreviations used in the article, these pseudonyms are presented in italics.

Literature Review

Understanding Microfinance from the Gender-Power Dynamics

There have been numerous changes in the nature of funding as a result of the international development agencies and corporate sector organizations moving away from traditional development models and toward business-based development models. Resources are being devoted by organizations all over the world to the creation of business models for financing development. Based on the Women in Development concept, microfinance models like Grameen Bank have moved their target group from men to women in their microfinance programs. The understanding that this move will not only increase the recovery rate but also give the Microfinance program greater credibility in the eyes of donors served as another driving factor.

Microfinance, as applied by MFPs like Grameen Bank, was developed to protect the vulnerable and disadvantaged sectors of society, notably women, from the abusive business practices of traditional lenders. The social security provided by the collective liability of the women's groups that make up the loan circle is the main basis on which loans are extended to women. In Pakistan, the National Rural Support Program (NRSP) established self-help groups (SHGs), which served as the foundation for the microfinance programs. Other MFPs quickly stepped in to provide a variety of services, including microcredit, micro-savings, and microinsurance. These MFPs combined group-based and individual lending, and it was found that the emphasis shifted from lending to the poor to an approach centered on financial systems. Along with it, the MFPs in Pakistan began to target more women. The difference between financial systems and poverty lending approaches is that the first is focused on commercial viability, whilst the second is based on a pro-poor agenda (Robinson, 2001).

Empowerment and Gender-Power Dynamics

Kabeer (1999) terms the resources as the precondition, agency as the process, and achievements as outcomes of making the best choices. Resources become valued asset when women are empowered to make decisions that will enhance their welfare (Kabeer, 1999). According to Mayoux's (1999) three-paradigm model, there is a greater chance that resources will be used to advance the wellbeing of women and their families when women have access to and control over credit and savings. Any investment made in the microfinance programs therefore indicates the welfare of the household and a favorable impact on women and their families.

Empowerment has developed into a global mantra and an appealing phrase for development practitioners, academics, development finance institutions, banks, the business sector, and multinationals (Cornwall, 2016). According to her, empowerment has been seen as a goal in itself rather than as a means of accomplishing more ambitious objectives. As a result, it is necessary to clarify the terms empowerment and power dimensions, as stated by Rowlands (1997). According to Cornwall (2016), these terms were taken from the work of feminist researchers but were quoted out of context.

Any research on empowerment examines whether those with little power have become more powerful as a result of a development program (Batliwala, 1994). Whether they have made any strides toward assuming control over decision-making at the individual, household, and community levels. As a result, being empowered also means being able to think of oneself as having authority. Hence, if the decision-making is outside the ambit of a disenfranchised, the development intervention attempts to empower that person to engage in the decision-making process.

Lately, empowerment has attracted criticism as a transitory phenomenon that has lost its appeal (Batliwala, 2007). It was once a buzzword, a phrase coined to give voice to the marginalized and advance the much-discussed developmental agenda. Many South Asian researchers thought that the phrase had gradually lost its meaning and relevance (Batliwala, 2007; Kabeer 2005).

Empowerment evokes ideas of a cause and a quest for the embodiment of rights. The phrase was used by feminists and activists struggling for the rights of black communities in the US and Europe. According to Batliwala (2007), social change groups, development experts, and corporate sector wizards all misappropriated the term and used it in their training and motivation programs.

Empowerment has gained popularity in the development world since feminists have been struggling against the idea of patriarchy. Power in Empowerment, which refers to giving power to the weak at both the individual and societal levels, was the dominant theme.

The Transformation of Women's Empowerment

According to Cornwall (2016), the main assertions that have been made about women's empowerment in the literature are that it is a process rather than an end in itself, making it difficult to measure as a development outcome, and that it is related to changes in power relations and relational aspects (i.e., the overlap of personal and political aspects).

