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**MICROFINANCE AND WOMEN'S EMPOWERMENT:
A CASE STUDY OF PAKISTAN'S MICROFINANCE
INSTITUTIONS**

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Introduction

World Bank (2001) documents state that Society, which discriminates, based on gender pay the cost of greater poverty, slower economic growth, weaker governance and lower living standard of its people. Women play a great role in the social and economic development. Development efforts will only have partial effects if the women are not empowered to participate alongside men in the development process (Oxaal and Baden, 1997). Therefore, development studies put much emphasis on the gender equity as a critical component for successful development strategies. If we look back at the history of microfinance then we would observe that microfinance has been designed for the poor and marginalized societies to get them out of poverty and to empower them. Although there is no general agreement on the definition of women's empowerment, yet many studies have been made on the topic based on different definitions of women's empowerment. The perception of women empowerment varied according to the development paradigm as perceived by the Scholars. The feminist empowerment paradigm focuses on transformation of power relations throughout society. The poverty alleviation paradigm focuses on increased wellbeing, community development and sufficiency, while the financial sustainability approach focuses on economic empowerment, expansion of individual choice and capacity for self-reliance.

The literature on women's empowerment has outlined a number of elements of women's empowerment in the context of different countries. The most common indicators on women's empowerment include:

Sense of self and vision of future;

Mobility and visibility; economic security¹;

Status and decision making power within the household;

Ability to interact effectively in the public sphere;

Participation in non-family groups;

Improved status and increase in respect within the household;

Adopting family planning measures;

Actively participating in the decision to send their children to school;

Choice of marriage; and awareness about politics and participation in politics.

A rich literature is available on the issue of gender, women's empowerment and microfinance in general, but minimal studies are available on the measurement of impact of microfinance on women's empowerment with reference to Pakistan. Asim (2008) found insignificant impact of microcredit on women's empowerment in Pakistan. However, his study is based on a small sample of 275 female borrowers from two financial institutions only. The Gallup (2005) found a positive change in the self-perception of social status among the borrowers due to microcredit. Although this study is based on a large sample,

¹ Increase in incomes from women's own activity and enabling women to control income i.e. a woman has choice over use of it

including almost all the micro lending institutions, it did not analyze the impact of microcredit on the empowerment of poor women. Therefore, this study attempts to find the impact of microcredit on women's empowerment using the data collected in Pakistan Poverty Alleviation Fund.

After giving brief introduction, section 2 provides review of literature. Section 3 discusses the data and method of the study. Section 4 provides the results, while section 5 concludes the paper.

2. Review of relevant literature

Although there is no general agreement on the definition of women's empowerment, yet many studies have been made on the topic based on different definitions of women's empowerment. Empowerment is the ability of people to make strategic choices in areas that affect their lives (Malhotra, Anju et al., 2002) or empowerment is the capacity of a person to make effective choices and to transform choices into desired actions and outcomes (Alsop and Heinsohn, 2005). Empowerment signifies increased participation in decision making and it is this process through which people feel themselves to be capable of making decisions and the right to do so (Kabeer, 2001). In her early study, Kabeer (1999) defines empowerment as a process by which those who have been denied power gain power, in particular the ability to make strategic life choices. For women, these could be the capacity to choose a marriage partner, a livelihood, or whether or not to have children. According to Moghadam and Senftova (2005), Empowerment is a multidimensional process of civil, political, social, economic, and cultural participation and rights. Swain (2007) referring to Malhotra et al (2002) work who constructed a list of commonly used dimension of women's empowerment, based on frameworks developed by scholars in the field of social sciences, such as economics, socio-cultural, familial/interpersonal, legal, political, and psychological, is of the view that truly empowering activities are those that reflect the changes that women have effectively made to better their lives by resisting the existing norms of the society. On the bases of Focus Group Discussions (FGDs), he identified five efficiency improving activities that are culturally considered within the women's domain, 12 community driven development activities commonly taken up by the Self-Help Groups members, and 13 women empowering activities. However, Swain posed a question, that needs a serious thought, is empowerment a universal concept irrespective of culture and geographical location? He referred to two studies which contrast each other. One by Mohanty (1991) who objects to the underlying assumptions of feminists in the Western world that women in the developing world have similar aspirations and empowerment needs. According to him such an interpretation does not take into account social relations and institutions. The other is by Nussbaum (2000) who refutes the arguments from culture, diversity and paternalism to construct a universal framework to assess women's quality of life.

