



KØBENHAVNS
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Microcredit and Women's Economic Empowerment

The impact of Nordic Microfinance Initiative's microcredit-investments in India





Introduction and Agenda

- Us - Emma Siemens Lorenzen and Ida-Marie Olsen
 - The subject of our master thesis: Microcredit as a tool to development with a focus on womens economic empowerment
 - Main findings about impact – divided in three subcategories: resources, agency, and achievements
 - Policy recommendations for investing in microcredit
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- Motivation: Still crucial to fight poverty, microcredit as a tool. Eventhough microcredit is widespread, there is ongping debates about actual impact. This is we are pleased tohave this webinar and open discussion and knowledge sharing. Our focus is motivated by the fact that knowledge about the impact on individuals and households is relative limited. Additionally, studies have made contradictory claims regarding the empowerment potential. The contribution of this thesis to the existing literature as an urgent social analysis. especially considering the present need to provide analysis of the impact of microcredit on the underexposed area of empowerment. We focus on the actual impact of microcredit on women's lives instead of just the quantity of microcredit offered. India as an ideal case: 115 million microcredit borrowers. And 96 pct. are women.



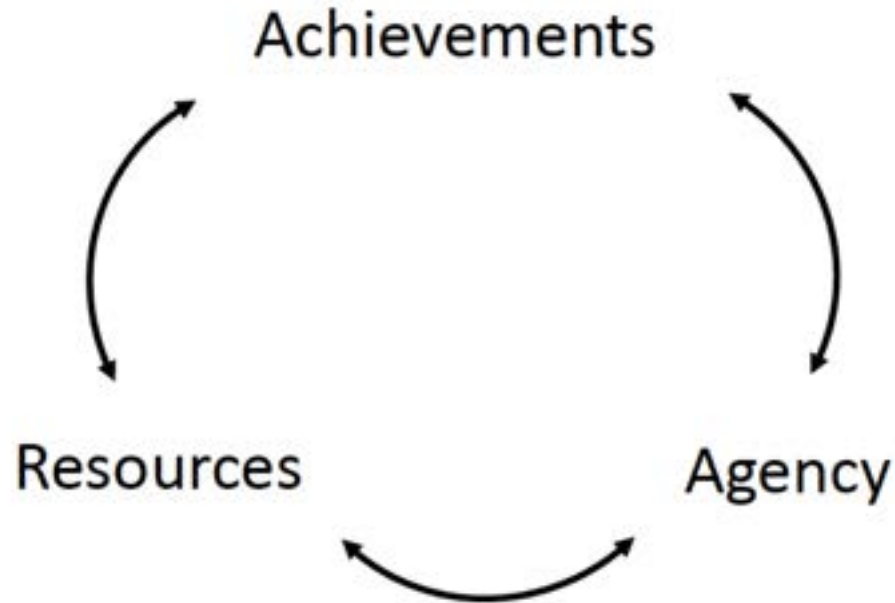
The subject of our thesis

- Research question: *Nordic Microfinance Initiative's microcredit-investments in India and how they impact women's economic empowerment*
- **Empirics:** 60 Decibels dataset (300 interviews with microcredit borrowers), interviews with 9 experts and practitioners, impact assessments, and existing literature on the subject