The literature suggests that different women may experience empowerment in different ways, and eventually women may become disempowered (Cornwall, 2016). Depending on the stage of a woman's life, an empowering event can have a range of outcomes. Empowerment may mean something different to entrepreneurial woman like *MAK*, who has her own business than what is typically meant by the term. She mentioned the following:

I am aware that I must work to provide a good life for my children. As a result, my husband is even more relieved, and he gives his mother all of the money he makes from farming or raising cattle. I'm not sure if my income has contributed to this. I occasionally wonder, would things be the same if I didn't own this shop?

Empowerment is the shift in the balance of power between individuals and organizations on economic, social, and political levels (Batliwala, 2007). International development organizations have embraced it broadly, replacing phrases like development and women's participation. In several documents, such as the Beijing Declaration, the United Nations has also used the phrase of empowerment. Women's empowerment is one of the Sustainable Development Goals (SDGs) of the United Nations.

In response to South Asian feminists' dissenting views on the prevailing development model Women in development (WID), Women and development (WAD), and Gender and development (GAD), Batliwala (2007) looked at the development of women's empowerment. The WID approach's methods have drawn scathing criticism from the GAD approach. The proponents of GAD said that WID had not addressed the systemic causes of women's underrepresentation and inequity (Batliwala, 2007).

Intersection of Microfinance and Women's Empowerment

Women have been the main target of development initiatives like microfinance since they are among the most disadvantaged members of society. This changed the earlier definition of women's development from the welfare of the disadvantaged to the empowerment of disadvantaged groups of society. However, no further significant steps were made to support the potential women borrowers through training or capacity building. The MFPs did not provide any training to the borrowers in *Nara Mughlan* on how to make productive use of the borrowed funds.

As a development intervention, microfinance programs have increasingly utilized the concept of empowerment to emphasize benefits, notably the positive economic impacts on the lives of women borrowers. The fundamental tenet of the microfinance program is that it would produce numerous spirals of change that would enhance the welfare of women and alter their social standing within the household. However, Mayoux (1999) and Kabeer (1999) both advocate for caution when utilizing microfinance as a general approach to empower women.

International organizations considered microfinance programs as the most effective means of reaching the goal of gaining empowerment. Because of this, the partner organizations - often the local NGOs, specialized organizations, and consulting firms - became the focus rather than the grassroots women's organizations. Additionally, the attention turned away from culture perspectives and toward structured social change structures, one of which being microfinance institutions (Batliwala, 1994).

According to Kabeer (1999), men enjoy a socially conferred position that gives them access to every resource that comes into the household and the freedom to take it whenever they like. This makes it challenging to positively identify a microfinance program with women's empowerment, which results in contrasting viewpoints on the role of microfinance in women's empowerment. According to this research, the women borrowers' husbands or in-law's families often use the borrowed funds. In addition, women also do caregiving duties. Even women like *MAK*, who have long operated their little businesses in the community, were obliged to say the following:

If I was sick, no one would be there to comfort me. However, I am in charge of the whole family.

The findings of Goetz and Sen Gupta (1996) further imply that patriarchal social norms limit the impact of women in the household. As a result, they are forced to make a trade-off by taking out loans, which, contrary to what they may think, results in male household members using loans more advantageously. On the other hand, this compromise is necessary for women to maintain their status in the family since it gives them more power because they can make independent purchases while still having a say in how money is allocated for healthcare, education and other household expenses. In this regard, *GK*, a female respondent, shared the following:

We make compromises when it comes to our need, but thanks to the extra cash I get from sewing center orders, I can provide for our children.

The current research complemented earlier studies by other researchers, including Nawaz (2019), who found that because women were responsible for taking care of their families, the majority of their income-generating activities were domestic in nature and they could not travel far. The majority of women felt they lacked control over their credit usage, which was one of the most important factors. As a result, women were ignorant of the financial aspects of new businesses. Most of the time, men had greater financial control since they had strong connections in the market. *NADR*, a female respondent from *Nara Mughlan*, shared the following:

If a woman obtains a loan without informing her husband. He doesn't mind because he thinks he will ultimately benefit from that loan.