The perception of women empowerment varied according to the development paradigm as perceived by the Scholars. The feminist empowerment paradigm focuses on transformation of power relations throughout society. The poverty alleviation paradigm focuses on increased wellbeing; community development and sufficiency, while the

financial sustainability approach focuses on economic empowerment, expansion of individual choice and capacity for self-reliance (see Mayoux, 2006). However, Hafez (2003) is of the view that Egyptian women find their empowerment in Islamism whereas Islamists are traditionally perceived as the opponents of women's liberation. The perception that women are dominated and oppressed by the male counterparts in the name of Islam is not true rather women feel empowered themselves by willingly submit to higher level of attainment. They seek self enhancement as a means of gaining proximity to Allah. This goal is achieved by enhancing the wellbeing of others by organizing training sessions for women, carrying out community projects, educating women in the skills required for employment. By doing this and helping others they feel inner satisfaction rather than challenging males' authority. Moreover, she further explains that empowerment is not a goal rather a tool to reach a Muslim Ideal.

How to empower women? Literatures suggest number of ways to empower women. To gain power, (As noted above that empowerment is a process by which those who have been denied power gain power), three interrelated dimensions are needed: access to and control of resources; agency (the ability to use these resources to bring about new opportunities) and achievements (the attainment of new social outcomes) (see Kabeer, 1999). The UN Millennium Project task Force on education and gender equality (see Grown, Rao and Kes, 2005) identified strategic priorities and practical actions for achieving women's empowerment by 2015. These strategic priorities and practical actions include: strengthening opportunities for post-primary education for girls; investing in infrastructure to reduce women's and girls' time burdens; guaranteeing women's and girls' property and inheritance rights; increasing women's share of seats in national parliaments and local governmental bodies; and combating violence against women and girls. Marcelle (2002) suggests that if the information and communication technologies are used effectively then it can be a powerful tool for women's empowerment. The paper further reports that they can create better opportunities for women to exchange information, gain access to on-line education and to engage in e-commerce activities.

Women have been historically disadvantaged in access to material resources like credit, property, and money. They have also been excluded from social resources like education or insider knowledge of some businesses. If woman is to be empowered, then she needs access to the material, human, and social resources necessary to make strategic choices in her life (see Cheston and Lisa¹). However, access to resources alone does not automatically translate into empowerment or equality; rather they must be able to use them for a purpose that they choose. Kabeer (1999) used the term 'agency' to describe the processes of decision making, negotiation, and manipulation required for women to use resources effectively.

As it has been referred to above, that women have been deprived of the opportunities which are available to men, e.g. access to land, labor and markets. Empowering women will

¹ available at www.microcreditsummit.org/papers/empowerment.pdf

balance the power of decision making inside the household and outside in the society, which will ultimately benefit the society. This has been the focused World Bank (2006). This calls for increased investments in women, which seeks to advance women's economic empowerment by enhancing women's ability to participate in land, labor, financial and product markets, thus promoting shared growth and accelerating the implementation of MDG on gender equality. Moreover, the Action Plan calls for expanding women economic opportunities because increased women's labor force participation and earnings are associated with reduced poverty and faster growth, which will not only benefit women in their economic empowerment, but also men, children and society as a whole.