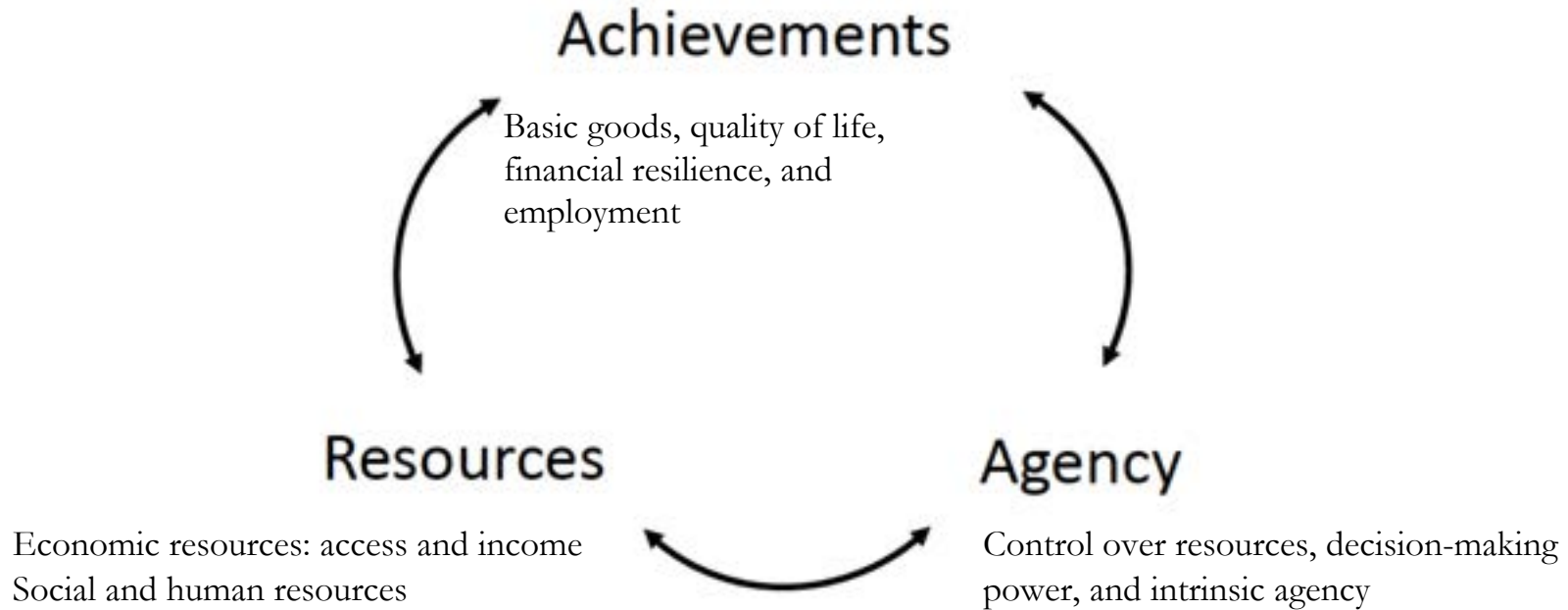


Empowerment framework: Connected and mutually linked





Empowerment framework





Main findings about impact on Resources

Resources				
Access	Business use	Income generation	Human capital	Social capital

Colour explanations

Green: Positive change

Grey: Inconsistent change / answers

Red: No change





Resources I: Access

- Positive change
- We find microcredit has a positive impact in terms of access to resources
- **Access to credit:** Microcredit provided the women with a possibility for credit, which they would not have otherwise
- However, we found that access to credit was confined by having a husband in the eligibility criteria's



Resources II: Business use

- Inconsistent change
- A procentage used the microcredit to start a new business
- Non-business purposes: household expenses, school fees, other debts, and medical expenses.



Resources III: Income generation

- Positive change
- Income generation was **most likely to happen for borrowers who already had an existing business.**
- Among the respondent with an existing business, majority answered **that the amount they earned has either slightly or very much increased** after borrowing microcredit



Resources IV: Human capital

- No change
- **Human capital:** Microcredit borrowers are primarily illiterate, which influence business opportunities.
- Greater impact on borrowers that are less-poor (existing business and education)
- Though financial literacy training is mandatory for the MFI to provide, **in practice this training is very minimal.** Indicates that human resources have not significantly changed because of obtaining microcredit.



Resources V: Social Capital

- Inconsistent change

The Joint-Liability Group:

Positive

Exchanging financial advice
and increasing their social
network

Negative

Social cohesion and social
exclusion





Main findings: Impact on Agency (second dimension of empowerment)

Agency		
Control of loan	Decision-making	Intrinsic agency

Colour explanations

Green: Positive change

Grey: Inconsistent change / answers

Red: No change





Agency I: Control over the loan

- Inconsistent change
- Gendered hierarchy implies that it is more common for male members to own property and business. Therefore, the microcredit, despite being obtained by a woman, is often deployed to the male member of the household's business. However, this does not necessarily imply a lack of agency, since the woman's ability to borrow microcredit still provides her with power and increases her importance in the household.
- Sharing control over a microcredit with a male does not necessarily imply a lack of empowerment
- The woman's ability to borrow microcredit still provides her with power and increases her importance in the household