Due to their perceived creditworthiness and the excellent loan repayment status, women were targeted by microfinance programs all over the world (D'Espallier et al., 2010). Technical terms like portfolio at risk, and overdue credit have grown increasingly prevalent in studies due to the corporatization of microfinance, which has opened up opportunities for more women borrowers. The microfinance providers were therefore anticipated to prioritize women in their programs (D'Espallier et al., 2010). One of the male respondents, *TLN*, provided the following information regarding the women-focused loans in the study area:

Drawing money from the microfinance organization under man's name is not an easy task. It is being made available to women. Before they urge you to bring a woman so they may pay her money instead of a man, they will continuously ask you to fill out one form or another. So, what is a man to do? To take the money, he should go with his wife or another female relative.

Microfinance as a Contested Women's Empowerment Approach

In the development literature that is relevant to microfinance, there is an argument over whether women's empowerment meant employing women as instruments to achieve development goals or development for the sake of women. As a result, it raises the question of whether the intervention should ever be undertaken as well as if it will empower or disempower women.

The insertion made above is accurate because few of the women respondents in *Nara Mughlan* at the time of the study had access to bank accounts. The bank accounts were even inactive for those who had them in their name. Additionally, they were concerned that having bank accounts might have prevented them from being eligible for the government's social security program, such as *Ehsas*. *HBN*, a female respondent, had the following to say:

GK and I both submitted applications to the Ehsas program. They [officials from Ehsas program] might not have believed that we qualified for financial aid because we had bank accounts, but we do not have any money in these accounts. Why couldn't they examine it before deciding whether to accept our applications?

As the conditions for receiving such loans are difficult to come by, the objective of microfinance should have been to transform the poor from microfinance to other form of financial products. They hardly ever switch over to traditional banking services, though.

The majority of respondents had submitted an application for the *Ehsas* program although many of them were actually not eligible for financial aid through the *Ehsas* program. Since most had access to one or more microfinance loans, having access to it does not necessarily mean that a person will escape poverty. Feminist economists view governments' propensity to maintain microfinance programs as poverty reduction strategies because of their own disregard and denial of accountability for the poverty of marginalized women. They contend that MFPs benefit from this since they make a profit from their investments in the underprivileged. Additionally, this detracts from the necessity of making structural adjustments to reduce poverty.

The fact that the underprivileged frequently have no choice but to take out expensive loans highlights the age-old issue of exploiting the poor in order to perpetuate the debt cycle. Lending to the poor and marginalized is also a lucrative business, whether through an antiquated system of pawn brokers, conventional money lenders, loan sharks, or MFPs.

The borrowers of microfinance in *Nara Mughlan* chose not to take part in any social action to address the most significant problems affecting the study area's economic and social conditions. Since the village is surrounded by multiple oil and gas wells that have been operational for many years and are a major contributing factor to the ground water being brackish and unusable, the primary concern was the provision of potable water through the tankers supplied by the oil and gas exploration company and other vendors.

Despite the serious risks, none of the local microfinance institutions have ever taken notice of it. The tanker's water had to be collected by the women and children, who also had to fill up storage containers for their immediate needs. Ferguson (1994) and Escobar (1995) are two anthropologists who have highlighted a problem with the way development theory approaches the use of development mechanisms in impoverished nations. In the name of modern development, ideas like empowerment, according to Ferguson (1994), have been depoliticized. In order to serve the interests of those who work in the development sector, it has gradually distanced itself from political and social movements. Instead of focusing on long-term solutions, it worked on short-term projects like cash transfers and microfinance. The literature on women and development also demonstrates that women cannot truly be deemed empowered unless they are capable of using resources on their own (Moser, 1993).

The main critique on microfinance programs is that they enable men to use women as proxies for their financial interests. Aside from that, the programs mostly focus on assisting women who already own businesses, making them of little benefit to individuals who are new to micro-entrepreneurship programs (Tinker & Zuckerman, 2014). According to this research, women who have already started a business, like a grocery store, were effective in making good use of the borrowed money. But many who were new and thought they could flourish with borrowed funds struggled to handle their businesses successfully. One of the women respondents, *KPDR*, shared the following:

Whenever my husband needed money for his business, I asked for the loan. But having his business income was not in our destiny, and he was unable to run any of the business successfully over time.