Sometimes superficial statements are made that religion, Islam, limits the women's accesses to resources in the Muslim countries which are necessary to uplift and pull them out of poverty. Hossein (2004) argues, in the context of West Africa, that other factors such as community support, class, ethnicity, language, and gender divisions of labor play a great role than simple religion in influencing decision making choices of women regarding their economic life, determining access, and participation in credit and financial services programs.

Since there is no general agreement on the definition of women empowerment, therefore different studies, which have been conducted in the past, used different impact indicators. Hashemi, Schuler and Riley (1996) constructed an empowerment indicator based on eight criteria including mobility, economic security, ability to make small and large purchases, involvement in major household decisions, and relative freedom from domination by the family, political and legal awareness, participation in public protests and political campaigns. According to Malhotra, Anju et al. (2002) empowerment can be measured in practice with an overview of various frameworks which cover economic, socio-cultural, familial, legal, political and psychological dimensions. They argued that in practice, measuring empowerment depends on the establishment of universal standards, e.g. human rights, but at the same time must allow for indicators which are sensitive to context. A special care may be taken while measuring women's empowerment in the context of different geographical regions. Kabeer (1999) made interesting points regarding the sharing of the family decisions based on south Asian studies. She said that, within the family, the purchases of food and other items of household consumption and decisions related to children's health appear to fall within the women jurisdiction whereas decisions on education, marriage of children and market related transactions in major assets tends to be in the male jurisdiction. She, therefore, cautioned that a greater care needs to be taken in selecting the decisions which indicate level of empowerment.

Studies made, so far, on the effect of microfinance on the women's empowerment show mixed results. Some studies present successful stories while others paint the dismal pictures. Hashemi et.al (1996) reported, in the context of rural Bangladesh, that there is a positive gain for women having access to credit. There is a possibility of an increase asset holdings in their own names, increase in their exercise of purchasing power, increase political and legal awareness as well as in composite empowerment index. Moreover, they

found higher level of mobility, political participation and involvement in major decision making for particular credit organizations.

Holvoet (2005) reported that women do not gain much in terms of decision-making patterns. Nevertheless, she finds that when loans are channeled through women's group and are combined with more investment in social intermediation, substantial shifts in decision-making patterns are observed. This involves a remarkable shift in norm-following of male decision-making to more bargaining and sole female decision-making. Ashe and Parrott (2001) found that 68 percent of women in its program experienced an increase in their decision-making roles in the area of family planning, children's marriage, buying and selling property, and sending their daughters to school. Working Women's Forum reported that about 41 percent of its members who had experienced domestic violence stopped it because of their personal empowerment, while about 29 percent were able to stop it through group action. Shrestha (1998) revealed, in the context of Nepal, that women were able to make small purchases like groceries independently, but for large purchases still dependent on husbands. There was no substantial change in gender relationship in the house in majority of the cases. However, great resistances to wife beatings and alcoholism among clients have been noticed. The perception of women's economic role is slowly changing. Women mobility related to income generating activities is increasing. Further more study reports that in Nepal 96 women from Centre for Self-Help development (CSD) program were elected to village and district committees, but they did not have any significant influence over decision after being elected.

Mayoux (1997) is of the view that impact of microfinance on women is not always positive. She argues that women that have set up enterprises benefit not only from small increases in income at the cost of heavier workloads and repayment pressures. Some times their loans are used by men in the family to set up enterprises, or sometimes women end up being employed as unpaid family workers with little benefit. Moreover, in some cases women's increase autonomy has been temporary and has led to withdrawal of male support. However, sometimes programs mainly benefit already better off women, whereas the poor women are either neglected by the programs or least able to benefit due to their low resource base, lack of skills and market contacts. Rahman (1999) reported that 40 to 70 percent of the loans disbursed to women are used by the male counterpart and the tension within household increases. Similar view is also expressed by Goetz and Gupta (1996), who challenged the view of high rate of repayment as a sign of women empowerment. They reported that a significant proportion of women's loan are controlled and invested by male relatives, while women borrowers bear the responsibility of loan repayment. Household survival strategies are undermined in case loans are badly invested by men and forcing women to mobilize repayment funds from resources which would have otherwise be used for consumption or saving purpose.