Agency II: Decision-making

- Positive change
- Majority replied that their **ability to make money decisions has either very much increased or slightly increased**



Agency III: Intrinsic agency

- Positive change
- Majority of borrowers did not perceive microcredit as a burden.
- However, still mixed replies regarding stress levels. And also in the literature found still find critics of both high interest rates and procedure which put a pressure specifically on the women
- Indication that women increased their self-confidence / belief in their ability to manage finances.
Sense of pride in the women's exclusive access to credit, even when the microcredit is not put to a "productive" or business-related use.



Main findings about impact on Achievements

Achievements			
Basic goods	Quality of life	Financial resilience	Experience of work

Colour explanations

Green: Positive change

Grey: Inconsistent change / answers

Red: No change





Achievements I: Basic goods

- No change
- Majority of borrowers answer that there has been **'no change'** in terms of quality meals, childrens school, home improvements, and health care.
- This means that improved access to resources through microcredit does not seem to result in increased consumption, which is an indicator for increased quality of life for average poor microcredit borrowers.
- Around **one out of three women** reports an increase



Achievements II: Quality of life

- Positive change
- Majority respond that their **quality of life has either very much or slightly improved** after borrowing microcredit. Thereby, the women's own perception of the change in quality of life signifies a positive impact from obtaining microcredit.
- **Positive:** *"After investment, the income has increased. I am able to spend a bit more and life has been better"*
- **Negative:** *"How can one expect any change with this little money?"*



Achievements III: Financial resilience

- Inconsistent change
- Majority have improved their ability to meet major expenses.
- However, half of the respondents find it difficult to come up with money at short notice if an unexpected emergency comes up.
- Thereby, the results show that borrowers are **made slightly better off in regard to financial resilience** to face emergencies after taking up microcredit, but **they are still generally financially vulnerable** which the microcredit does not manage to change.
- Microcredit does not permanently build up a social safety net or make women financially resilient to face all major unforeseen expenses.



Achievements IV: Experience of work

- No change
- Microcredit is a possibility for women to enter paid work and earn an additional income.
- However, microcredit does not create a stable source of income
- Women's domestic work limits the way in which microcredit can be a pathway to take on paid work outside the household.



Sum of findings on impact

- Resources: Increased
- Agency: Increased
- Achievements: Lack of impact

Colour explanations

Green: Positive change

Grey: Inconsistent change / answers

Red: No change

Resources				Agency				Achievements			
Access	Business use	Income generation	Human capital	Social capital	Control of loan	Decision-making	Intrinsic agency	Basic goods	Quality of life	Financial resilience	Experience of work





Policy recommendations I

- **Terms and conditions:**
 - **Discussion about the interest rate.** The average interest rate between the MFI's that we researched are 24 % which were problematized by both women borrowers and practitioners
 - **A two-month grace period** before beginning repayment can result in larger economic gains. A two-month grace period before beginning repayment can give the women more time to invest and result in larger economic gains. Especially because many are concerned with agriculture
 - **Looking into possibilities of larger loan sizes.** Looking into possibilities of larger loan sizes. Across the interviews, the women and some practitioners mention the microcredit is too small to create a substantial difference. The average size of the microcredit is USD 532. They mention that larger loan sizes will have a higher chance of increased returns, as well as making shared businesses



Policy recommendations I

- **Human capital:**
 - **An area we found no change**
 - Skills and knowledge about conducting business. A central finding is that financial literacy training through the MFIs is minimal even though this training is mandatory for the MFI to provide, and the MFIs could provide more literary training. MFI's providing additional skills and knowledge about conducting business is valuable.



Policy recommendations II

- **Institutional level:**
 - Investors to ensure empowerment throughout the organization.
 - Women at the board level of the MFIs
 - MFIs could hire more female staff. It would create an expiring example, create better loaning programmes aimed at women and provide a substantial amount of women with secure jobs.



Questions and comments