Kabeer (2005) discusses the advantages and disadvantages of microfinance but emphasizes that it cannot be a stand-alone solution for women's development without being combined with other interventions, such as improved access to education and representation in the power structures, both of which are crucial for women's empowerment. Otherwise, these will only be token attempts (Kabeer, 2005).

Due to commercialized microfinance, access to credit has become more challenging, which has resulted in gender inequities (Zulfiqar, 2017). But it mostly targets women, who are willing to take out loans with even higher interest rates due to their vulnerability. In *Nara Mughlan*, there are three microfinance providers (MFPs), two of which charge interest and one of which provides loans with no interest. The majority of respondents have taken out loans from all three MFPs and haven't had any problems with the interest rates they're charging. Nevertheless, they preferred interest-free loans because they did not have to make additional payments above the amount borrowed.

People are fine as long as they have the money available because their most urgent demands are typically related to household expenses, home renovations or construction, wedding costs, and medical care. The majority of respondents have utilized loans for non-productive purposes that weren't intended when they borrowed the money, like *ABDR* who used a loan to pay for her daughter's wedding.

Many people take out loans to purchase goats and cows, but they seldom use them for that purpose because they have other needs for the money.

Feminist researchers first drew attention to the negative effects of development through Ester Boserup, whose seminal work in Africa exposed the flaws in the development strategy that increased the burden on women while abdicating all responsibility to the men, who were legally entitled to receive the entire income. The family suffers as a result of this. Development initiatives frequently lack the cultural awareness needed to emphasize women's empowerment (Tinker & Zuckerman, 2014).

Feminist anthropologists like Sinclair (2012) and Jolly (2018) have criticized microfinance because they see it as exploiting women by compelling them to keep borrowing and accumulating debt over an extended period of time. To sum up the discussion, according to Hussain (2019), the assumption that economic empowerment is more significant in the larger discussion on empowerment is what gives the Microfinance provider its disproportionate control over women borrowers (Hussain, 2019; Kabeer 2005).

Interest rates as high as 24 percent and above have resulted from profiteering through MFPs. As a result, women now have higher levels of debt and depend more on loans to get by. Their men put pressure on them to take out loans, and afterward MFPs use coercive measures for debt payback. A growing number of women are being persuaded to take part in microfinance programs that purport to work toward their empowerment but in reality, only serve to lure them toward a debt trap.

In regard to microfinance, the availability of labor markets and markets where the products made by borrower women entrepreneurs could not be sold without financing is questioned, leaving these women at the mercy of already constrained markets (Shahe Emran et al., 2007). Because of this, development specialists like Quibria (2012) contend that while microfinance encourages women to participate in household decision-making and helps them contribute to household expenses, it does not by itself guarantee women's empowerment.

Conclusion

Since women are among the most disadvantaged members of society, they have been the main focus of development initiatives like microfinance. However, these initiatives typically lack the cultural sensitivity necessary to prioritize women's empowerment. Microfinance has also drawn criticism for its tendency to exploit women.

The results of this research show that due to their duties as family caregivers, the bulk of women's income-generating activities were domestic in nature and did not require them to go far. As a result of lack of financial control, women were unaware of the financial aspects of new businesses. In the absence of any entrepreneurship and financial literacy training programs by the MFPs, many women-based loans were used for urgent household expenses, rather than being put to productive use.

The results of the current research also show that the microfinance programs gave men a means to use women to realize their own financial interests. Women had higher levels of debt and relied more and more on loans to make ends meet. Men pressurized their women to take out loans, and the MFPs pushed women to repay their debts. This exacerbated the negative impact of the debt cycle. The capacity to earn money and associated empowering benefits for women as such then came at a high price on their person challenging the empowerment of women through microfinance programs thesis.

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