Minimal studies are available on the measurement of impact of microfinance on women's empowerment with reference to Pakistan. Asim (2008) estimated the impact of microcredit on women's empowerment in the urban slums of the Lahore district of Pakistan.

His study is based on a small sample of 275 female borrowers from two financial institutions only. He collected data on different dimensions of household decisions including children related, health, social mobility, economic and major household purchase. He found an insignificant effect of microcredit on the selected indicators of women's empowerment. The Gallup (2005) found a positive change in the self-perception of social status among the borrowers due to microcredit. This study, although based on a large sample, including almost all the micro lending institutions, it did not analyze the impact of microcredit on the empowerment of poor women. Thus, this study will attempt to find the impact of microcredit on women's empowerment using the data collected in Pakistan Poverty Alleviation Fund.

3. Data Set and Methodology

3.1 Methodology

Many factors influence the dependent variable. In order to isolate the influence of other factors and to capture the net impact of specific independent variable the "Difference of the Difference" approach is commonly used. This paper is employing the same approach where data are available and only difference approach is used where data on reference group (control group) are not available. We have used the country official poverty line of Rs.878.64 per adult equivalent per month for the year 2004-05.

3.2 Data

We have utilized the data collected in PPAF. Gallup Pakistan conducted survey of a sample of more than 3000 households, covering all provinces of Pakistan, of which about 1500 were borrowers (target group) and the rest were non-borrowers (control group). Data were collected from the beneficiaries of 23 Participatory organizations of the PPAF. On average survey covers 71 percent male respondents and 29 percent female respondents.

4. Results

4.1 We have segregated the poor and non-poor female respondents by employing the poverty line mentioned above. About 14 percent were found to be the poor female borrowers, while the rest were non-poor.

4.2 Changes in Personal Social Status

Seven interrelated questions were asked from the respondents regarding their perception on whether they feel any change in personal social status after receiving microcredit. About 59 percent of the poor female borrowers reported a positive change in their social status, while the remaining felt no change in their personal social status. Majority of the respondents (61.9 percent) reported that their opinion, regarding children marriages, has been given a due weight, 36.5 reported no change, while only 1.6 percent reported a negative change. Similarly about 59 percent revealed an increase in their say regarding education of children, 38.1 percent remained unaffected and 3.2 percent experienced negative change due to microcredit. A significant percentage (47.6) of respondents feel that they have been given due importance in resolving family disputes, making business decisions (about 62 percent), purchase or sale of household items (57.1

percent), and sale and purchase of property (47.6 percent). While the remaining respondents experienced no change from the previous status or they were adversely affected in the household due to microcredit (see Table 1).

Table 1: Perception of Poor Female Respondents about Change in Their Personal Social Status

	Direction of change	Borrower (%)
How has your social status affected after taking the loan	Increase	58.7
	Decrease	0
	Unchanged	41.3
Has the importance of your opinion regarding children marriages	Increase	61.9
	Decrease	1.6
	Unchanged	36.5
Has the importance of your opinion regarding decisions on education of children	Increase	58.7
	Decrease	3.2
	Unchanged	38.1
Has the importance of your opinion in resolving family disputes	Increase	47.6
	Decrease	17.5
	Unchanged	34.9
Has the importance of your opinion in business decisions	Increase	61.9
	Decrease	4.8
	Unchanged	33.3
Has the importance of your opinion in purchase or sale of household items	Increase	57.1
	Decrease	4.8
	Unchanged	38.1
Has the importance of your opinion in purchase and sale of property	Increase	47.6
	Decrease	7.9
	Unchanged	44.4

Source: our estimates

4.3 Control Over own Income

The microcredit has slightly improved the empowerment of women in terms of controlling their resources. In response to the question who controls and spends income, 49.2 percent reported that they were controlling and spending their income

on their own in the family currently while this ratio was 44.4 before the microcredit. This shows a marginal (4.8 percent) improvement over the period under study. The Table 2 reveals that about 40 percent of the respondents were giving all their income to their family/husband before availing microcredit, but after microcredit the percentage of such respondents declined by 6.4 percent. However, the microcredit did not make any big difference in the controlling and spending ‘partly with self and partly with family’ behavior of poor female respondents.

Table 2: Control over own income.

	Response	Before Borrowing (%)	After Borrowing (%)	Difference
Control on resources currently	Keep all income	44.4	49.2	4.8
	Give all to husband/family	39.7	33.3	-6.4
	Partly with self and partly with family	15.9	17.5	1.6

Source: our estimates

4.4 Mobility of the Poor Female Borrowers

Table 3: Mobility of the Poor Female respondents

	Borrower (%)			Non-Borrower (%)			% Diff of Diff
	Before	After	Diff	Before	After	Diff	
Many times	25.4	28.6	3.2	46.7	40	-6.7	9.9
Sometimes	61.9	50.4	-10.5	35.6	40	4.4	-14.9
Never	12.7	17.5	4.8	17.8	20	2.2	2.6

Source: our estimates

Table 3 shows mixed results regarding the mobility of poor female respondents. The net impact of micro credit on female mobility is shown in the last column of the Table. A 10 percent increase was reported in the mobility of females who were going out of their homes ‘many times’. The net impact on those who were going out of their homes ‘sometimes’, was found to be negative (-14.9 percent), while this was 2.6 percent who ‘never’ went out of their homes. The result shows that the microcredit has increased the mobility of one quarter of poor female who were more often going out of their homes, and reduced for those (about 75 percent) who were going out ‘sometimes’ or ‘never’.

4.5 Participation in Politics

Table 4: Poor borrowers' participation in politics

	Participate (%)	Elected (%)
yes	1.6	100
No	98.4	

The Table 4 reveals that the poor female borrowers were not interested and taking part in politics. Only 1.6 percent female borrowers were taking part in the politics and they were all elected in the local union's elections.

5. Conclusion

Role of women has been greatly recognized in the social and economic development of the societies. Development studies put much emphasis on the gender equity as a critical component for successful development strategies. The prime objective of the microfinance has been to empower women and get them out of poverty. Due to its importance, a lot has been written on the subject. Studies have been conducted and the general impression is that microfinance has been successful in empowering women. This paper has been written primarily to know the level of general awareness among the female borrowers and their empowerment. For the purpose of analysis, the data collected in PPAF has been employed. The DID approach has been employed where data were available otherwise Difference approach has been used.

The paper finds that microcredit has created a general awareness among the poor female borrowers. Our results show that on the average about 60 percent of female borrowers feel self empowered in terms of change in their social status. In general majority of the poor female women feel that they are given due importance in making decisions regarding children marriages and education. They also feel that their opinions get due weight in resolving family disputes, making business decisions, purchase or sale of household items or the sale and purchase of property. Results also indicate that there has been a marginal increase in the percentage of poor female borrowers in controlling and spending of their own resources. The net impact of the microcredit on the female mobility has been positive. There has been a substantial (about 10 percent) increase in the mobility of the women group who more often (many times) go out of their homes. However, the net effect of microcredit on the mobility of those who 'sometimes, used to go out of homes was found to reduce by about 15 percent and that of those who 'never' went out increased by 2.6 percent. Women in these last two categories make up about 75 percent of the poor women borrowers. The result shows that 98.4 percent of the poor female borrowers are not interested to participate in politics.

The role of microcredit in empowering the poor should be encouraged. If the poor feel self respected inside the family and in the society and their opinions get weight in household decision making then this is a healthy sign for the development of the society. In

case this creates conflict within the family and in the society, as many studies have reported, then this will lead to destruction rather than development of the society.

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